

# South West Hertfordshire Economic Study

A Report by Hatch  
September 2024

# South West Hertfordshire

## South West Hertfordshire Economic Study

September 2024

[www.hatch.co.uk](http://www.hatch.co.uk)

# Contents Page

---

<b>Glossary</b>	<b>i</b>
-----------------	----------

---

<b>Executive Summary</b>	<b>ii</b>
--------------------------	-----------

---

<b>1. Introduction and Purpose of Study</b>	<b>1</b>
---	----------

---

<b>2. Policy context</b>	<b>3</b>
--------------------------	----------

---

<b>3. Economic Geography of South West Herts</b>	<b>12</b>
--	-----------

---

<b>4. Economic and Labour Performance</b>	<b>20</b>
---	-----------

---

<b>5. Commercial Property Trends</b>	<b>44</b>
--------------------------------------	-----------

---

<b>6. Future Growth Scenarios</b>	<b>79</b>
-----------------------------------	-----------

---

<b>7. Supply of Employment Land</b>	<b>116</b>
-------------------------------------	------------

---

<b>8. Demand and Supply Balance</b>	<b>126</b>
-------------------------------------	------------

---

<b>9. Conclusions and Recommendations</b>	<b>134</b>
---	------------

---

<b>Appendix A - Total Employment by Sector 2021</b>	
---	--

---

<b>Appendix B - Key Points from Consultations with Commercial Agents</b>	
--	--

---

<b>Appendix C - Commercial Property Market Data</b>	
---	--

---

<b>Appendix D - Employment densities table from HCA Employment Density Guide</b>	
--	--

---

<b>Appendix E - Full-Time Equivalent Ratios</b>	
---	--

---

---

**Appendix F - Assumptions for allocating FTEs to use classes**

---

**Appendix G - Site pro-formas**

---

**Appendix H - Review of Existing Non-Strategic Sites**

---

**Appendix I - Hypothetical scenario showing office vacancy rates if South West Herts lost office space**

**Disclaimer & Limitations of Use**

## Glossary

Term	Definition
Availability rate	Percentage of employment floorspace available for occupation at any given point in time
B2	Employment floorspace use class (based on Use Classes Order 2021) referring to general industrial use, typically manufacturing and other industrial uses not suitable for residential areas
B8	Use class referring to storage and distribution uses
E(g)(i)	Use class referring to office floorspace
E(g)(ii)	Use class referring to research and development floorspace
E(g)(iii)	Use class referring to industrial production and processes that can be carried out in a residential area (typically known as light industrial uses)
Commitments	Known future developments of employment floorspace and land which could result in either gains or losses, generally developments consented but not yet implemented
Completions	Employment floorspace developed
Functional Economic Market Area (FEMA)	Geographic area which operates as an economic market across activities including employment, business, housing and travel to work, economic infrastructure
Full-Time Equivalent (FTE)	Indicator of job numbers which includes both full-time jobs and part-time jobs, the latter measured as equivalents of a full-time job
Net absorption	Measure of the total of employment floorspace occupied less floorspace vacated
Planning Practice Guidance (PPG)	UK Government guidance, connected to National Planning Policy Framework, which specifies how planning for future economic development needs should be carried out <a href="https://www.gov.uk/guidance/planning-practice-guidance">Planning practice guidance - GOV.UK (www.gov.uk)</a>
Safety margin	Allowance in estimating employment floorspace and land need which provides for unforeseen future changes, applied as a percentage adjustment
Vacancy rate	Percentage of employment floorspace unoccupied

# Executive Summary

## Purpose of the Study

---

- i. This report provides an update to the South West Herts Economic Study, last undertaken in 2018-19. The main aims of the study were to:
  - review economic and commercial property market trends since the last report and consider how these have been affected by the Covid 19 pandemic
  - quantify the future demand for office, industrial and storage & distribution space in South West Herts over two planning periods; 2021-2041 and 2021-50.
  - assess whether sites allocated in Local Plans are adequate to meet this demand and if not, how this shortfall could be addressed.

## Functional Economic Market Area

---

- ii. The earlier studies published in 2016 and 2019 found that the South West Herts functional economic market area (FEMA) is made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford. This definition has been revisited in light of new data on commuting and migration from the 2021 Census. We find that the five local authority areas continue to share strong links in terms of migration, commuting and strategic transport infrastructure. Therefore we conclude that the definition of the FEMA is still valid.

## Relationship with London

---

- iii. South West Herts continues to have a very strong relationship with London, both in terms of migration and commuting, and commercial property markets. With regard to the latter, we find that the main cross-border relationship is in the industrial and storage & distribution property market. The need for this space in the capital has continued to grow in recent years, driven by a growing population and the growth of online shopping. However the supply of industrial land and floorspace has fallen due to pressure from other uses with higher land values, particularly residential. As a result, demand has been displaced to neighbouring areas with good connections to London, including South West Herts at locations such as Maylands Business Park in Dacorum. This is likely to continue to be a significant driver of demand for industrial and storage & distribution space in the FEMA.

## Economic and labour market performance

---

- iv. Analysis of economic and labour market performance in South West Herts is complicated by inaccuracies in the Business Register and Employment Survey, particularly relating to temporary employment agencies. These inaccuracies make it difficult to analyse trends in employment but also trends in GVA and labour productivity which also draw upon this dataset.
- v. These caveats aside, the study shows that South West Herts has performed well, with growth driven by strong performance in high value service sectors such as ICT and professional services. These have continued to grow despite the Covid pandemic. This strong performance is built on

a number of strengths, including a population which is higher skilled and more entrepreneurial than comparator areas. This provides a solid foundation for continued growth in the future.

- vi. The main barriers to growth relate to the labour market. There is very limited capacity in the labour market (as evidenced by low inactivity and unemployment rates) and evidence that many businesses are struggling to recruit the workers they need. This is affecting all sectors to some extent, but particularly health and care, hospitality and construction. Recruiting people with digital skills such as programming also appears to be a cross-cutting issue affecting many sectors.
- vii. These labour market pressures could increase if the latest ONS population projections prove to be accurate. These show a declining working age population and significant growth in the number of people over 65. This will reduce the available supply of workers and increase demand (through replacement demand) leading to increased recruitment challenges.

## Commercial property market trends

---

### Office market

- viii. South West Herts's office market, like those in many other parts of the UK, has been severely affected by the Covid pandemic and the increase in working from home. Net absorption, which measures the net change in the quantity of leased office space, has fallen by 67,000 sq m since 2019. The fall has been greatest in large offices over 1,000 sq m as larger occupiers have rationalised their use of space in light of changing working patterns. This has resulted in an oversupply of office space, as evidenced by the fact there is currently 124,000 sq m of vacant office space in the FEMA and an availability rate of 11.2%.
- ix. We find there is a high risk of further increases in vacancy and availability as there are still a large number of leases which have not been reviewed since the start of the pandemic. When these leases reach a break or expiry point, there is a high probability that tenants with large amounts of underutilised office space will also choose to reduce their requirements. This means it may be a number of years before the office market reaches 'a new normal' at which point demand for office space would begin to increase again.
- x. This does not mean there will be no demand for offices. The study shows there is still demand for smaller offices, and particularly high quality offices in the main office markets of Central Watford and St Albans. However this is unlikely to be enough to offset the fall in demand for large floorplates.

## Industrial and storage & distribution market

---

- xi. Demand for industrial and storage & distribution space in the FEMA has remained very strong since the last study was undertaken, with net absorption of 64,000 sq m between 2019 and 2022. This was driven mainly by demand for large scale storage & distribution space which increased during the pandemic as a result of increased online shopping and concerns about supply chain resilience. Net absorption was greatest at Maylands Business Park which has been the main location for new development of large scale warehousing. Despite significant new development (particularly in Dacorum and Hertsmere), availability rates for the FEMA have been consistently below 8% meaning there is still an undersupply of space.

- xii. Although the market has been dominated by large scale storage & distribution, commercial agents also report there is a shortage of smaller industrial space to meet the needs of growing businesses in South West Herts.

## Future Scenarios

### Office space

- xiii. The study has modelled a number of different scenarios to understand the future demand for office space in South West Herts. These include scenarios based on employment forecasts, population projections, development rates and trends in net absorption. The results of these scenarios for future office requirements are shown in Table 1.
- xiv. Over the period 2021-2041, office space requirements range from -27,000 sq m to +225,400 sq m. The land requirements are also presented, although in most scenarios a significant proportion of demand could be met through the existing supply, meaning additional land would not be required.
- xv. We believe the most likely scenarios are those based on the trend in net-absorption as these are the only scenarios based on actual market evidence of demand for office space and do not rely on a large number of modelling assumptions, all of which are subject to significant uncertainty. We present two variants of this scenario; one in which net absorption resumes its long term trend from 2024 onwards (immediate recovery) and one in which net absorption continues to fall until the office market has fully adjusted to post Covid working patterns (delayed recovery). We believe the delayed recovery scenario is most likely, although this could prove pessimistic if there is a marked increase in office utilisation (e.g. as a result of employer incentives or mandates). Nevertheless, even if the immediate recovery scenario was accurate, this would mean only a modest amount of office space would be required and this could be met through the supply of vacant/available office space and unimplemented planning permissions.

Table 1: Office space and land requirements in modelled scenarios

	Office space (sq m)		Land (Ha)	
	2021-2041	2021-2050	2021-2041	2021-2050
Employment led	100,600	135,600	12	16
Labour supply – standard method	194,100	282,800	23	34
Labour supply – 2014 projections	154,800	214,600	19	26
Labour supply – 2018 projections	15,400	22,400	2	3
Gross development trend	225,400	326,800	27	40
Net absorption trend – immediate recovery	18,800	32,000	2	6
Net absorption trend – delayed recovery	(27,000)	32,000	-	-

Source: Hatch

- xvi. It is recognised that the picture of future demand for office space is substantially different to that of the conclusions of the 2019 South West Herts Economy Study, with the figures in this report around 50% of those implied by that study. However, this reflects a range of factors including the acceleration of trends in home and hybrid working which emerged through the Covid-19 pandemic and forecasts for future employment growth in some office-based sectors which are



still positive but less upbeat than forecasts at the end of the 2010s, with challenging global and UK economic conditions since 2020 likely to be reflected in the more recent forecasts.

### Industrial and storage & distribution space

- xvii. Tables 2 and 3 present a summary of the various scenarios for future industrial and storage & distribution requirements. Our preferred scenario is based on the trend in net absorption, with an upward adjustment made to account for latent demand which could have arisen if the supply of space had not been constrained. This adjustment has used a method recommended by Savills in a report for the British Property Federation (BPF). Again, this is our preferred scenario as it is the only scenario based on actual evidence of demand.
- xviii. Over the period 2021-2041 this would result in a requirement for 110,200 sq m of industrial space (27.6 Ha) and 413,400 sq m of storage & distribution space (103.4 Ha). In total, the land need is 130 Ha 2021-41.

	Industrial space (sq m)		Land (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Employment led	71,600	20,700	17.9	5.2
Labour supply – standard method	130,200	56,300	32.6	14
Labour supply – 2014 projections	101,300	35,500	25.3	8.9
Labour supply – 2018 projections	(700)	(1,400)	(0.2)	(0.3)
Gross development trend	209,700	92,500-136,900	52.4	23.1-34.2
Net absorption trend + latent demand	110,200	49,700	27.6	12.4

	Storage & distribution space (sq m)		Land (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Employment led	269,300	60,100	67.3	17.9
Labour supply – standard method	568,000	240,700	142.0	60.2
Labour supply – 2014 projections	441,600	150,200	110.4	37.6
Labour supply – 2018 projections	4,000	(8,500)	1.0	(2.1)
Gross development trend	456,100	198,900-243,100	114.0	49.7-60.8
Net absorption trend + latent demand	413,400	186,100	103.4	46.5

Source: Hatch

## Additional floorspace and land requirements

### Office

- xix. The study finds that no new office space is required over either the 2021-41 or 2041-50 period. The report found 162,000 sq m of available office space in South West Herts, of which 124,000 sq

m was identified as vacant. This includes a high level of availability in the locations in highest demand, including central Watford and St Albans. There is also a further 36,000 sq m of office space with planning permission in the form of commitments. We conclude there is not a need to identify additional sites for office development.

### industrial, storage and distribution

- xx. For industrial, storage and distribution, the study developed two scenarios to understand the balance of demand and commitments in establishing whether additional land supply would be required. The two scenarios are driven by different assumptions about the contribution of Radlett Strategic Railfreight Interchange (331,665 sq m capacity) to meeting South West Herts needs.
- xxi. In Scenario 1, 53% of Radlett SRFI contributes to South West Herts' needs. This is considered a reasonable assumption on the basis of the evidence available to the study. The result is a land requirement of 35.4 Ha over the 2021-41 period.

**Table 4: Remaining floorspace and land requirements for industrial, storage and distribution after accounting for completions since 2021 and planning commitments, Scenario 1**

	2021-41	2041-50
Need (sq m) – A	523,600	235,800
Net completions since 2021 (sq m) – B	29,000	
Net commitments with 175,800 sq m at Radlett included (sq m) – C	352,900	
Remaining need (sq m) = A-B-C	141,700	235,800
Remaining land requirement (Ha)	35.4 Ha	58.9 Ha

- xxii. In Scenario 2, Radlett SRFI makes a smaller contribution (24% of site) to meeting South West Herts needs. This is considered to be a more cautious approach which does not fully reflect drivers of demand for such sites and premises in South West Herts. The additional land requirement for industrial uses is estimated at 59.5 ha to 2041, and a further 58.9 ha between 2041 and 2050.

**Table 5: Remaining floorspace and land requirements for industrial, storage and distribution after accounting for completions since 2021 and planning commitments, Scenario 2**

	2021-41	2041-50
Need (sq m) - a	523,600	235,800
Net completions since 2021 (sq m) - b	29,000	
Net commitments with 79,600 sq m at Radlett included (sq m) - c	256,800	
Remaining need (sq m) = a-b-c	237,800	235,800
Remaining land requirement (Ha)	59.5 Ha	58.9 ha

Source: Hatch \*net commitments have been based on a point in time when this assessment was undertaken (August 2023). However this is a point in time assessment when the study was carried out with August 2023 agreed as the cut-off date for net commitments. Net commitments will fluctuate as planning applications come forward or are amended.

## Supply of land

- xxiii. The study undertook site reviews covering sites in each of the five local authority areas. Most of the sites were allocated for employment uses in the current local plans or shown as proposed allocations in emerging local plans. The site reviews considered a range of factors including the amount of land realistically available for development, potential development constraints, market attractiveness and the most suitable uses (including use class and sizes of units).
- xxiv. The site reviews identify 67.4 Ha of land available for development on allocated sites (see Table 5). A large number of the sites are suitable for a mix of uses, including office, industrial and storage & distribution development. However, given the market trends described above, we would expect most of these sites to come forward for industrial or storage & distribution development. The sites are of good quality, are likely to be attractive to the market and have no significant barriers to delivery. For one of the sites, East Hemel Hempstead Central, the emerging St. Albans City and District Local Plan identifies that a proportion of the site (17 ha, 29%) should be earmarked for business and R&D uses. This reduces the supply to 50.4 hectares.
- xxv. A significant proportion of the land available is at Radlett Strategic Rail Freight Interchange (SRFI), a site of 96.7 Ha, in St Albans. It will serve a very large catchment area and therefore be contributing to the needs of other areas as well as the FEMA, particularly London and the South East. Nevertheless, given that South West Herts already contributes to the needs of these markets we conclude it is legitimate to count part of the site towards meeting the need for industrial and storage & distribution space.

Table 6: Land Available on Strategic Sites in South West Herts

Site	Included in available supply	Suitable uses	Land with development potential (Ha) <sup>1</sup>
<b>Dacorum</b>			
Bourne End Mills extension	No	Mix (small units)	1.2
Land between Upper Bourne End Lane and A41	No	Mix (small units)	2.9
Two Waters Road/A41 Junction	No	Mix (small to medium units)	5.6
Adjacent to Shendish Manor	No	Not suitable for employment uses	0.0
Dunsley Farm	No	Mix (small to medium units)	5.4
<b>Total for Dacorum</b>			<b>15.1</b>
<b>Total available</b>			<b>0.0</b>
<b>Hertsmere</b>			
Land north of Hilton Doubletree and south of Sky Studios	Yes	Mix (small to medium units)	2.1
Land north west of Cranbourne Road Industrial Estate	Yes	Mix (small to medium units)	1.8

<sup>1</sup> Does not include capacity that could be realised through redevelopment or intensification. This also excludes any sites with planning permission that have already been counted in Table 7.1. For example, Radlett has 96.7 Ha of developable land but this is all included in the planning permission for 331,665 sq m which is counted above.

Table 6: Land Available on Strategic Sites in South West Herts			
Site	Included in available supply	Suitable uses	Land with development potential (Ha) <sup>1</sup>
Centennial Park - Land South of Aldenham Reservoir	Yes	Mix (small to medium units)	4.9
Centennial Park - Caspian and Tasman House	Yes	Mix (small to medium units)	1.4
Mercure Hotel, Tyler Way	Yes	Mix (small to large units)	0.0
Elstree Way	Yes	n/a	0.0
Land off Stephenson Way	Yes	B1c/B2/B8 (small to large units)	3.1
<b>Total for Hertsmere</b>			<b>13.3</b>
<b>Total available</b>			<b>13.3</b>
St. Albans			
East Hemel Hempstead Central	Yes	Mix (small to large units)	52.7*
Strategic Rail Freight Interchange, Radlett	Yes	B8 (large units)	0.0
<b>Total for St Albans</b>			<b>52.7</b>
<b>Total available</b>			<b>52.7</b>
Three Rivers			
Croxley Business Park	Yes	n/a	0.0
Tolpits Lane	Yes	n/a	0.0
Maple Cross/Maple Lodge	Yes	Mix (small to large units)	0.0
Kings Langley	Yes	n/a	0.0
Leavesden Employment Area	No	Mix, targeted at creative industries	0.0
Lynsters Farm	No	Mix (small to medium units)	10.7
<b>Total for Three Rivers</b>			<b>10.7</b>
<b>Total available</b>			<b>0.0</b>
Watford			
Wiggenhall Road; Fishers and Trade City Estates	Yes	Mix (small units)	0.6
Shakespeare Road Industrial Estate	Yes	n/a	0.0
Greycaine Road; Odhams and Sandown Road Industrial Estates	Yes	n/a	0.0
Watford Business Park	Yes	n/a	0.0
Imperial Way; Colonial Way; and Holly Industrial Estates	Yes	Mix (small to medium units)	0.8
Clarendon Road Primary Office Location	Yes	Office	0.0
<b>Total for Watford</b>			<b>1.4</b>
<b>Total available</b>			<b>1.4</b>
<b>Total available supply</b>			<b>67.4</b>

Table 6: Land Available on Strategic Sites in South West Herts			
Site	Included in available supply	Suitable uses	Land with development potential (Ha) <sup>1</sup>
<b>Total available supply</b>			<b>50.4*</b>

\* East Hemel Hempstead Central is assumed to contribute 35.7 ha when the proposed proportion identified for business/R&D uses is accounted for

## Balance of supply and demand

- xxvi. For industrial, storage and distribution uses, Scenario 1 indicates that South West Herts has no shortfall of land, with the additional land requirement of 35.4 Ha lower than the available supply of 50.4 Ha identified in the study.
- xxvii. In Scenario 2, the need for 59.5 Ha of land for industrial and storage & distribution development by 2041 overall implies that South West Herts has a shortfall of allocated land which is of sufficient quality to meet the level of need identified in this report. Over the period to 2041, the shortfall is around 9 Ha.
- xxviii. In both scenarios, the supply is insufficient to fully meet the additional 58.9 ha need identified for the 2041-50 period.
- xxix. How the shortfall issue is resolved, and the broader question of the distribution of industrial need, would be subject to the South West Herts authorities agreeing on the recommended apportionment through duty-to-cooperate discussions. Five potential approaches to considering the 'share' of the land need identified here were considered in the study, none of which in their own right provide a justifiable solution:
- Taking past industrial activity in South West Herts, which has been heavily concentrated in Dacorum borough, as the basis for the distribution of need would not be appropriate. Analysis of take-up data in this report shows that Dacorum accounted for 91% of industrial net-absorption between 2009 and 2021. In the case of St. Albans, it accounted for only 1%, whilst Watford saw a net loss over the period.
  - Applying a distribution on the basis of the available land supply identified in this report would also be inappropriate. This would see a significant proportion of the need for industrial and storage & distribution space for the FEMA being met in St Albans, which accounts for around 71% of the identified supply, with the study showing that both Dacorum and Three Rivers have no available supply to contribute, and most of the remainder in Hertsmere (26%).
  - Applying a share mechanism based on the combination of commitments and supply would provide a more even share of the shortfall. However, this is driven by the share of current commitments which are likely to fluctuate over time, and would not be a reliable basis for resolving the issue.
  - Drawing on the analysis in Chapter 6 for past completions. Completions of floorspace are distinct from net absorption since the latter takes account of both new occupation of floorspace and businesses existing premises. The completions data provides a broader

distribution across the five local authority areas, using the annual averages from 2009-21. However, it shows that St. Albans City and District accounted for only a 7% share, with Dacorum at 16%. Figures for Hertsmere, Three Rivers and Watford range from 24-27%. This is not consistent with either evidence of past trends in take-up or the identified supply in the report.

- Drawing on the employment forecasts presented in Chapter 6, which also suggest a more even distribution in which Dacorum and St. Albans each account for 24% of forecast employment growth, with Hertsmere (17%), Three Rivers (16%) and Watford (18%) accounting for the remaining share. A strength of this approach is its alignment with employment trends, and the shares it implies are likely to be well-aligned with housing need evidence. However, it is not in its own right an appropriate basis for addressing the share of future employment land required. It would not reflect the distribution of the identified supply in South West Herts, nor would it reflect the way in which businesses recruit and trade which is not driven by local authority boundaries.
- xxx. The concentration of both industrial need and supply (commitments + available land for future development) in Dacorum, Hertsmere and St. Albans also presents South West Herts local authorities with a challenge in ensuring that employment land policies meet the NPPF's requirements for positive plan-making which encourages economic growth. At face value, the implication of the assessment for Three Rivers which in the preferred net absorption scenario has a low level of identified need, a small quantity of commitments and no identified supply, and Watford with a negative need figure, is not consistent with the NPPF's requirements. Alternative need scenarios presented in Chapter 6 generally point to lower levels of need compared with the preferred scenario, but to individual need figures for Three Rivers or Watford which are higher than those of the preferred scenario.
- xxxi. However, the assessment identifies need and supply for the FEMA as a whole, with the preferred scenario selected for providing the most appropriate indicator of industrial demand for the area. In responding to the conclusion of this study, the South West Herts local authorities will need to consider further how future provision for industrial development is distributed and whether the final figures taken forward into planning policies should be adjusted to ensure that Three Rivers and Watford identify land supply which provides the capacity to accommodate demand for industrial uses. This could, for example, be achieved by assuming that the 9 Ha shortfall is primarily addressed by these two areas.
- xxxii. In addressing this issue, consideration could also be given by the South West Herts local authorities, about whether Local Plan policies on employment land should include the flexibility for future allocations of industrial land explicitly geared towards meeting small-scale, localised need. With committed sites and the potential available on strategic sites limited in Three Rivers and Watford in particular, opportunities and needs which arise from local SMEs seeking to grow or relocate but remain in the area may be difficult to achieve without some future flexibility. Whilst the study includes in its need assessment a safety margin factor to provide choice and flexibility, there may be needs which are difficult to predict and which require land, on a small scale, to sustain and grow local businesses.

# 1. Introduction and Purpose of Study

- 1.1 The South West Herts authorities (Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough Council) commissioned Hatch and BE Group to update the South West Herts Economic Study. Previous studies were published in [2016](#) and [2019](#). The need for this update has arisen as a result of the Covid pandemic in 2020-21 which had a significant impact on the economy and commercial property market of South West Herts.
- 1.2 The primary aims of the study are to i) assess the current and future demand for office, industrial and storage & distribution space in South West Herts, and ii) assess whether sites allocated in Local Plans are adequate to meet this demand and if not, how this shortfall could be addressed. Floorspace and land requirements are estimated for the period 2021-2041 to align with the Plan periods for the emerging Local Plans for Dacorum, Hertsmere, St Albans and Three Rivers. The report also shows floorspace requirements for the period 2041-2050 (based on the extrapolated trend for 2021-2041) to inform the South West Herts Joint Strategic Plan which runs to 2050. The estimates for this later period are subject to significant uncertainty and should be treated as indicative.
- 1.3 Other aims of the research include:
- Reviewing the definition of the functional economic market area (FEMA) for the South West Herts authorities.
  - Assessing the recent economic and labour market performance of South West Herts and the key drivers of growth
  - Understanding the relationship between South West Herts and neighbouring areas, particularly London.
  - Understanding the requirements of different sectors such as storage & distribution, film and TV production, life sciences, and clean growth.
- 1.4 The updated study will form a key part of the evidence base for the Local Plans being prepared for Dacorum, Hertsmere, St Albans and Three Rivers, and for the South West Hertfordshire Joint Strategic Plan. It will also be useful for Watford. Even though there is no firm timetable for a further Local Plan review, a review process is likely to commence in 2025.
- 1.5 The report is structured as follows:
- Chapter Two reviews the changes in economic and planning policies at a national and local level since the 2019 study was published.
  - Chapter Three focuses on the economic geography of South West Herts. It revisits the definition of the Functional Economic Market Area (FEMA) from the 2019 study and tests whether this is still valid. We also look at South West Herts' relationship with neighbouring areas, particularly London, and review other planned developments which could affect demand in the FEMA.
  - Chapter Four reviews recent economic and labour market trends and performance in South West Herts.
  - 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 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.
- Chapter Nine provides our conclusions and recommendations.

1.6 The report was finalised during July 2024. During this period the UK Government published the consultation draft of a revised National Planning Policy Framework (NPPF) and details of proposed changes to the planning system. The consultation was scheduled to be closed on 24<sup>th</sup> September, with the Government's response, including potentially a revised NPPF, to follow. The consultation included suggested changes to economic development in local plan making, to the assessment of housing need, and circumstances in which the release of greenbelt land for commercial development might be justified.

1.7 Whilst these potential changes to the NPPF and the planning system may have a bearing on future planning for employment sites and premises in South West Hertfordshire, they are consultation proposals and not yet adopted. As such, references in the study to the NPPF and approaches to assessing the need for and supply of employment land reflect current policy and practice.



## 2. Policy context

- 2.1 This section describes the policy context for the Economic Study Update, including changes to the National Planning Policy Framework (NPPF) since the last study, the most recent planning policies for each of the local authorities and relevant economic strategies.

### Planning Policy

---

#### Revised National Planning Policy Framework and Planning Practice Guidance

- 2.2 The National Planning Policy Framework (NPPF) was revised in December 2023. This retains the three overarching objectives contributing to sustainable development; building a strong, responsive and competitive economy, supporting strong, vibrant and healthy communities and protecting and enhancing the environment.
- 2.3 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 85). 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 86).
- 2.4 Whilst the revisions of the NPPF were primarily centred around an increased focus on design quality and environmental protection, there was also revisions to planning decision-making in chapter 4 which has bearings on this study. The key points to this were:
- Article 4 Directions – the conditions in which the use of Article 4 Directions to remove national permitted development rights (PDR) have been set out more clearly. For non-residential uses to residential, it states “*this should be limited to situations where Article 4 direction is necessary to avoid wholly unacceptable adverse impacts*” or where “*necessary to protect the local amenity or well-being of the area*” (para 53).
  - Change to Use Class E to C3 Residential – in April 2021, the UK Government amended Permitted Development Rights to add a new category: change of use from Class E business, commercial and service use to residential (Class C3). Following the amendment, change of use from Class E to residential can be carried out without the need for planning permission. This has implications for planning employment land as buildings can now be converted from office, research and development or light industrial to residential use without the need for planning permission which risks a further decline and shortage of employment land in locations such as South West Hertfordshire.

## Local Plans

### Dacorum Borough Council, Emerging Strategy for Growth, 2020

- 2.5 Dacorum Borough Council (DBC) consulted on the Local Plan’s Emerging Strategy for Growth between November 2020 and February 2021<sup>2</sup>. The Emerging Strategy for Growth acknowledged that the 2019 Economic Study recommended an indicative figure of 45,100 sqm (office) and 196,500 (industrial and storage & distribution) for Dacorum. However, due to constraints in the supply of commercial and industrial space in Dacorum, the Borough Council has worked with St Albans to accommodate the majority of unmet need at the East Hemel Hempstead Central site, which is located in St Albans.
- 2.6 Draft Policy SP5 (Delivering the employment strategy)<sup>3</sup> states that Hemel Hempstead will continue to be developed as the economic centre of the borough and accommodate most employment growth. Policy DM16 proposes that the majority of new office and industrial development will be at Breakspear Way/Green Lane/Boundary Way, Maylands Gateway (Growth Area HH20) and Two Waters Road/A41 Junction (Growth Area HH16) (para 23.27).
- 2.7 Whilst offices are acceptable in principle in most of the Growth Areas, it will be sought or encouraged in Paradise/Wood Lane (Growth Area HH04) Market Square (Growth Area HH05) Hemel Hempstead Station Gateway (Growth Area HH08) Two Waters North (Growth Area HH11). Beyond these, new office and industrial development will be limited to existing employment sites.
- 2.8 To prevent further loss of office space, Article 4 directions have been introduced at Maylands Business Park, Doolittle Meadows (Apsley), Whiteleaf Road (Two Waters), and Park Lane in Hemel Hempstead town centre.
- 2.9 The Council further consulted on the ‘Dacorum Local Plan (2024-2040) Revised Strategy for Growth’ between October and December 2023. This consultation document sought views on proposed changes to the strategy for housing development. It did not contain any draft planning policies or proposals for employment development. Therefore, the November 2020 consultation document still represents the Council’s latest published position on employment sites and premises in the context of the new Local Plan.

### Hertsmere Borough Council, Hertsmere Local Plan: Green, sustainable growth: Towards 2040

- 2.10 Hertsmere Borough Council carried out further consultation on its Local Plan (Regulation 18) between April and May 2024.<sup>4</sup> The Plan set a vision and objectives around eight themes, including ‘Working Hertsmere’ which set an ambition for a strong, competitive and growing local economy, with ‘suitable sites to meet the needs of new and existing businesses’. Relevant objectives to this study included:
- Ensuring development in sustainable locations accessible by sustainable modes of transport;

<sup>2</sup> Dacorum Borough Council, Emerging Strategy for Growth, 2020-2038. Available at: [Part 2 - Local Plan Emerging Strategy for Growth 2020-2038 - pages 188 to 261 \(dacorum.gov.uk\)](#)

<sup>3</sup> Ibid.

<sup>4</sup> Hertsmere Borough Council (2024) Hertsmere Local Plan: Green, sustainable growth: Towards 2040

- Ensuring sufficient and suitable land, premises, infrastructure and a skilled workforce are available to meet the needs of existing and new businesses of all sizes;
- Broadening the choice of employment, education and training for the resident population;
- Ensuring the film and television industry delivers benefits for local communities.

2.11 The consultation draft's spatial strategy (p. 10) noted that sufficient long-term provision for employment development was needed, recognising that changing working patterns post-Covid would affect the need for office space, but that there was likely to be an increased requirement for land for warehousing and distribution development.

2.12 Employment allocations (pp. 84-90) included sites identified to meet needs identified in the previous, 2019 South West Hertfordshire Economic Study, recognising that if the present study identified a greater need for employment land then additional sites would need to be considered in the next consultation draft of the Local Plan. The following sites were identified in the 2024 consultation draft:

- Land North of Hilton Doubletree and south of Sky Studios, with a net developable area of 1.8 hectares (ha) and indicative floorspace of 11,000 sq m for E class uses, B2 and B8 industrial and warehousing;
- Land north west of Cranbourne Road industrial estate, with a net developable area of 2.11 ha and 9,600 sq m of floorspace for E class, B2 and B8 uses;
- Caspian and Tasman House, Aldenham, with 1.17 ha developable area and indicative floorspace of 5,7000 sq m for mixed E class, B2 and B8 uses;
- Land to the south of Aldenham Reservoir, a site of 4.76 ha of developable area with indicative floorspace at 20,700 sq m and proposed uses including E class, B2 and B8;
- The Mercure Hotel and Land South East of Tyler's Way, with 5.8 ha of developable area and indicative capacity for 30,000 sq m of storage and distribution uses.

2.13 Commentary is provided on these sites in this study where appropriate.

### **St Albans City and District Council Draft Local Plan 2041**

2.14 SADC's Draft Local Plan 2041 (Regulation 18) was published for consultation in July 2023. Chapter 5 (Economy and Employment) states an objective to "encourage strong and resilient economic growth, employment and skills opportunities; including supporting growth in green and creative sectors; and supporting new ways of working across the District".

2.15 Strategic Policy SP5 (Employment and the Local Economy) states that the Council will work with stakeholders and local businesses to support economic growth and productivity by maintaining current employment areas and creating new ones. It will seek to intensify land uses where suitable and encourage new businesses and seek inward investment.

2.16 The new industrial and business locations which will be designated include:

- 55 ha of Employment land at East Hemel Hempstead (Central) providing for a range of uses including offices, research and development, light industrial and distribution, with 10% of any new development or redevelopment required to contain units for Small Medium Enterprises (SMEs) and expansion/grow-on units
- 33.16 ha of the Government permitted Strategic Rail Freight Interchange (SFRI) at the former Radlett aerodrome - mostly B8 distribution/warehousing

- 2.17 The plan states that “due to these locations providing an agreed oversupply for St Albans District’s own needs, the excess will assist Dacorum Borough and potentially other South West Herts local authorities in meeting some of their employment requirements”.

### **Three Rivers District Council, New Local Plan**

- 2.18 TRDC published its Local Plan Regulation 18 Preferred Policy Options and Sites for Potential Allocation Consultation in June 2021. However it has since published a number of consultation documents proposing lower housing numbers than the original document.
- 2.19 Preferred Policy Option 7 of Part 1 of the consultation set out the proposals for employment and economic development. This stated that “the Council will support the delivery of at least 5.5ha of B-class employment space and associated sui-generis uses with focus given to industrial and storage & distribution uses with priority given to proposals in allocated employment sites and those within the most sustainable locations such as town centres and areas served by sustainable transport”.
- 2.20 Part 2 of the consultation (2021) states the majority of office space demand will be met at Croxley Park. In terms of industrial space, there is a total requirement for 39,945 sqm but, due to capacity on the existing Maple Cross/Maple Lodge site for 18,000 sqm, the total requirement reduces to 21,945 sqm over the period to 2036. Roughly half of Three Rivers’ total industrial space requirement is expected to be met at Maple Cross/Maple Lodge. However, this 2024 South West Hertfordshire Economy Study indicates that land at the Maple Cross/Maple Lodge site is no longer available, and the implications for Three Rivers District are addressed in the report.
- 2.21 Two additional consultations (Parts 3 and 4) were published in January and October 2023 respectively. These consultations were concerned with options for housing growth and did not address potential allocations for employment uses.

### **Watford Borough Council, Watford Local Plan 2021-2038**

- 2.22 Watford Borough Council published its Local Plan in 2021<sup>5</sup>, and following examination by the Planning Inspectorate it was adopted by the Council in October 2022. The Plan sets out the growth strategy for the Borough and identifies the Core Strategic Development Area (CDA). This is comprised of three distinct areas – Watford Gateway, the Town Centre, and the Colne Valley. This area is expected to support the delivery of 80% of new development. The Watford Gateway area includes the designated primary office location along Clarendon Road (Policy EM4.2). Outside of the CDA, sites to the west of Watford have been identified for industrial development. This includes the EM03 Gateway Zone and land between Greenhill Crescent. Watford has planned for 85,488sqm of office floorspace and 25,206sqm of industrial floorspace.
- 2.23 The Watford Local Plan acknowledges there is an under-provision of industrial floorspace due to limited land availability. It also effectively overprovides for office floorspace to meet the needs of the other South West Hertfordshire districts.

<sup>5</sup> Watford Borough Council, Watford Local Plan 2021-2038, Available at: [watford-local-plan](#)

## Economic Policy

---

### Build Back Better: our plan for growth

- 2.24 Build Back Better sets out the previous UK Government’s approach to economy recovery following the Covid-19 pandemic. It is centred around three pillars
- **High quality infrastructure** by providing investment in digital connectivity, road networks, public transport, as well as establishing the UK Infrastructure Bank with a focus on net zero and support investment in public and private sector projects.
  - **Skills** by implementing changes to further education, post-16 technical education, delivering skills programmes including the lifelong learning guarantee and employer-led skills bootcamps, and improving apprenticeship training and funding.
  - **Innovation** by encouraging pension funds to invest in high growth companies, provide Government support for start-ups and SMEs using the Help to Grow: Management and Help to Grow: Digital programmes to help SMEs undertake management training and implement productivity-enhancing software.
- 2.25 Despite the disruptions caused by the Covid-19 pandemic, the strategy recognises that continued capital investment in the UK infrastructure is necessary to drive forward improvements in digital, transport and utilities networks and unlock economic growth. Improving the UK’s infrastructure is seen as a key factor for helping shape where firms decide to locate and grow, as well as how it influences people’s ability to access goods and services, where housing can be built, and the level of investment businesses can receive nationally and internationally.
- 2.26 As part of Build Back Better, the UK Government recognise two sectors which will lead improvements in technological and economic growth: life sciences and digital and creativity. These sectors are important to South West Herts’ economy and could therefore benefit from the UK Government’s commitment to supporting these businesses to start-up and grow.

### Hertfordshire Skills and Employment Strategy

- 2.27 This is the new skills strategy for Hertfordshire. It aims to ensure the county’s skills provision is aligned with future skill needs and supports residents to reach their potential. The strategy is designed to help businesses and residents navigate the challenges brought about by the Covid pandemic and ensure the county’s workforce has the right skills to support economic recovery and growth.
- 2.28 Within the strategy, there are five key themes:
- Unlocking emerging talent, support for young people aged 16 – 24 years
  - Adult learning and employment, working towards full employment, promoting lifelong learning and retraining opportunities
  - Skills to grow small and medium size businesses, enabling employers to build their future workforce
  - Priority and growth sectors, harnessing the opportunities and investing in skills of the future

- Placemaking, seizing the opportunities of Hertfordshire’s business assets together with the proximity to London and other key economic areas
- 2.29 Across the themes there are three cross-cutting priorities which are digital skills, low carbon and clean growth, and inclusive growth.
- 2.30 Theme 5 ‘place-making and seizing opportunities’ identifies key business assets in Hertfordshire which act as key economic areas within the region. This includes the Innovation Quarter at Letchworth Garden, the A1(M) Science Corridor, the Innovation Corridor which cuts through East Hertfordshire, and the Creative Cluster with Hertfordshire’s growing film and TV production industry. The Creative Cluster is of particular importance to South West Herts due to the concentration of the sector in this area.
- 2.31 Central to addressing the skills and employment challenges in Hertfordshire is acknowledging the region’s proximity to London, the Oxford-Cambridge Arc, and Golden Research Triangle, the area extending between universities and technology companies in Oxford, Cambridge and London. Whilst this poses opportunity for growing investment in Hertfordshire and attracting people to the region, the strategy recognises it creates challenges for productivity through being a net exporter of highly skilled employees to these areas.

### **Unlocking Hertfordshire: Hertfordshire’s Recovery Plan**

- 2.32 Hertfordshire Local Enterprise Partnership’s Recovery Plan sets out short-to-medium term interventions that the region will take to respond to the economic challenges which emerged from the Covid-19 pandemic. This sets out three ‘delivery packages’ which will be crucial to economic recovery. These are centred around enterprise and innovation, skills and creativity, and international trade and investment.
- 2.33 Whilst the overarching vision for economic growth set out in the draft Local Industrial Strategy has not changed in light of the Recovery Plan, it acknowledges that Covid-19 resulted in new challenges. In particular, changes in employment patterns and behaviours as a result of the shift to home-working during the pandemic will have long-term implications for the commercial property market. Whilst the Plan does not explicitly state how it will deal with these challenges, it acknowledges that there are assets in the region which can be used to attract and support businesses to grow particularly around the Hertfordshire Innovation Quarter (Herts IQ) Enterprise Zone (see paragraph 5.103 below). Alongside the commercial space on offer, the IQ also has relationships with the University of Hertfordshire, tax breaks, and partnerships with anchor institutions such as BRE Group and Rothamsted Research.
- 2.34 Employment land has already been lost through permitted development rights (PDR) in recent years and this challenge will continue to grow due to the effects of Covid-19. There are crucial assets in the region which the Plan acknowledges needs to be protected for long-term economic well-being. This includes Park Plaza West, Hatfield Business Park, Watford/Croxley Business Park, and Hertfordshire Innovation Quarter. The Recovery Plan maintains that growth and clustering of key sectors around these assets will be key to economic recovery which requires business support within these assets, ensuring a strong pipeline of talent and skills, and more marketing of the assets to ensure inward investment continues despite the uncertainty in the economy.

## Hertfordshire Enterprise and Innovation Strategy, 2021-2025

- 2.35 The Enterprise and Innovation Strategy sets out the actions which will help Hertfordshire's economy recover from the Covid-19 pandemic and encourage business growth. This takes into account the skills, digital and clean growth agendas in the region and acts to influence and enhance local economic development.
- 2.36 To better meet the needs of businesses, the strategy has introduced key themes which will ensure more even support across all businesses (from pre to start-up, growth/scale-up, and established). These are:
- Enhancing the gateway to business support
  - Supporting entrepreneurs across Hertfordshire
  - Ensuring space is available for enterprise
  - Driving our catalytic sectors
  - Skills availability to support Enterprise and Innovation
- 2.37 As part of Goal G3 'Space for Enterprise' the strategy calls for a review into supply and demand of high-quality workspace and develop an investment programme to address gaps in innovation and enterprise support facilities. This is in order to ensure provision of high-quality workspace can help retain and attract companies to Hertfordshire.

## Hertfordshire Key Employment Sites Strategy & Action Plan

- 2.38 The strategy and action plan responds to Lambert Smith Hampton's<sup>6</sup> report on the loss of employment space in Hertfordshire which identifies that strong residential values, PDR and social changes to the way we live and work are driving this decline.
- 2.39 Whilst employment loss in Hertfordshire is of concern, the strategy is not simply focussed on just replacing what has been lost given some of this will have been outdated and in the wrong locations. Although the report was written just before the Covid-19 pandemic and lockdown restrictions, it acknowledges that modern employment space might need less employment space due to technology changes (e.g. home-working and hot-desking).
- 2.40 The report states that assets such as employment land should support the strategic future ambition for the economy based on the following principles:
- Where they sit on the 'build out spectrum' – are they allocated but not yet developed (or not significantly so?); are they only partially developed, with significant investment opportunities; or are they substantially or wholly built out, with new businesses only able to take up occupancy if another moves out?
  - Overall size
  - What opportunities do they offer?
- 2.41 For identifying size and opportunities, the strategy and action plan established a typology for determining opportunities.

<sup>6</sup> Lambert Smith Hampton, Loss of Employment Space in Hertfordshire, February 2019

Type	Size	Opportunity
Fledgling	Small	Limited
Maturing	Medium	Somewhat
Mature	Large	Substantial

Hertfordshire LEP

- 2.42 To address the challenges faced by employment sites in Hertfordshire and attract and grow employment, the strategy identifies the following opportunities:
- 2.43 The development of proposals to **upgrade M1 Junction 8** is a critical infrastructure improvement needed to support both the delivery of a range of employment sites within the Herts IQ and in the adjoining Maylands Business Park in Hemel Hempstead
- 2.44 **The A414 Corridor Strategy** is an approved plan including 30 packages of proposals designed to improve transport links across the County which will improve access to a range of employment locations and open up new opportunities and will link key employment sites and other employment areas
- 2.45 A potential new station at **Park Plaza Broxbourne** to serve major new employment locations nearby
- 2.46 It makes a number of recommendations relevant to this study including:
- Ensuring a better supply of grow-on space across Hertfordshire
  - Identifying synergies between the two Enterprise Zones at Hemel Hempstead and Harlow so they can complement each other and engage where beneficial
  - Support the creative cluster in South West Herts.

## Hertfordshire Draft Local Industrial Strategy

- 2.47 The draft Local Industrial Strategy (LIS) identifies that, to address the productivity challenge in Hertfordshire and grow the economy, there is a need to focus on key sectors particularly the growth of science and technology-based sectors. The LIS identifies the following opportunities:
- **Unlocking science-based cluster in the Golden Triangle** via life sciences and advanced engineering recognising Hertfordshire's current strength in commercial research and R&D particularly cell and gene sector clustering.
  - **East/West growth corridors:** 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 will be able to benefit from growth within or near the corridor including the Harlow Enterprise Zone and development taking place at Luton Airport.
  - **The Creative Sector:** Hertfordshire has outstanding assets in relation to film and TV, and there is potential to grow this industry. However, Hertfordshire needs to attract and retain the creative people who work in these industries who can have a catalytic effect on the economy.
- 2.48 The LIS also identifies several challenges which are of importance to growing the economy:



- A **shortage of employment land**: this constrains growth and investment and is becoming harder as land is lost to residential uses due to permitted development rights.
- **Space to grow**: Hertfordshire has a strong track record in relation to new business formation and self-employment but performs badly in terms of scale-ups. Central to this is affordable 'grow on' space which is in short supply across Hertfordshire due to the loss of employment floorspace.
- **Hertfordshire's proximity to London**: this results in the county losing a lot of high-quality, highly skilled residents who commute into London to enjoy the opportunities posed by the capital. This can result in additional pressures, particularly around the housing market and cost of living, causing challenges for disadvantaged households.

## 3. Economic Geography of South West Herts

- 3.1 A key requirement of the 2016 and 2019 studies was to identify the Functional Economic Market Area (FEMA) for South West Herts, as required by national Planning Practice Guidance (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. This section revisits the conclusions of the earlier report about the FEMA in South West Herts in the light of recent evidence from the 2021 Census and tests whether the definition is still valid.
- 3.2 The chapter 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 and 2019 reports 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 and 2019 reports. 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 For a number of these factors there has been no significant change since the 2019 report was published (e.g. administrative areas, transport network) or no new evidence has been published

which would allow us to test whether our definition is still valid (e.g. service markets for consumers, catchment areas of facilities providing cultural and social wellbeing). Therefore we have not undertaken a comprehensive refresh of all of the analysis from, the 2016 and 2019 reports.

- 3.6 The most relevant evidence which has been published since the 2019 report is the 2021 Census which provides up to date data on commuting and migration patterns. This has been the main focus of our analysis.

**Travel to work areas**

- 3.7 The 2021 Census provides updated information on the commuting patterns of South West Herts residents. However, an important caveat is that it was undertaken in early 2021 when a large proportion of people were working from home due to the Covid pandemic. As such, it is unlikely to be representative of current commuting patterns in the FEMA. Nevertheless, the data still provides valuable insights on the main destinations of those who were unable to work from home or chose not to.
- 3.8 Table 3.1 shows the top five local authority areas that South West Herts residents commuted to in 2021. In each area over two thirds of working residents reported that their workplace is in their home local authority area, which is explained mainly by very high levels of home working. However, among those that did leave their local authority area, the most popular destinations included a number of the other FEMA local authority areas (highlighted in green). Hertsmere was the only district where fewer than 80% of working residents work within South West Herts.
- 3.9 Although the percentage of home workers is much higher in the latest Census, the pattern of linkages with other areas is very similar to previous studies. It suggests that the current definition of the FEMA is justified but shows that Hertsmere, in particular, also has strong links with north London boroughs.

Table 3.1 Top 5 destinations of working residents and percentage of working residents who commute to each area				
Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Dacorum: 77%	Hertsmere: 68%	St Albans: 81%	Three Rivers: 67%	Watford: 70%
St Albans: 4%	Barnet: 6%	Wel-Hatfield: 3%	Watford: 7%	Three Rivers: 5%
Bucks: 3%	Watford: 3%	Hertsmere: 2%	Hillingdon: 3%	Hertsmere: 4%
Watford: 3%	St Albans: 2%	Dacorum: 2%	Hertsmere: 3%	Dacorum: 2%
Three Rivers: 2%	Harrow: 2%	Watford: 1%	Harrow: 2%	St Albans: 2%
% in FEMA: 86%	% in FEMA: 75%	% in FEMA: 86%	% in FEMA: 80%	% in FEMA: 83%

Source: Census 2021. Note: local authorities in the FEMA are highlighted in green

- 3.10 The data above is skewed by differences in the relative size of different local authority areas. For example, Buckinghamshire appears as one of the top destinations for Dacorum residents. However this is a very large area with a large population and employment base, which exaggerates the strength of its relationship with Dacorum.
- 3.11 Table 3.2 shows the results when we weight the number of commuters by the population of the destination local authority area. This strongly supports our current definition of the FEMA. Welwyn Hatfield is the only other local authority area that has a strong relationship with certain local authorities (Hertsmere and St Albans).

Table 3.2 Top 5 destinations of working residents weighted by population – number of commuters per 1,000 working age people in destination LA

Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Dacorum: 611	Hertsmere: 534	St Albans: 645	Three Rivers: 537	Watford: 542
Watford: 31	Watford: 22	Wel-Hatfield: 25	Watford: 47	Three Rivers: 44
St Albans: 30	St Albans: 14	Hertsmere: 20	Hertsmere: 18	Hertsmere: 29
Three Rivers: 24	Wel-Hatfield: 14	Dacorum: 14	Dacorum: 11	St Albans: 13
Hertsmere: 13	Three Rivers: 12	Watford: 13	St Albans: 8	Dacorum: 13

Source: Census 2021. Note: this analysis excludes City of London which has a very small resident population.

## Migration

- 3.12 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).
- 3.13 Table 3.3 shows the most popular destinations for residents who moved in the year before the 2021 Census<sup>7</sup>. Taken together, 60% of residents moved within the FEMA, but this ranges from 54% in Hertsmere and Three Rivers to 65% in Watford. Other popular destinations included Buckinghamshire and Central Bedfordshire, although the importance of these destinations is exaggerated by the relative size of these areas.

Table 3.3 Top 5 destinations of South West Herts residents who moved in 2020-21 by local authority area – percentages exclude long distance moves\*

Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Dacorum: 52%	Hertsmere: 38%	St Albans: 53%	Three Rivers: 32%	Watford: 44%
Bucks: 9%	St Albans: 6%	Central Beds: 5%	Bucks: 9%	Three Rivers: 9%
Central Beds: 7%	Watford: 5%	Dacorum: 4%	Watford: 9%	Dacorum: 6%
St Albans: 3%	Barnet: 5%	Wel-Hatfield: 4%	Dacorum: 9%	Bucks: 4%
Three Rivers: 2%	Wel-Hatfield: 4%	North Herts: 2%	Hillingdon: 5%	Hertsmere: 4%
% in FEMA: 60%	% in FEMA: 54%	% in FEMA: 61%	% in FEMA: 54%	% in FEMA: 65%

Source: Census 2021. \*long distance move defined as any move outside the East of England, South East, London or Northamptonshire

- 3.14 Table 3.4 shows the most popular destinations for migrants, weighted by population. This shows that four of the five most popular destinations for residents are within South West Herts for all local authority areas, with the exception of St Albans which has strong links with Welwyn Hatfield, North Hertfordshire and Central Beds.
- 3.15 Notwithstanding these relationships with neighbouring areas, this analysis broadly supports our current definition of the FEMA.

<sup>7</sup> This excludes long distance moves, defined here as any move outside the East of England, South East, London or Northamptonshire. These are excluded as it is assumed that these relate to a significant change such as retirement, taking up a new job or going to university.

Table 3.4 Top 5 destinations of residents who moved in 2020-21 weighted by population – number of migrants per 1,000 people in destination LA

Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Dacorum: 40.8	Hertsmere: 30.5	St Albans: 46.2	Three Rivers: 22.8	Watford: 40.8
Three Rivers: 3.1%	Watford: 4.5	Wel-Hatfield: 4.0	Watford: 6.0	Three Rivers: 9.3
Central Beds: 2.7	St Albans: 3.4	Dacorum: 3.6	Dacorum: 3.8	Dacorum: 3.8
St Albans: 2.7	Wel-Hatfield: 3.1	North Herts: 2.2	Hertsmere: 1.3	Hertsmere: 3.5
Watford: 2.1	Three Rivers: 2.0	Central Beds: 2.2	Bucks: 1.1	St Albans: 1.6

Source: Census 2021

### Conclusions of studies for neighbouring areas

- 3.16 We have only been able to find one recent study<sup>8</sup> for neighbouring authorities which defines its FEMA. This is the London Borough of Enfield FEMA study (2020)<sup>9</sup> which defines its FEMA as including the district of Hertsmere. This is on the basis of the strong strategic road and public transport connections between Hertsmere and north London boroughs.
- 3.17 Although Hertsmere is included in the Enfield FEMA this does not undermine or conflict with our conclusions that Hertsmere is part of the South West Hertfordshire FEMA. By their nature, all FEMAs are overlapping and are likely to include local authority areas that have strong relationships with areas outside the FEMA. The analysis above recognises that Hertsmere has a strong relationship with north London boroughs, although its commuting and migration relationships with other South West Herts authorities are equally strong.
- 3.18 It should be noted that the 2020 Enfield FEMA study concluded (p.19) that Hertsmere did not have potential to accommodate industrial land demand from Enfield. Enfield borough’s Local Plan is currently at examination and there is no indication in the Regulation 19 Local Plan of unmet industrial land need that Hertsmere (or other areas) might be asked to meet.

## Relationship with neighbouring areas

### London

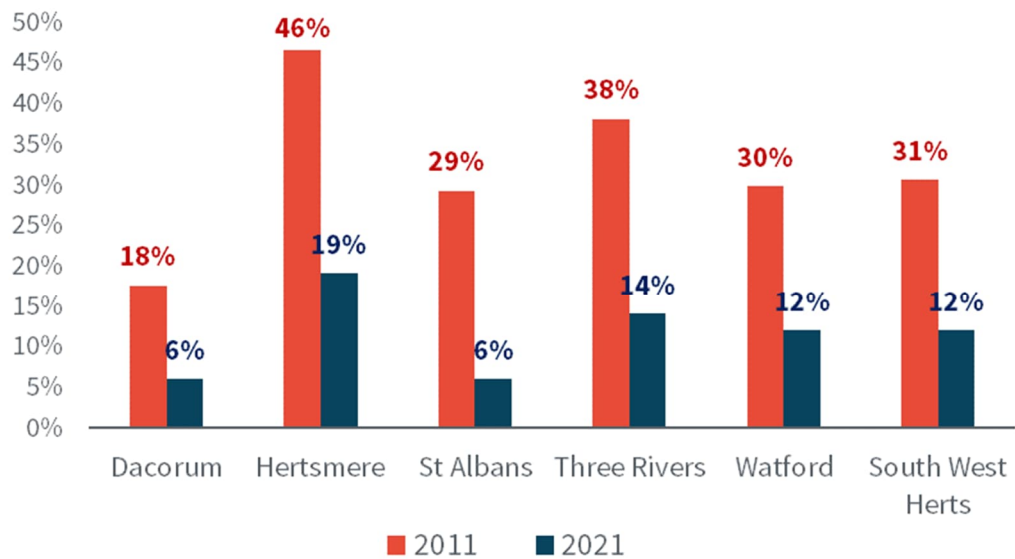
#### Commuting

- 3.19 The proportion of South West Herts’ employed residents who work in London fell sharply between the 2011 and 2021 census, from 31% to 12%. However, as noted above, this is heavily influenced by the fact that the census was undertaken during the Covid pandemic when a large proportion of people were working from home. This is likely to have increased since then.

<sup>8</sup> Since the publication of the 2019 South West Herts Economic Study

<sup>9</sup> London Borough of Enfield, Enfield FEMA Study 2020, Aecom Ltd. Available at: [fema-study-2020-planning.pdf \(enfield.gov.uk\)](https://www.enfield.gov.uk/sites/default/files/2020-12/fema-study-2020-planning.pdf)

Figure 3.1 Proportion of South West Herts' employed residents whose main workplace is in London, 2011-2021



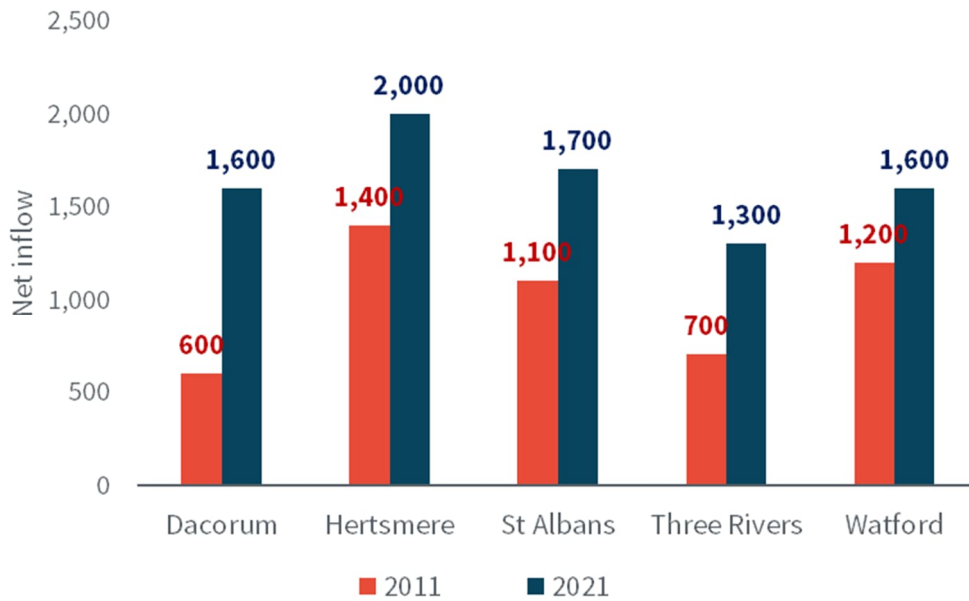
Source Census 2011 and 2021

### Migration

- 3.20 The 2021 Census shows there was a net inflow of 8,200 migrants from London in 2020-21 (moves in minus moves out). This has increased from 5,000 in 2010-11. 75% of the net outflow was among people aged 0 to 15 or 30 to 45, indicating that South West Herts is a highly attractive location for young families looking to relocate out of London.
- 3.21 It is not possible to assess how the Covid pandemic affected migration patterns from London as the migration time series data has not been updated by ONS. However there is some evidence that this led to an increase of people moving out of London, which has been attributed to the increase in flexible working, high house prices and a desire for more space. Research by Which showed that Three Rivers, Hertsmere and Watford were in the top ten most popular destinations for people moving out of London during the pandemic<sup>10</sup>.

<sup>10</sup> [Record numbers of Londoners leave the capital: where are they moving to? - Which? News](#)

Figure 3.2 Net migration from London, 2011-2021



Source Census 2011 and 2021

### Commercial property market trends

- 3.22 The London Industrial Land Supply Study 2020 showed that the supply of industrial land in London has been in long term decline, falling by 1,500 Ha since 2001 (a fall of 18%). This has been driven mainly by increasing house prices in the capital which has made it attractive to redevelop industrial areas for residential uses, rather than a fall in demand.
- 3.23 The London Industrial Land Demand Study from 2017 had recommended a benchmark release of industrial land across London of 232 Ha between 2016 and 2041. However the updated study showed that there has already been a loss of 352 Ha between 2015 and 2020 alone, a significant proportion of which was in East London (210 Ha). This has led to a significant undersupply of industrial and storage & distribution space in London. The updated study identifies a further 736 Ha of land in industrial and related uses in the planning pipeline that could potentially change to non-industrial uses in the future, which would exacerbate this undersupply.
- 3.24 Given these market pressures, an increasing proportion of London’s demand for industrial and storage & distribution space is being met outside the capital. This includes those parts of South West Herts that have strong transport links with London such as Maylands Business Park in Dacorum. Given the risk of further falls in the supply of industrial land in London this is likely to continue to be a driver of demand for South West Herts.
- 3.25 London’s office market does not face the same pressures as the industrial market, as evidenced by the vacancy rate which is currently 9.4% in London as a whole and 10.2% in the northern boroughs which border South West Herts (Enfield, Barnet and Haringey)<sup>11</sup>. This suggests there is currently an oversupply of office space, meaning there is unlikely to be any displaced demand in South West Herts.

<sup>11</sup> Sourced from CoStar

## Developments in other areas

### Expansion of Luton Airport

- 3.26 London Luton Airport has submitted a Development Consent Order (DCO) application to increase its capacity from 18m to 32m by the mid-2040s. It is anticipated that this would create around 4,200 new direct jobs between 2019 and 2043, most of which will be related to the operation of airlines and the airport (3,000 jobs) or associated activities (support services, ground transport, hotels and restaurants, and retail). An economic impact study undertaken by Oxford Economics also estimated the wider benefits for the ‘Three Counties’ area which includes Hertfordshire. It estimated that the expansion could support an additional 600 jobs through supply chain expenditure (indirect effects) in the Three Counties and an additional 1,300 jobs through salary expenditure (induced effects). Some of these benefits could be captured in South West Herts.
- 3.27 The airport expansion may attract increased investment from businesses that benefit from being located close to an international airport, including head offices, consultancy and aerospace manufacturing. This could lead to some increased demand for employment space in the north of the FEMA (i.e. closest to the airport), although we would expect most of this demand to be met within Luton itself, particularly at the Luton Airport Enterprise Zone which has significant development capacity. As such as we do not anticipate that the expansion of the airport will have a significant effect on the demand for employment space in South West Herts.

### Newlands Park, Luton

- 3.28 Wrenbridge Land has submitted plans for a new employment-focused development at Newlands Park at junction 10 of the M1, very close to the border with St Albans. Planning permission (22/00929/HYBEIA) has been granted by Luton BC and phase 1 is now under construction. The whole development involves four industrial/warehousing units. A second phase would involve the development of a further 19,000 sq m of mixed use space. The project is expected to create approximately 4,000 new jobs and contribute around £240 million annually to the Luton economy.
- 3.29 The impact of this development on the demand for employment space in South West Herts will depend on the type of premises delivered, which is currently unclear. Given the site’s location, close to a junction of the M1, we would expect a significant proportion of the site would come forward for storage & distribution development. This would help to meet the growing regional demand for large scale storage & distribution which could potentially alleviate some of the pressure in South West Herts.

### Sunset Studios Waltham Cross, Broxbourne

- 3.30 Development is underway at this 91 acre site close to junction 25 of the M25. This will create a 1.2 million sq ft studio campus, and will be one of the UK’s largest film and television production locations when finished. It is expected that the studios will create over 4,800 jobs.
- 3.31 There are both benefits and risks from this development for South West Herts which includes a number of film and TV studios in Hertsmere and Watford/Three Rivers, with more in the pipeline. The main benefits are that it will reinforce the existing cluster of film and TV studios in Hertfordshire, including those in South West Herts. This could help to attract new supply chain businesses and skilled workers to establish a base in Hertfordshire which would benefit both



existing and new studios, and create new opportunities for collaboration and knowledge spillovers.

3.32 The main risks are that this:

- competes with South West Herts studios and displaces economic activity that would have occurred in the FEMA. Consultees described the risk of this as low due to the nature of the market.
- increases competition for resources, particularly skilled labour which consultees reported was already a challenge for employers in the sector. This was felt to be the more significant risk.

3.33 Providing robust estimates of the impact of this development on South West Herts would require further research which is beyond the scope of this study. However we do not anticipate that this development would have a significant impact on the demand for employment space in the FEMA.

### **Cambridge-Milton Keynes-Oxford Growth Corridor**

3.34 The Cambridge-Milton Keynes-Cambridge Corridor, also known as the Oxford-Cambridge Arc is a major development initiative, aimed at enhancing economic growth and connectivity between the cities of Oxford, Milton Keynes and Cambridge (also encompassing large parts of Bedfordshire, Buckinghamshire and Northamptonshire).

3.35 The corridor is one of the fastest growing parts of the UK. The National Infrastructure Commission (NIC) estimate that, with the right intervention, the corridor could contribute £400 billion to the UK economy by 2050. However this would be dependent on significant investment in new transport infrastructure (road and rail) and substantial housing growth (up to one million homes). The housing proposals have been met with significant local opposition.

3.36 The Government remains supportive of the proposals, and has committed to investing in a new £5bn rail link between Oxford and Cambridge by the end of the 2020s. However, the Government has dropped its target to build one million homes, stating that the plan for the region will be focused on economic growth and jobs instead.

3.37 The proposals would see the Oxford-Cambridge corridor become a major engine of growth in the UK economy. South West Herts is not within the corridor, and therefore may not be as attractive for the science based sectors and activities which are expected to drive growth. However it would be strategically located between the corridor and London which would further increase its attractiveness as a location for HQs and other professional support services and for strategic distribution. However the uncertainty about the future of the initiative and the scale of development means it is too early to assess the impact on demand for employment space in South West Herts.

## 4. Economic and Labour Performance

4.1 This section reviews recent economic and labour market trends in South West Herts, drawing upon a wide range of socio-economic datasets. This focuses particularly on changes since 2016, which was the latest year for which socio-economic data was available in the 2019 study.

### Adjustments to economic and employment data

4.2 The analysis in this chapter 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. There is clear evidence that the BRES data overestimates the number of jobs in South West Herts by around 20 per cent. This is because of the way in which jobs are allocated to locations in BRES.

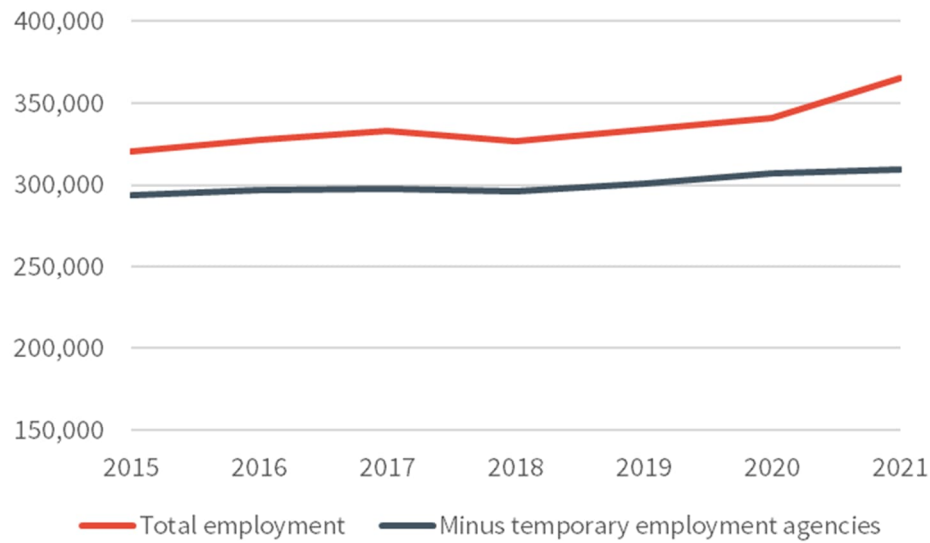
4.3 This is a particular issue in certain sectors such as temporary employment agencies, where the jobs are allocated to the address of the employment agency rather than the address where the employees are working, resulting in an overestimate of employment in areas with large employment agencies. This is the case in South West Herts. According to BRES, there are 56,000 employees working in temporary employment agencies in South West Herts, representing 15% of all jobs in the FEMA (compared to only 2.5% in Great Britain as a whole). However, this is mostly explained by the presence of a national employment agency located in Dacorum which has grown rapidly in the last few years. In reality very few of these jobs will be located in South West Herts.

4.4 Although temporary employment agencies account for the majority of inaccuracies, other sectors where we believe BRES overestimates the number of jobs include cleaning activities in St Albans, construction in Hertsmere and Three Rivers and bookkeeping activities in Watford. Wherever possible we have made adjustments to the employment data to account for these inaccuracies using the same method as in the 2019 study. However, it should be noted that it has not been possible to adjust some ONS datasets and there may still be inaccuracies remaining.

Table 4.1 Adjustments made to CE forecasts

Local authority	CE sector	Adjustment	2021 jobs before adjustment	2021 jobs after adjust.	CE Total Jobs 2021 after adjust.
Dacorum	Business support services	Reduced 86%	44,200	6,200	82,000
Hertsmere	Construction	Reduced 15%	7,200	6,100	63,700
St Albans	Business support services	Reduced 80%	17,300	3,500	69,500
Three Rivers	Construction	Reduced 50%	7,500	3,800	48,100
Watford	Legal & accounting	Reduced 80%	9,000	1,800	67,100

Figure 4.1 Total employment in South West Herts with and without temporary employment agencies



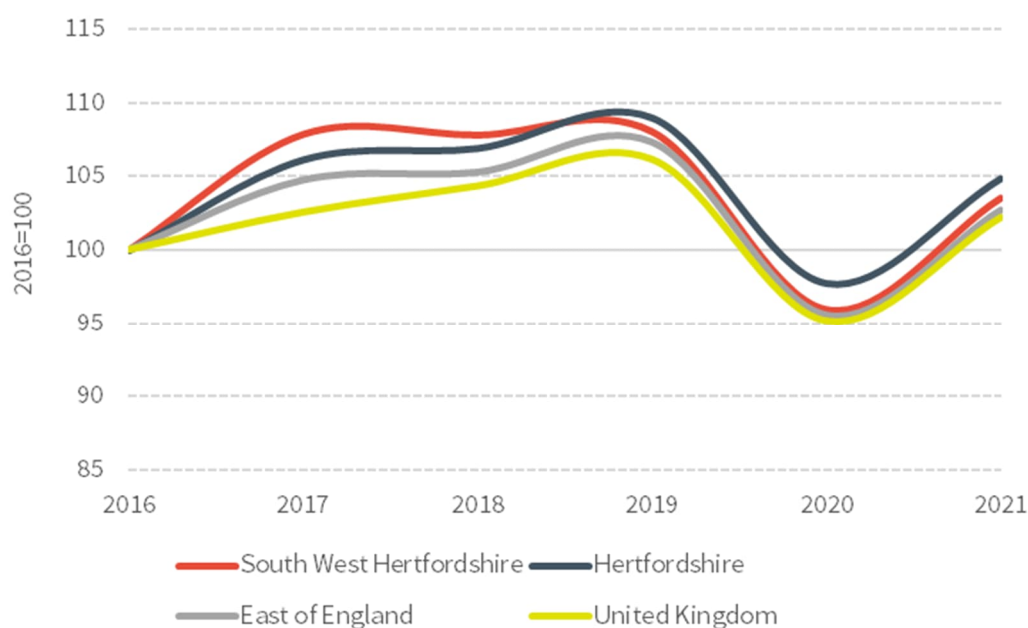
Source: Office for National Statistics, Business Register and Employment Survey

## Recent Economic Performance

### Gross Value Added

- 4.5 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.
- 4.6 Figure 4.2 shows South West Herts’s economy performed well between 2016 and 2019, growing at a rate of 2.6% p.a. compared to 2.0% p.a. in the UK as a whole. This was followed by a sharp decline in GVA between 2019 and 2020 as a result of the Covid-19 pandemic. Although there was a partial recovery in 2021, total GVA was still 4% below its pre-pandemic level.
- 4.7 It should be noted that performance in 2021 was still highly influenced by the pandemic and lockdown restrictions. Data for 2022 is not yet available but is likely to show a continued recovery in all areas.

Figure 4.2 Indexed Change in Real GVA 2016 to 2021 (2016=100)

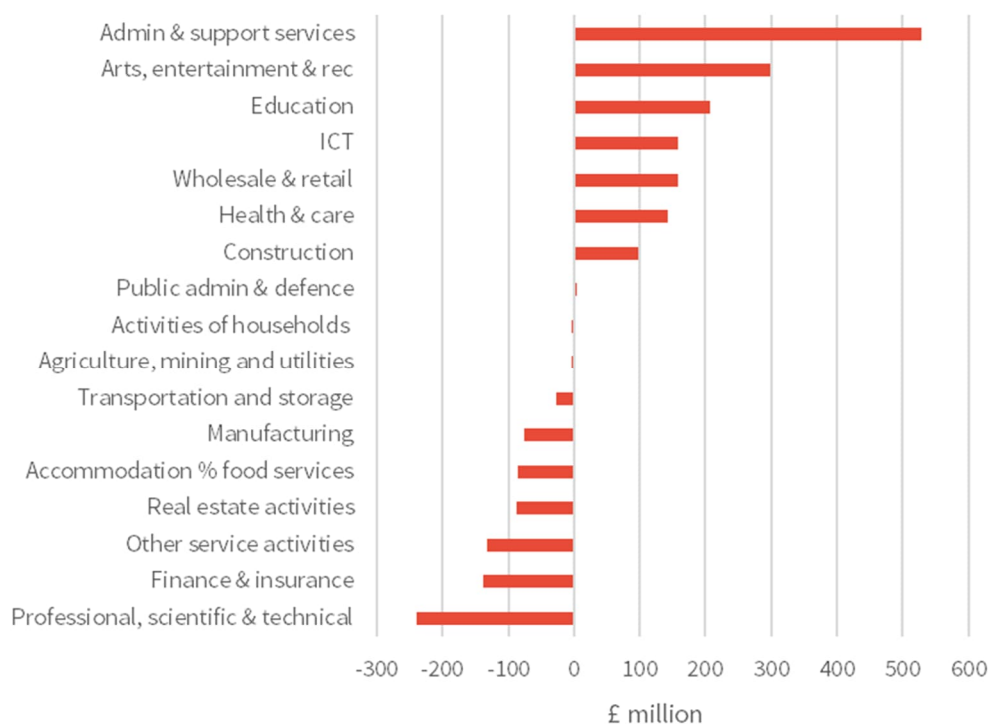


Source ONS, 2023.

- 4.8 Figure 4.3 shows the change in GVA by sector between 2016 and 2021. It suggests that the main driver of growth in South West Herts was admin and support services, which grew by £528m (in 2021 prices) or 29%. This accounts for 66% of net growth since 2016.
- 4.9 Admin and support services includes temporary employment agencies. Therefore we believe this significantly overestimates the level of growth in this sector. This is because ONS uses data on the number of jobs from BRES to apportion regional GVA estimates to local areas. Because BRES overestimates the number of jobs in this sector in South West Herts, ONS assume that a very high proportion of growth in the East of England occurs in the FEMA. If we make an adjustment for this, we believe the growth in GVA in this sector could be as much as 80% lower than the ONS estimates suggest. This means that overall growth in GVA since 2016 is also likely to be substantially lower than shown in Figure 4.3Figure 4.2.
- 4.10 The other sectors which have performed well include arts, entertainment and recreation education, ICT and wholesale and retail. In contrast, real GVA declined in a number of sectors including professional, scientific and technical activities. This sector was the main driver of growth for most of the 2000s and 2010s but has declined by £240m, or 11%, since 2016<sup>12</sup>.

<sup>12</sup> The contribution of this sector to GVA was already declining prior to the Covid pandemic in 2020 but has continued to decline since then.

Figure 4.3 Change in GVA in South West Herts by broad industry, 2016-2021 (2021 prices)

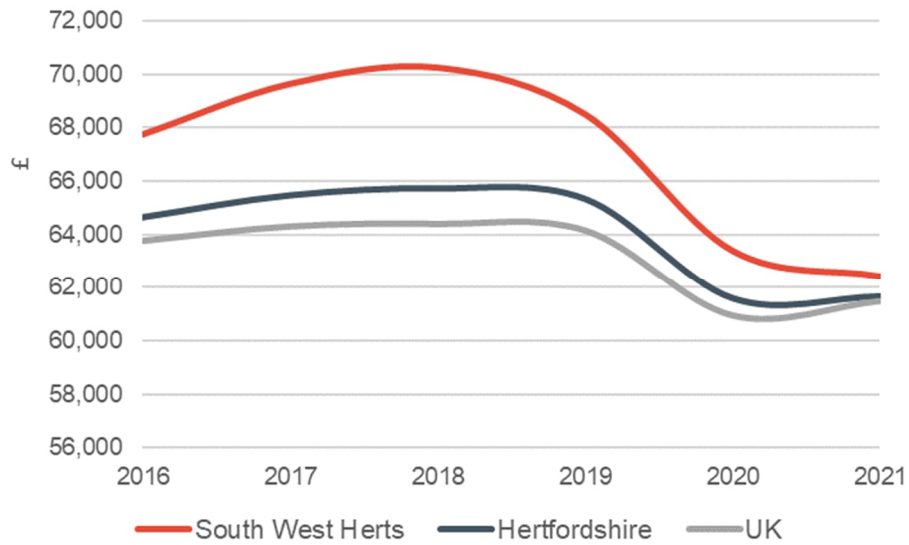


Source ONS, 2023

## Labour productivity

- 4.11 According to ONS, GVA per filled job (a measure of labour productivity) was around £62,400 in South West Herts in 2021 (in 2021 prices), which is slightly higher than the UK and Hertfordshire average. However this has fallen sharply from over £70,000 in 2018. Figure 4.4 shows that all areas experienced a fall in labour productivity between 2019 and 2020. This was due to the Covid pandemic which had a greater negative effect on GVA than employment, largely because of the UK Government’s job retention scheme. However the fall in labour productivity was much greater in South West Herts than comparator areas.
- 4.12 Closer analysis shows that this was due to a large increase in employment in Dacorum. As noted above, these figures are skewed by temporary employment agencies. In this case it is not possible to adjust the data as BRES is used to estimate employment and apportion GVA, and it is not possible to replicate ONS’s apportionment methodology. This makes it very difficult to provide a robust estimate of recent changes in labour productivity for South West Herts and how this compares to other areas.

Figure 4.4 GVA per filled job, 2016 to 2021 (2021 prices)

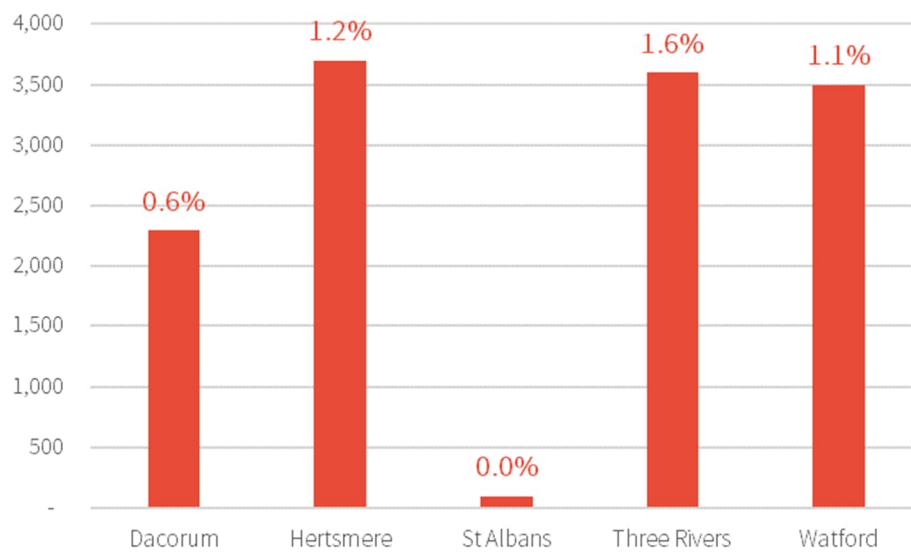


Source ONS

## Employment trends

4.13 We estimate total employment was around 330,000 in 2021 (after making adjustments for inaccuracies in employment datasets). This has increased by around 13,000 jobs since 2016, representing a growth rate of around 0.8% per annum. This is slightly higher than the average for Great Britain (0.7% p.a.). Figure 4.5 shows there is significant variation in the level and rate of employment growth in the five local authority areas. This ranges from 100 jobs in St Albans (0.04% p.a.) to just over 3,500 jobs in Hertsmere, Three Rivers and Watford.

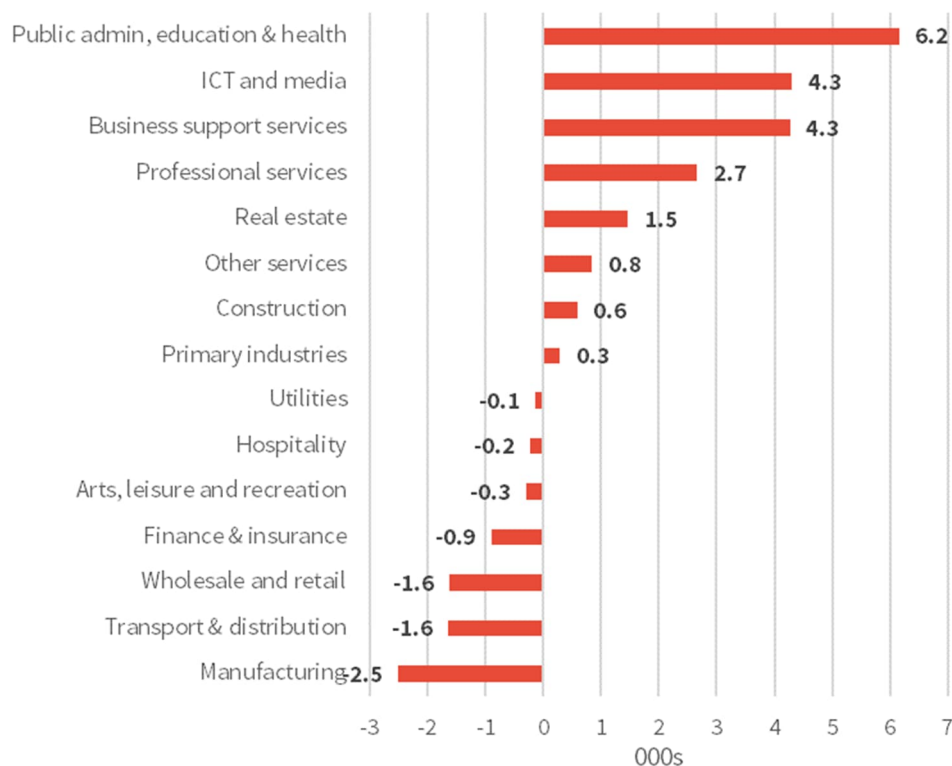
Figure 4.5 Employment growth by local authority area, 2016 to 2021 (annual growth rate % included)



Source Cambridge Econometrics, adjusted by Hatch

4.14 Figure 4.6 shows the main drivers of growth since 2016 have been public administration, education and health (+6,200 jobs), ICT and media (+4,300 jobs) and business admin and support services (+4,300 jobs). The largest declining sectors were manufacturing (-2,500 jobs), transport and distribution (-1,600 jobs) and wholesale and retail (-1,600 jobs). Appendix A provides a detailed breakdown of employment by industrial sector in each of the local authority districts in South West Herts at 2021.

Figure 4.6 Employment change by broad sector, 2016-2021

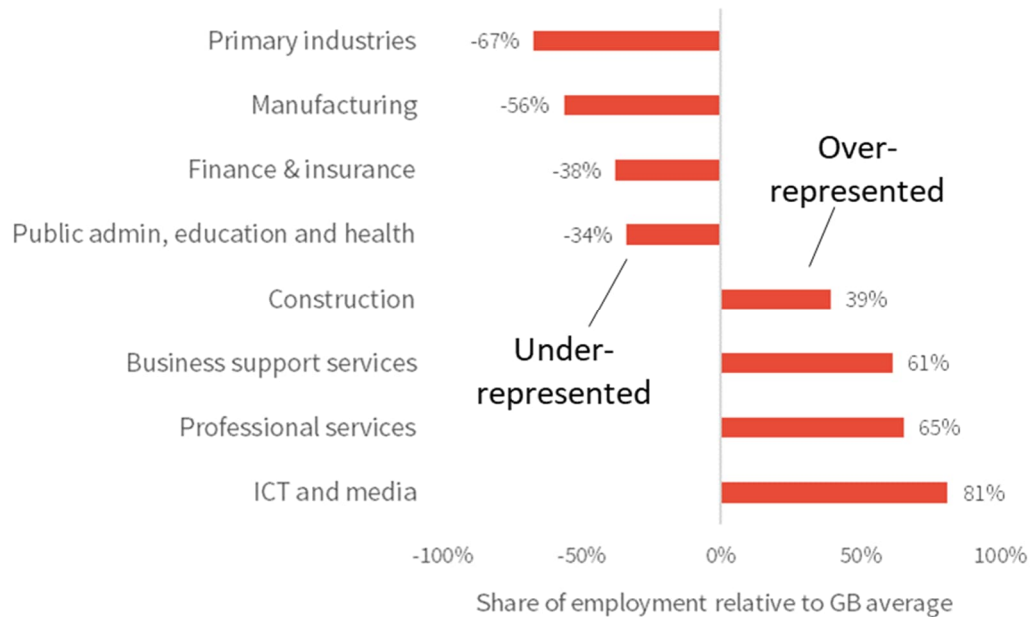


Source Cambridge Econometrics, adjusted by Hatch

## Sector strengths of South West Herts

4.15 Figure 4.7 compares the share of employment in different broad sectors in South West Herts with the national average. It shows the share of employment in ICT and media is 81% higher in the FEMA than in Great Britain, indicating this is a key sector strength for South West Herts. Other sectors which account for a disproportionately high share of employment include professional services, business services and construction. The top four under-represented sectors (which account for a lower share of employment than the GB average) include primary industries (agriculture, mining etc), manufacturing, finance and public admin, education and health. This shows that South West Herts remains a private sector service driven economy.

Figure 4.7 Top four over and under-represented sectors in South West Herts, 2021



Source BRES

## ICT

4.16 Figure 4.8 shows three performance indicators for the ICT sector in South West Herts local authority areas:

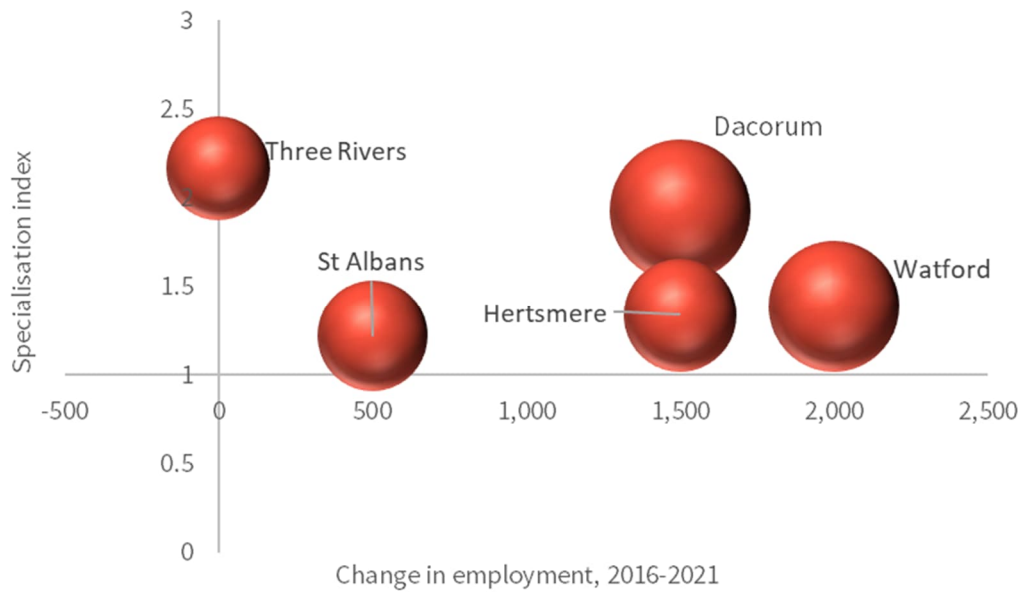
- The x axis shows the change in the number of jobs in the ICT sector over the period 2016-2021
- The y axis shows the specialisation index; the share of local employment in the ICT sector compared to the GB average. If this index is equal to 1 it means that the sector accounts for the same proportion of employment as the GB average. An index over 1 means the sector accounts for a disproportionately high share of employment.
- The size of the bubble represents the relative number of jobs in ICT, so a larger bubble means the local authority area has a larger number of jobs.

4.17 The chart shows that all of the local authorities have a successful digital sector. All five areas have a specialisation index higher than one, and all except Three Rivers have experienced growth in the sector over the last five years.

4.18 The largest sub-sectors include computer consultancy activities (9,500 jobs) and software development (2,750 jobs).



Figure 4.8 Bubble chart showing performance of ICT sector in local authorities

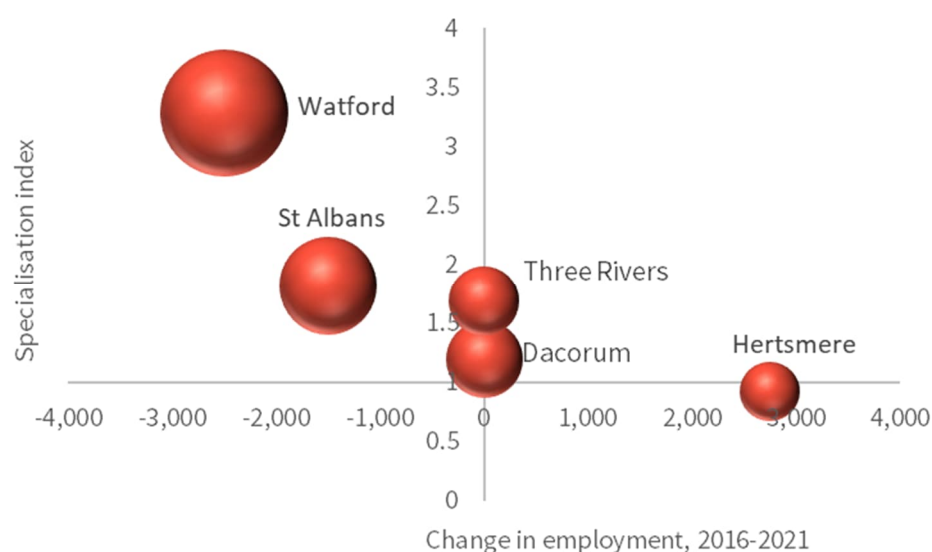


Source BRES

### Professional services

- 4.19 Figure 4.9 repeats the analysis for professional services. This shows a quite different picture. Employment in this sector (as indicated by the relative size of the bubbles) is more concentrated in two areas; Watford and St Albans, which account for 65% of jobs. These two areas also have the highest specialisation index. However both areas have experienced a fall in employment since 2016.
- 4.20 The largest sub-sectors in South West Herts are accounting and bookkeeping activities (12,000 jobs), head offices (9,500 jobs) and management or other consultancy activities (6,500 jobs). The recent falls in employment in Watford and St Albans have both been driven by accounting and bookkeeping activities.

Figure 4.9 Bubble chart showing performance of professional services in local authorities



Source BRES

### Other strategic sectors

4.21 Table 4.2 shows the recent employment performance and degree of specialisation of a number of other sectors identified as strategic priorities by the Hertfordshire Local Enterprise Partnership or local authorities<sup>13</sup>. The analysis suggests that, in terms of employment, South West Herts's main strengths are in:

- The film and TV industry.** This sector has a specialisation index of 2.8, meaning the sector accounts for more than double the share of employment in South West Herts compared to the GB average (although it is still small compared to the sectors above). The sector has experienced significant growth since 2016, driven by investment from a number of major film and TV studios. The strongest growth has occurred in Three Rivers and Watford, the location of Leavesden Studios which sits on the border of the two local authorities has driven this. Of note in this regard is Warner Bros. Studios Leavesden's planning application (22/0491/FUL) submitted to Three Rivers District Council in 2022 for a major development of new sound stages, workshops, production/post-production offices, studio facilities and site infrastructure to support a major expansion of the facility. Growth has not been as strong in Hertsmere, the location of Elstree Studios, but this is likely to change with the opening of the Sky Studios Elstree facility. All of these studios are part of a wider cluster of film and TV studios in London and the surrounding area.
- Life sciences (including agri-tech):** there are 3,000 jobs in life sciences in South West Herts (less than 1% of jobs in South West Herts), giving a specialisation index of 1.2. Around half of these jobs are in Hertsmere, with the largest employer being the Bio Products Laboratory in Elstree which manufactures human blood plasma products. The other notable location is in Harpenden in St Albans, the location of Rothamsted Research, an agricultural research institution which includes a business centre for

<sup>13</sup> These have been defined using 'best fit' SIC codes, although it should be noted it is very difficult to define certain sectors using SIC codes (e.g. clean growth). The SIC code definitions are included in the appendix.

related businesses. Beyond these two sites, there are currently few jobs in this sector in the FEMA. The Hertfordshire LEP's Life Sciences Sector and Cell and Gene Therapy Cluster Action Plan notes that the main clusters of biopharmaceuticals businesses are mostly located outside South West Herts, particularly in Stevenage, but with smaller clusters in Hatfield and Welwyn Garden City. Medical technology businesses are more widely distributed, including some in Hemel Hempstead, although this subsector accounts for a small number of jobs in South West Herts. Nevertheless, consultees from the LEP noted there are opportunities for South West Herts to attract businesses linked to the research conducted in Stevenage in activities such as manufacturing and sales.

- 4.22 The advanced manufacturing and clean growth sectors account for a lower share of employment in South West Herts than the national average. However it is particularly difficult to define this sector using SIC codes so this may underestimate the scale of the sector in the FEMA. A recent study by the Hertfordshire LEP provided more detail on the specific strengths of Hertfordshire in this sector (referred to as the low carbon, environmental goods and services sector), which includes alternative fuels, building technologies, alternative fuel vehicles and geothermal. However the study does not provide any spatial analysis of the sector in South West Herts, making it difficult to draw conclusions about the strengths within the FEMA. Although consultees identified the Building Research Establishment (BRE), located in St. Albans City and District local authority area, as a key asset for this sector which could drive growth.
- 4.23 Consultees from the LEP confirmed that advanced manufacturing is not a major strength of South West Herts, with most businesses clustered along the A1(M) and A505 corridors in the north and east of Hertfordshire. There are however a small number of high profile businesses, including Imagination Technologies in Kings Langley (a manufacturer of semiconductors) and Apple in St Albans, which may offer opportunities to develop a cluster in the future.
- 4.24 More information on the property requirements of key sectors is provided in Chapter 5.

Table 4.2 Performance of Hertfordshire LEP strategic sectors

	Number of jobs	Specialisation index	Change since 2016
Advanced manufacturing	8,600	0.7	1,100
Film and TV	4,600	2.8	2,400
Life sciences	3,000	1.2	700
Clean growth	7,100	0.8	600

Source: BRES

## Business and Enterprise

### Business characteristics

- 4.25 There were 34,900 businesses operating in South West Herts in 2022<sup>14</sup>. The business base is dominated by small to medium enterprises (SMEs) employing fewer than 50 people, which account for 99.6% of businesses. 91% of businesses are micro businesses meaning they employ fewer than ten employees. The size profile is broadly similar to the national average, although South West Herts has a slightly higher share of micro businesses than Great Britain (89%).

<sup>14</sup> Excluding very small businesses not registered for PAYE or VAT

- 4.26 Table 4.3 shows the sectors with the largest number of businesses are professional, scientific and technical activities (6,800), construction (5,200) and wholesale & retail (4,300). However the sector with the largest specialisation index is ICT; this accounts for 11% of the businesses in South West Herts compared to only 7% in Great Britain, indicating this is a key strength of the FEMA. Further analysis shows that this sector is dominated by micro businesses providing ICT consultancy or programming services.
- 4.27 Other sectors with a high specialisation index include professional, scientific and technical activities (1.29), real estate (1.13), construction and business admin and support services.
- 4.28 This is consistent with the employment analysis above and suggests that South West Herts' main strengths and economic drivers are in high skilled, private sector services, particularly ICT and professional services.

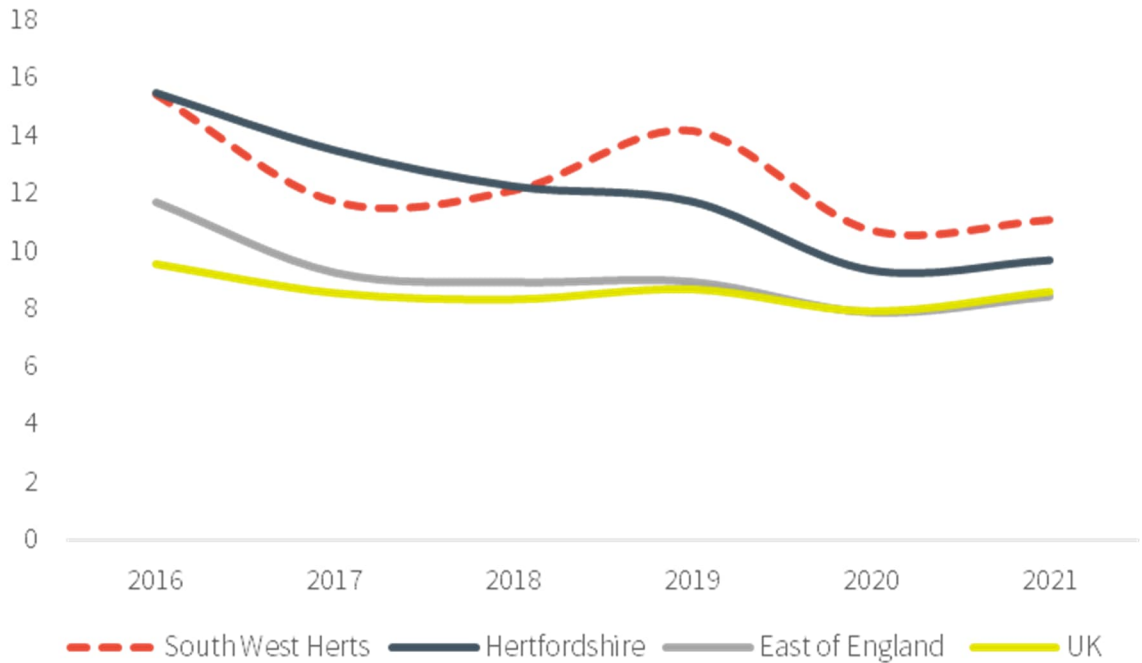
	Number of businesses	Specialisation index
Primary industries	400	0.25
Manufacturing	1,200	0.69
Construction	5,200	1.11
Wholesale & retail	4,300	0.86
Transport & storage	1,100	0.66
Hospitality	1,500	0.66
ICT	3,900	1.63
Finance & insurance	700	0.91
Real estate	1,600	1.13
Professional, scientific & technical	6,800	1.29
Business admin & support	3,100	1.10
Public admin, education & health	2,100	1.00
Arts, entertainment & leisure	2,200	0.95

Source: ONS UK Business Counts

### Business starts and survival

- 4.29 Figure 4.10 shows South West Herts has a highly entrepreneurial population; there were 11 new business starts for every 1,000 working age residents in 2021. This is higher than the average for Hertfordshire (10), the East of England and UK (both 9). However there has been a decrease in the business birth rate since 2016, when there were 16 new businesses for every 1,000 working age residents. The recent performance (2020-21) is likely to have been affected by the Covid pandemic.
- 4.30 The highest business start-up rates in 2021 were in Hertsmere with 14 new businesses for every 1,000 working age residents, followed by St Albans with 11. Whilst these figures have dropped (from 21 and 18 respectively), they remain well above national and regional averages.

**Figure 4.10 New businesses per 1,000 working age residents**



Source ONS Business Demography and ONS mid-year population estimates

4.31 South West Herts also has a higher business survival rate than the regional average. 39% of businesses started in 2016 were still operating in 2021 which is in line with the average for England (38%) but above the average for Hertfordshire and the East of England (33% and 34% respectively). This indicates businesses in South West Herts are more resilient than elsewhere.

**Figure 4.11 Percentage of new businesses still active after 5 years**



Source ONS Business Demography

## Barriers to growth

- 4.32 The 2019 study provided analysis of levels of business growth in South West Herts and how this compares to the UK. This used data from a 2018 report which has not been updated. Therefore it is not possible to update the analysis of performance.
- 4.33 Stakeholders consulted as part of the research made the following observations in relation to the main barriers to growth facing local businesses:
- Staff recruitment and retention is one of the main barriers to growth faced by employers, according to business organisations (including the Chamber of Commerce and Hertfordshire Growth Hub). It was reported that the unemployment rate is low (see below) and the number of vacancies still very high in Hertfordshire, making it very difficult for employers to recruit and this is exacerbated by a lack of affordable housing. This was reported to be a cross-sector issue but a particular challenge in some sectors such as hospitality, health and social care and manufacturing.
  - Rising costs, including the cost of materials and fuel have been a major barrier for some sectors, particularly the construction sector. The rising cost of rents and high business rates were also reported to be a major concern for small businesses. One consultee stated that the cost of premises is a bigger barrier than the availability of premises in South West Herts.
  - Access to employment sites and premises was reported to be a barrier to growth for some businesses, particularly manufacturers and small businesses looking for industrial grow-on space. There was some anecdotal evidence that a shortage of industrial premises has led to some businesses relocating outside Hertfordshire to Bedfordshire.

## Inward Investment

- 4.34 There is no data available on inward investment trends in South West Herts, however Hertfordshire as a whole has performed well. Figures from the Department for International Trade (DIT) show there were 17 inward investment projects in 2021/22 in Hertfordshire, which are expected to create 1,100 jobs over the next four years. This places Hertfordshire in the top third of the 38 LEP areas for foreign direct investment (FDI). Consultees from the LEP reported that, on average, they have attracted around 15 projects per year since 2015, with a dip in 2020/21 as a result of the Covid pandemic.
- 4.35 The LEP reported that the two main sectors driving FDI in Hertfordshire are life-sciences and the film and TV industry. However most of the projects in life sciences have been outside South West Herts.

# Labour Markets and Skills

---

## Labour Supply

### Population and demographics

- 4.36 The age profile of South West Herts' resident population is similar to Great Britain, but the FEMA has a slightly higher share of people in the 0 to 15 and 25 to 49 year old age groups, reflecting the areas' popularity for young families. In contrast the share of people aged 65 or over is slightly lower than the national average.

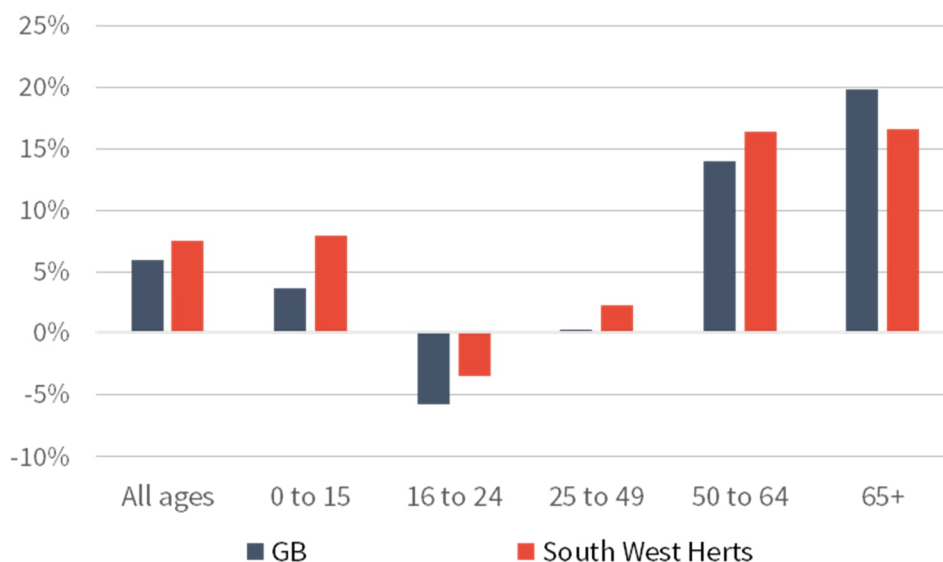
Figure 4.12 Population breakdown in South West Herts



Source Census, 2021

4.37 The population of South West Herts increased by 42,900 between 2011 and 2021, representing an increase of 8%<sup>15</sup>. This was higher than the Great Britain average (6%). Figure 4.13 shows that the highest growth in both South West Herts and Great Britain was among people over the age of 50. The working age population (aged 16 to 64<sup>16</sup>) increased by 5% in South West Herts and 3% in Great Britain.

Figure 4.13 Population change by age group, 2011-2021



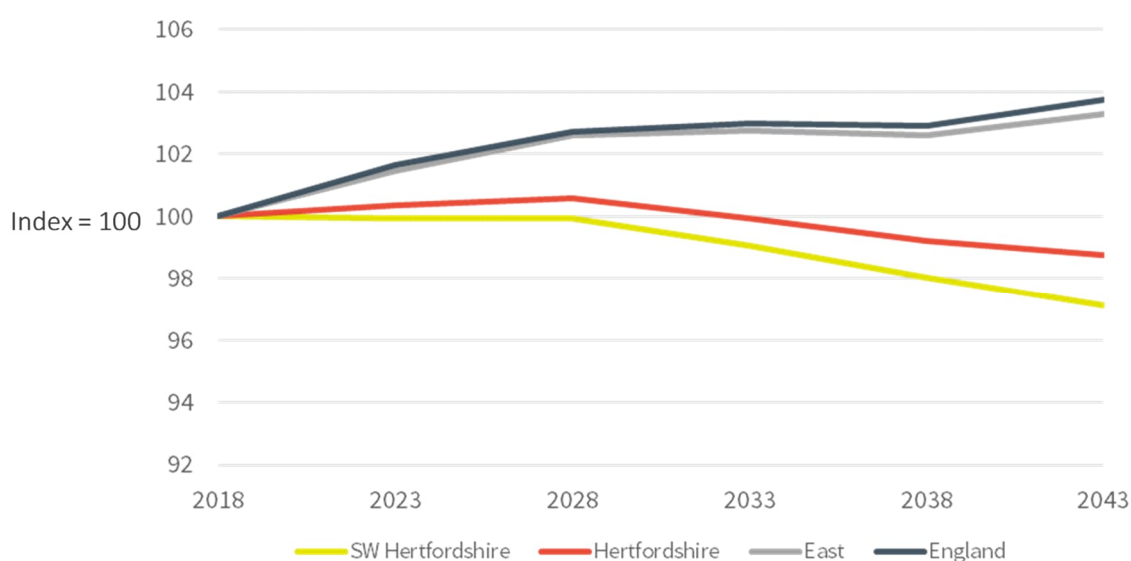
Source Census 2011 and 2021

<sup>15</sup> We have focused on these two years as they are Census years and therefore the data is known to be accurate

<sup>16</sup> This is still the definition of working age people used by the ONS despite the State Pension age now being 66

- 4.38 The latest population projections available for South West Herts were produced by ONS in 2018 and therefore are a number of years out of date. These show the total population of the FEMA is expected to increase by around 20,000 people between 2018 and 2043, but this will be driven entirely by growth in the number of people aged 65 or over.
- 4.39 The working age population is forecast to decline from 2028 onwards, falling by 10,600 people by 2043 (-3%). In contrast the working age population of England and the East of England is forecast to increase by just under 4%. These projections are subject to significant uncertainty but would add to the recruitment challenges and labour shortages facing many South West Herts employers and could act as a constraint on growth.

Figure 4.14 Working Age population projections 2018-2043



Source Population Projections, ONS

- 4.40 However, the actual change that occurs in the future working age population of South West Hertfordshire will be driven in part by the level and rates at which housing growth occurs over the period to the 2040s. This will be in turn a function of Local Plan housing targets and the extent to which those targets are met. This issue is considered further in Chapter 6 of this study, and it points to the potential for South West Hertfordshire to see an increase in the working age and working population.

### Labour market participation

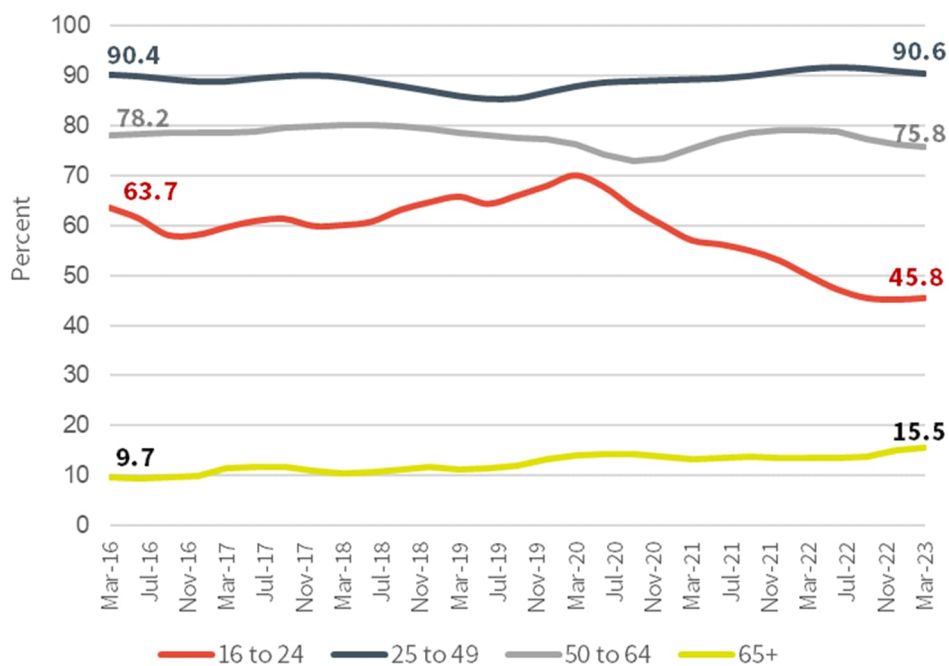
- 4.41 According to the Annual Population Survey there are currently around 316,000 people who are economically active<sup>17</sup> in South West Herts. This has remained broadly stable since 2016, although the composition of the economically active population has changed over time in line with the demographic trends mentioned above. The proportion of economically active people aged 50 or over has increased from 30% in 2016 to 35% in 2022.
- 4.42 The change in economic activity rates by age group are shown in Figure 4.15. It shows there was a large fall in economic activity rates of 16 to 24 year olds, however this is likely to be explained by the increase in the compulsory education age from 16 to 18 introduced in 2015. The economic

<sup>17</sup> People who are in work or actively seeking work



activity rates of 50 to 64 year olds have also fallen since 2016. There was a large fall during the Covid pandemic, but participation recovered well before falling again in late 2022. The only age group to experience an increase in economic activity rates was people aged 65 or over, which increased from 9.5% in 2016 to 15.5% in March 2023. Given the demographic trends above, it is vital that economic activity rates for people aged 50+ are increased further to ensure that labour supply does not act as a constraint on growth.

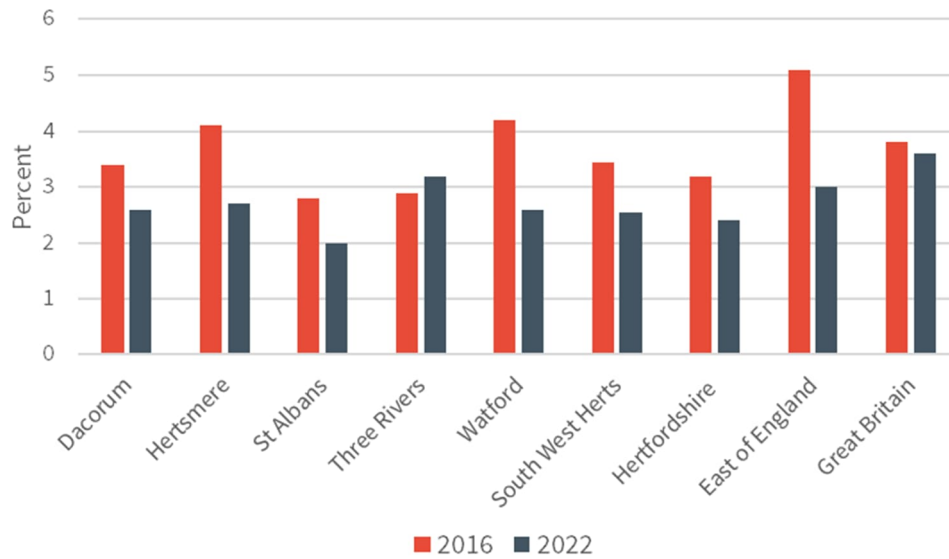
Figure 4.15 Economic activity rates by age group, March 2016 to March 2023



Source Annual Population Survey. Note: data has been smoothed using three quarter moving averages

- 4.43 2.6% of the economically active population in South West Herts were unemployed in 2022, down from 3.4% in 2016. This is lower than the regional and national average (3.0% and 3.6 respectively) and below the level considered to be full employment (typically 4%). Figure 4.16 shows that all local authority areas have a low unemployment rate and experienced a fall in the unemployment rate since 2016 (with the exception of Three Rivers, although the difference is within the margin of error).
- 4.44 This means there is very limited capacity in South West Herts labour market. When considered alongside the analysis above, it implies future employment growth could only be sustained through increases in economic activity rates, higher levels of in-migration or increased levels of in-commuting into South West Herts.

Figure 4.16 Unemployment rate in South West Herts and comparator areas, 2016-2022

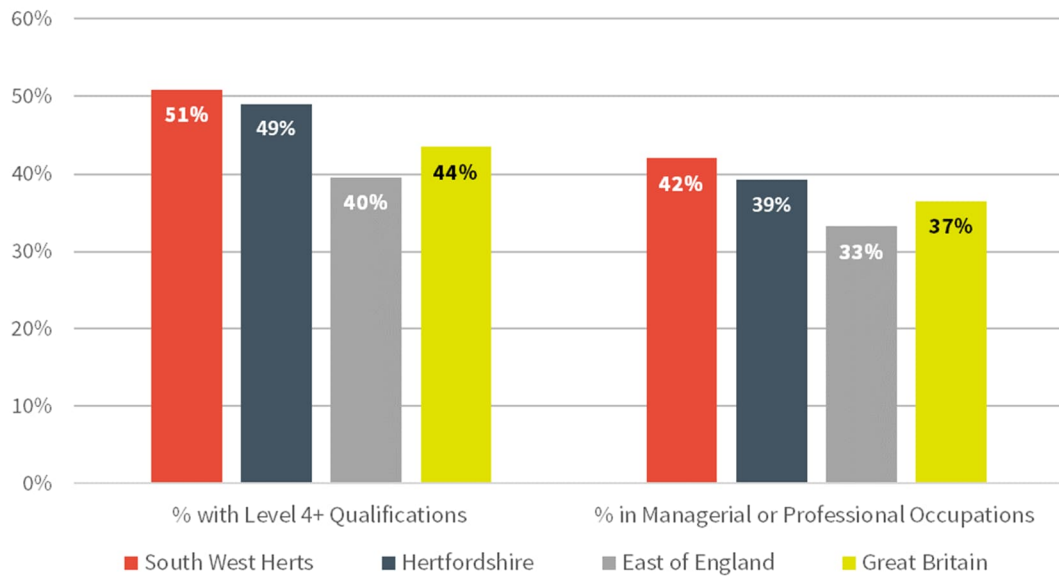


Source ONS model based estimates of unemployment

### Skills of the workforce

4.45 South West Herts has a highly skilled workforce. 51% 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 (40% and 44% respectively). Less than 14% of the population have basic or no qualifications which is lower than the regional or national average. Similarly, analysis of occupations data shows that 43% of South West Herts residents work in professional or managerial occupations, the two highest skilled categories, compared to 35% in the East of England and 36% in Great Britain. This demonstrates the attractiveness of the FEMA as a location for highly skilled and highly paid workers.

Figure 4.17 Percentage of working age residents with high level skills, 2022

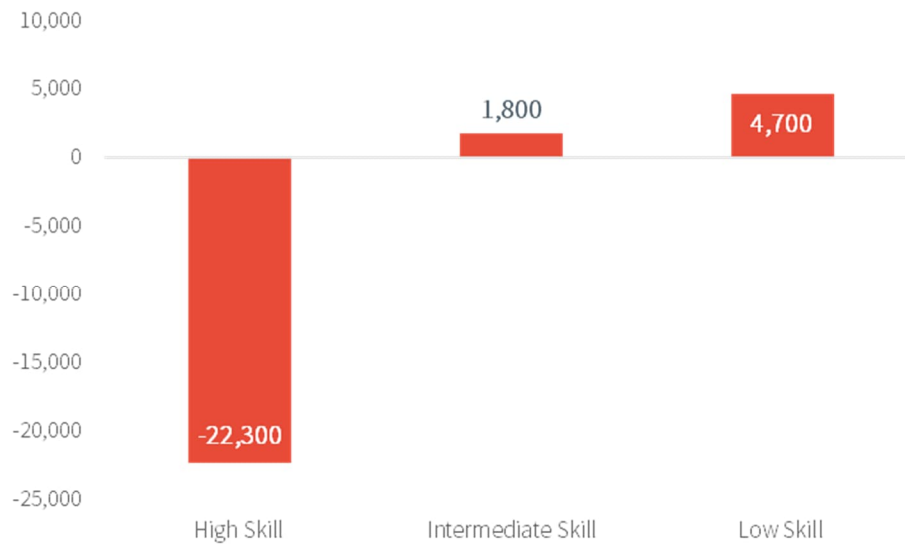


Source: Annual Population Survey (ONS)

4.46 Although the supply of high level skills is strong in South West Herts, a significant proportion of highly skilled residents commute outside the FEMA to work meaning the business and productivity benefits are realised outside South West Herts. Figure 4.18 shows the commuting balance for occupations at different skill levels. This is calculated by subtracting the number of residents in high skilled roles (managerial and professional occupations) from the number of high skilled roles in South West Herts workplaces. It shows the number of high skilled residents exceeds the number of high skilled roles by around 22,000, indicating a net outflow of high skilled commuters<sup>18</sup>. In contrast there is a small inflow of intermediate and low skilled commuters.

<sup>18</sup> This is based on APS data which asks respondents for their residential location and the location of their workplace. Given the recent increase in home-working it is possible that a large proportion of these people do not commute outside the FEMA, but their employer is located outside South West Herts.

Figure 4.18 Net commuting balance (employed residents and workplace employment) in South West Herts by skill level of occupation, 2022



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)

## Labour demand

### Vacancies

4.47 Figure 4.19 shows the number of monthly job vacancies posted by employers in South West Herts since January 2017. It shows a sharp rise in the number of job vacancies during 2021, peaking at 31,000 vacancies in December 2021. This is explained by a surge in demand for workers as the economy reopened following a long period of pandemic-related restrictions. The high level of vacancies is also likely to reflect some supply-side constraints as some people were hesitant about returning to work due to health concerns, childcare issues or a reassessment of work-life priorities after the pandemic (see the fall in economic activity rates among 50 to 64 year olds in Figure 4.15). The number of vacancies declined sharply in 2022 as the labour market adjusted, and are now at a similar level to before the pandemic.

Figure 4.19 Number of job vacancies in South West Herts, Jan 2017-Dec 2022



Source ONS, Labour demand volumes by profession and local authority

- 4.48 Table 4.4 shows there were 1.8 vacancies for every unemployed person in South West Herts in December 2022. This is in line with the average for Hertfordshire but significantly higher than the national average (1.2). Watford has the highest number of vacancies per unemployed person (2.7) followed by Dacorum (2.0) and St Albans (1.9). This shows South West Herts employers are still facing significant recruitment challenges despite the recent fall in the number of vacancies.

Table 4.4 Ratio of vacancies to employees and unemployed people

	Vacancies Dec 22	Number of vacancies per unemployed person (Dec 2022)
Dacorum	4,100	2.0
Hertsmere	2,500	1.8
St Albans	3,000	1.9
Three Rivers	800	0.5
Watford	4,100	2.7
South West Herts	<b>14,400</b>	<b>1.8</b>
Herts	28,800	1.9
GB	1,477,100	1.2

Source: ONS, Labour demand volumes by profession and local authority and model based estimates of unemployment

- 4.49 The profession categories with the largest number of vacancies were healthcare roles (particularly care assistants and nurses), sales and trading, ICT (particularly programmers, system developers and analysts and support staff) and admin and customer service staff. The types of professions in highest demand are broadly similar across the five local authority areas. The main exception is in Dacorum where ICT roles had the highest numbers of vacancies.
- 4.50 The 2019 study included analysis of skills shortage vacancies (vacancies which are hard to fill because candidates do not have the requisite skills). This used data from the 2019 Employers

Skills Survey. Although this was updated in 2022, the data has not been published for local areas meaning it is not possible to update the analysis in this study.

Figure 4.20 Average monthly vacancies by profession type, 2022

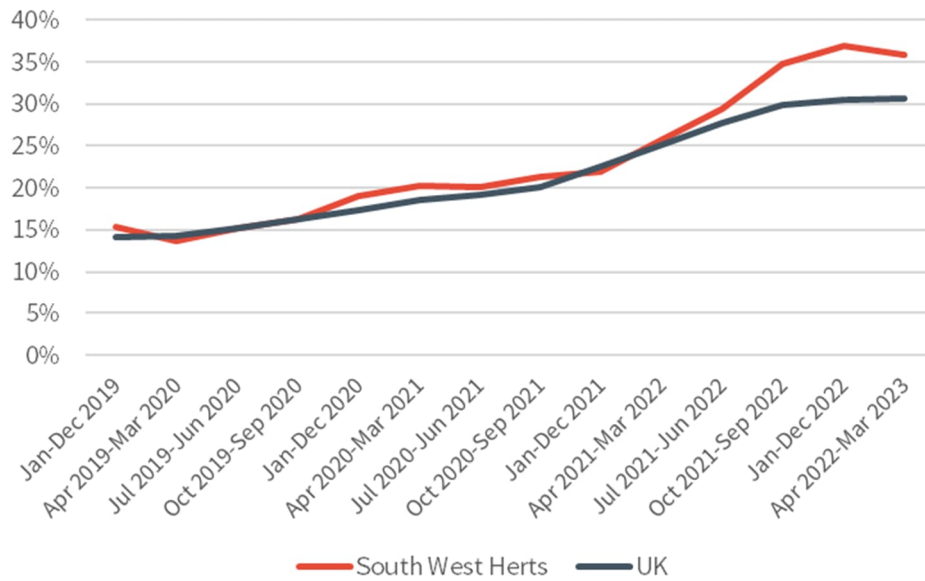


Source ONS, Labour demand volumes by profession and local authority

## Working patterns

- 4.51 The Covid 19 pandemic resulted in a significant change to work patterns, with a significant increase in the proportion of employed residents who work from home (see Figure 4.21). The trend was broadly in line with the UK average for most of the pandemic period but then increased at a higher rate than the UK during 2022. The most recent survey covers the period April 2022 to March 2023 and suggests the proportion of people working mainly from home may have peaked, although it is not yet clear whether it will stay at this level or begin to decline.

Figure 4.21 Percentage of employed residents who identify their home as their main workplace or base, 2019 to 2022



Source APS

4.52 Figure 4.22 analyses the changes in working from home by industrial sector in South West Herts. It shows that a very high proportion of people employed in its two highest performing sectors (ICT and professional services) now work mainly from home:

- In professional, scientific and technical activities, the proportion of employed residents who work from home increased from 13% before the pandemic<sup>19</sup> to 68% after the pandemic<sup>20</sup>.
- In ICT, the proportion increased from 13% to 65%.

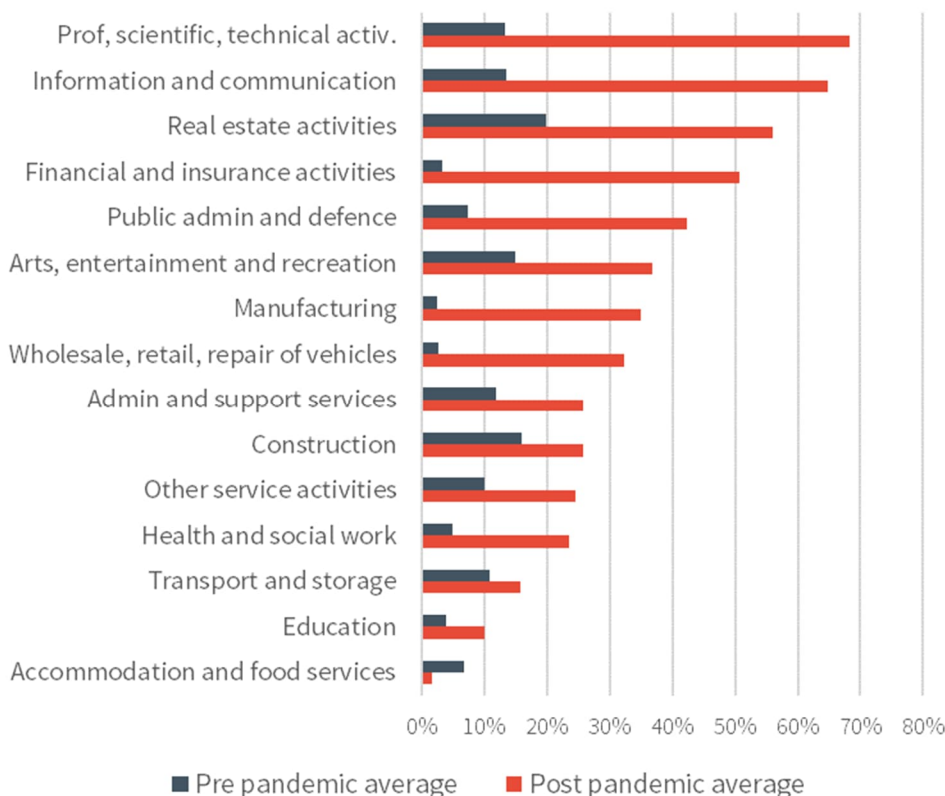
4.53 To be clear, this does not mean that these residents work from home all of the time. National surveys indicate that most office workers have now adopted a hybrid model where they work in the office some of the time. However the fact that a large proportion of residents in these sectors identify their home as their main place of work suggests they are spending at least 50% of their working time at home.

4.54 This has significant implications for the need for office space in South West Herts. It means that office utilisation (the proportion of desks which are occupied on a weekly basis) is likely to have declined significantly, which may lead to many office-based employers re-evaluating their need for office space. This is explored in further detail in the next chapter.

<sup>19</sup> Based on the average for the APS surveys covering the period Jan to Dec 2019 and Apr 2019 to Mar 2020

<sup>20</sup> Based on the average for the periods Oct 2021-Sep 2022, Jan-Dec 2022 and Apr 2022-Mar 2023

Figure 4.22 Change in proportion of employed residents who work mainly from home by industry



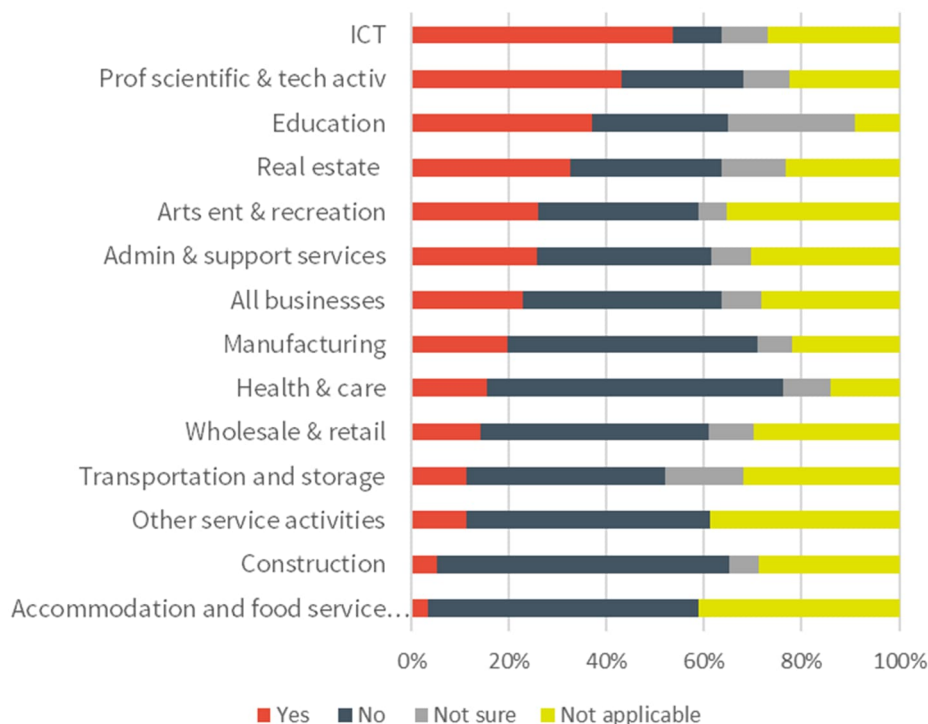
Source APS. Note: the pre-pandemic average is based on the average for the quarterly surveys covering the period Jan-Dec 2019 and Apr 2019-Mar 2020. The post-pandemic average was based on the surveys for Oct 2021-Sep 2022, Jan-Dec 2022 and Apr 2022-Mar 2023. The average from a number of surveys has been taken because the sample sizes for some industries in the APS are low and therefore have large margins of error. Grouping quarterly surveys together boosts the sample size and increases confidence that the results are robust.

4.55 It is difficult to predict with any degree of accuracy how the proportion of people who work mainly from home will change in the future. There have been a number of recent examples of employers insisting that workers spend a minimum amount of time in the office (three days in most cases) and a recent survey of 150 CEOs in the UK found that 63% predicted a full return to in-office working by 2026<sup>21</sup>. In contrast, a much larger business survey from 2022 found that 23% of businesses reported they are intending to include homeworking as a permanent business model (up from 16% in 2020). This increased to 54% for businesses in ICT and 43% for professional, scientific and technical activities (see Figure 4.23). This suggests a full return to the office is highly unlikely for the majority of firms in these sectors.

<sup>21</sup> KPMG CEO Outlook Survey



Figure 4.23 Percentage of businesses using or planning to use increased homeworking as a permanent business model, April 2022



Source ONS – Business Insights and Conditions

- 4.56 A range of surveys have also shown that working from home or hybrid working remains very popular with workers. 78% of workers who work from home in some capacity said that being able to work from home gave them an improved work-life balance, half reported they got work done quicker and 47% said it had improved their overall wellbeing<sup>22</sup>. There is also evidence that the pandemic has changed worker expectations about workplace flexibility. Research by CIPD<sup>23</sup> found that 71% of workers view flexible working as important to them when considering a new role. A separate survey by LinkedIn found that more than a third of UK workers say they would quit their job if their employer demanded they return to the office full time. This suggests organisations that return to pre-pandemic working patterns would struggle to attract and retain workers.
- 4.57 This means that a full return to pre-pandemic working patterns is unlikely. While there may be some reduction in the proportion of people who work mainly from home, this is likely to be in favour of hybrid working rather than a full return to the office.

<sup>22</sup> ONS, Opinions and Lifestyles Survey, February 2022

<sup>23</sup> Chartered Institute for Professional Development

## 5. Commercial Property Trends

- 5.1 This chapter presents analysis of recent market trends in the office and industrial market for South West Herts, drawing mainly upon CoStar data. This provides important context for the scenarios on future need which are discussed in Chapter 6.
- 5.2 The analysis also draws upon the feedback from a number of commercial agents active in South West Herts who were interviewed by BE Group. The anonymised notes from these interviews are provided in Appendix B.
- 5.3 The chapter includes analysis of both available and vacant space. CoStar defines these terms as follows:
- **Available space:** The total amount of space that is currently being marketed as available for lease or sale in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. This includes existing, under construction, and under renovation buildings.
  - **Vacant space:** refers to all space not currently occupied by a tenant, regardless of any lease obligation that may be on the space.
- 5.4 The chapter makes judgements about whether the market for different types of employment space is under or over-supplied based on the availability rate. Whilst it is difficult to be precise about the market equilibrium level (where demand and supply are balanced), it is generally accepted that this is between five and ten per cent for both the office and industrial market<sup>24</sup>. This range is used in this chapter.
- 5.5 Appendix C includes tables showing all of the CoStar data used in this chapter, including district level data.

### Office market

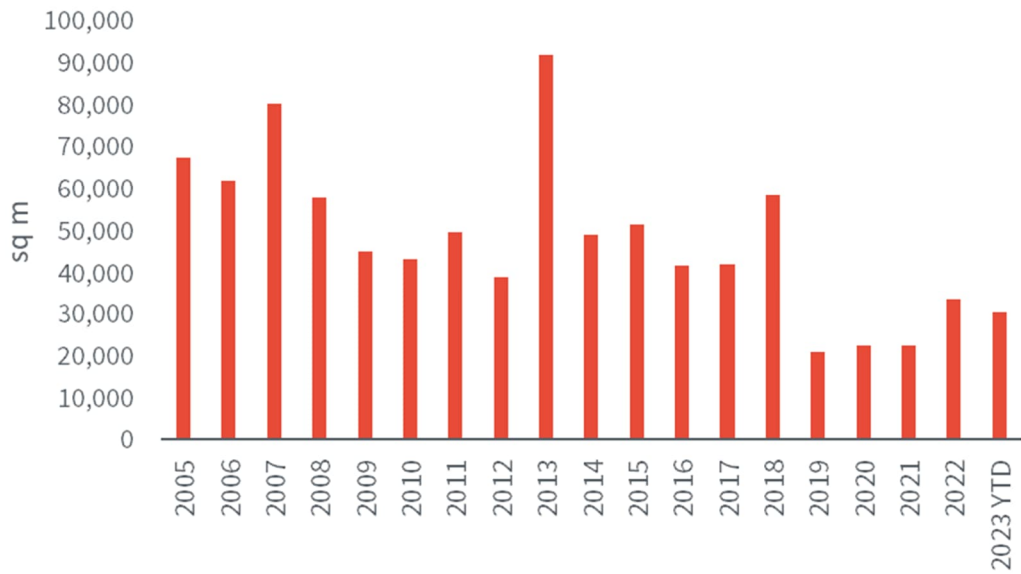
---

#### Demand for office space

- 5.6 Demand for office space can be measured in terms of gross absorption and net absorption. Gross absorption measures the total amount of floorspace occupied (indicated as a ‘move-in’ to an area) over a given period. This measure can only be positive as it does not take account of any floorspace vacated over that period (moves out). Net absorption includes both moves in and moves out and is therefore the best measure for measuring demand over time. Nevertheless, gross absorption can be a useful metric for understanding the total volume of market activity.
- 5.7 Figure 5.1 shows that there was a significant reduction in average annual gross absorption in South West Herts from 2019 onwards. The reasons for the below average leasing activity in 2019 are unclear, however the Covid 19 pandemic is likely to be an important factor from 2020 onwards.

<sup>24</sup> Later in the report we draw upon evidence from a report by Savills on behalf of the British Property Federation ([BPF - Levelling Up - The Logic of Storage & distribution](#)) which defines the market equilibrium rate is 8%, however for the purpose of this chapter it is reasonable to allow for a small margin either side of this figure.

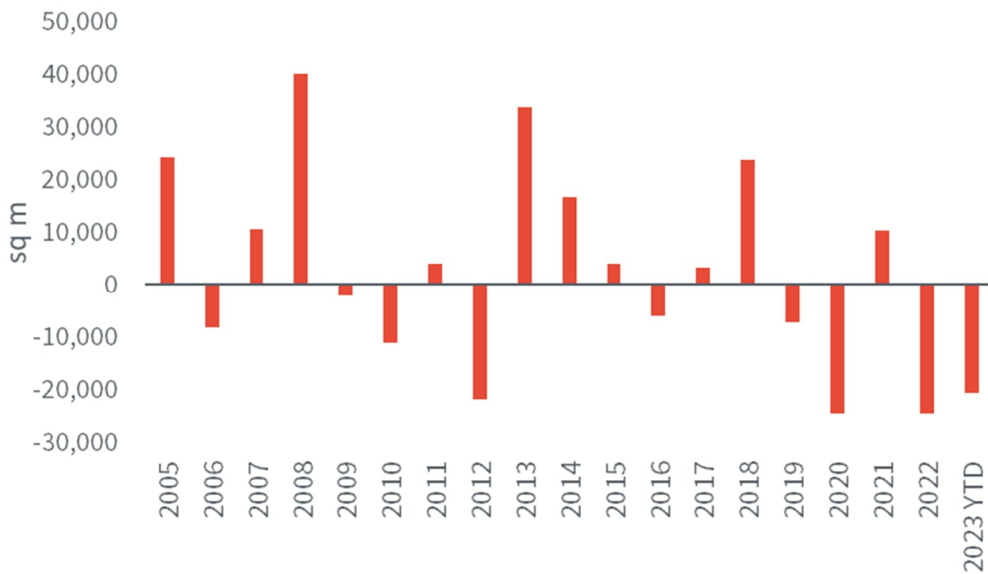
**Figure 5.1 Gross absorption of office space, 2005-2023**



Source CoStar

5.8 Figure 5.2 shows the data for net absorption, which also takes account of companies moving out of South West Herts or reducing their floorspace requirements. This shows that overall demand for office space has fallen by 67,000 sq m since 2019 when the last study was undertaken.

**Figure 5.2 Net absorption of office space**



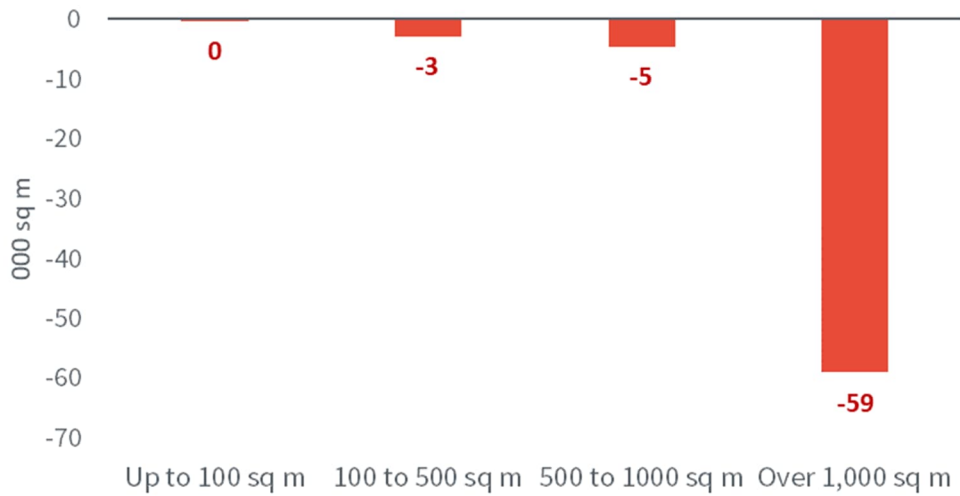
Source CoStar

5.9 Figure 5.3 shows this fall in demand has been driven by a large fall in demand for large floorplates (over 1,000 sq m). Net absorption has fallen by 59,000 sq m since 2019 (88% of the fall). This is likely to be explained by large organisations re-evaluating their use of office space in light of changing working patterns since the Covid 19 pandemic.

5.10 Although there has been a fall in demand for smaller offices, this has been much lower (in absolute and percentage terms), suggesting demand for smaller offices has not been as hard hit

by the pandemic. This was verified by commercial agents who reported most demand is now for offices of less than 5,000 sq ft (465 sq m).

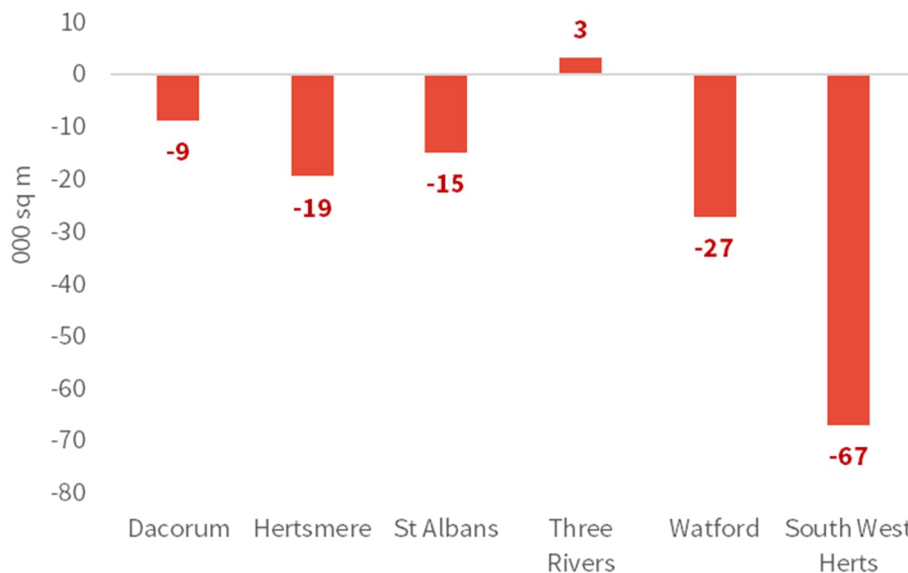
Figure 5.3 Net take up of office space by size of floorplate, 2020-2023 (YTD)



Source CoStar

5.11 Figure 5.4 shows demand for office space has fallen in each of the local authority areas except Three Rivers where there was a small increase in net absorption (+3,000 sq m). The largest fall was in Watford. This is likely to reflect the fact that Watford is the main office market for South West Herts and has historically attracted large organisations requiring large floorplates, which have been hardest hit by the pandemic.

Figure 5.4 Net absorption of office space by district, 2019-2023 (YTD)



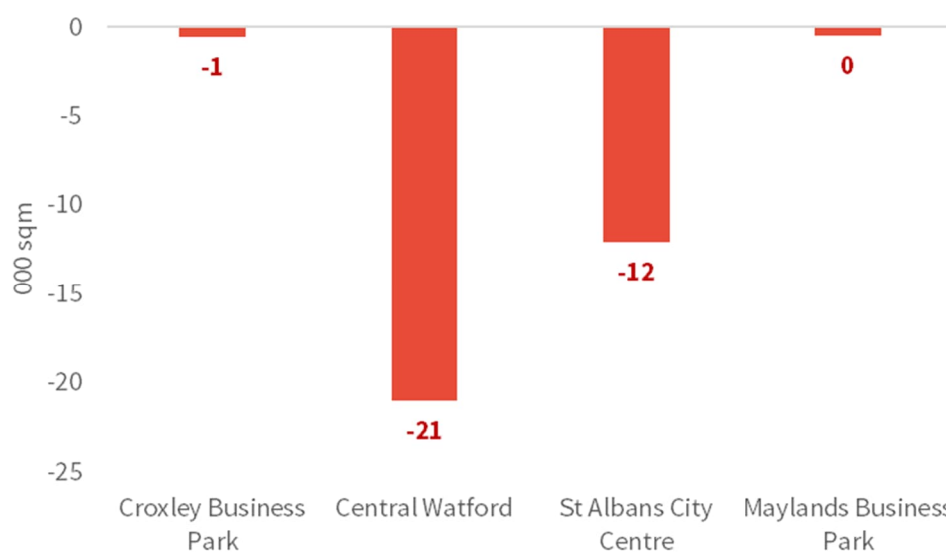
Source CoStar

5.12 Figure 5.5 focuses on some of the key office markets in South West Herts, where demand for space has traditionally been strongest. It shows that all areas have experienced a fall in demand

since 2019, but this was greatest in central Watford and St Albans. The fall in net absorption was much lower in Croxley Business Park and Maylands Business Park, although it should be noted that the figure for Maylands is skewed by a high level of take-up in 2019 (before the start of the pandemic). If we focus only on the period since 2020, net absorption in Maylands decreased by 8,500 sq m.

- 5.13 Although overall occupancy of office space has fallen in central Watford and St Albans, agents reported that these are still the locations in greatest demand, particularly Clarendon Road in Watford and Grosvenor Road in St Albans.

Figure 5.5 Net absorption of office space by key location, 2019-2023 (YTD)

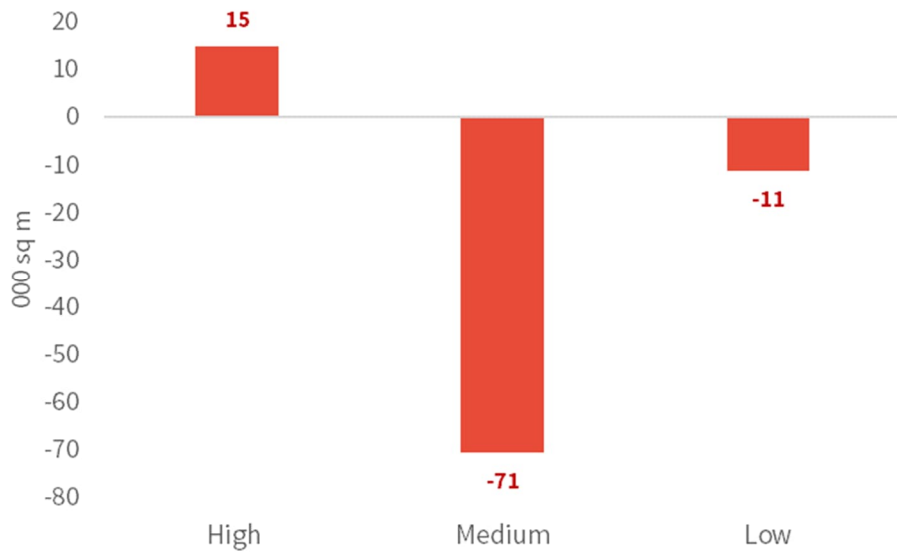


Source: CoStar

- 5.14 Figure 5.6 shows the fall in demand for office space has been driven by low and medium quality office space. However net absorption of high quality office space increased by 15,000 sq m between 2019 and 2023<sup>25</sup>. This was consistent with the feedback from commercial agents who reported there had been a ‘flight to quality’ in South West Herts, as businesses increasingly look for smaller, high quality offices with strong sustainability features and high quality amenities. This is seen by businesses as a way of attracting new talent while also supporting their wider ESG (environmental, social and governance) goals.
- 5.15 It should be noted that the vast majority of office buildings in South West Herts are rated as medium quality in CoStar’s database (87%). 8% are rated as low quality and 5% are rated as high quality. This explains why the fall in net absorption is much higher for medium quality than lower quality buildings.

<sup>25</sup> This uses CoStar’s building quality ratings, which range from 1 to 5. Low quality space has been defined as buildings with a rating of 1 or 2, medium quality space has a rating of 3 and high quality space has a rating of 4 or 5. More information about the criteria used to assess buildings can be found here: [ratingsystem.pdf\(costar.co.uk\)](https://www.costar.co.uk/ratingsystem.pdf).

Figure 5.6 Net absorption of office space by quality rating, 2019-2023 (YTD)

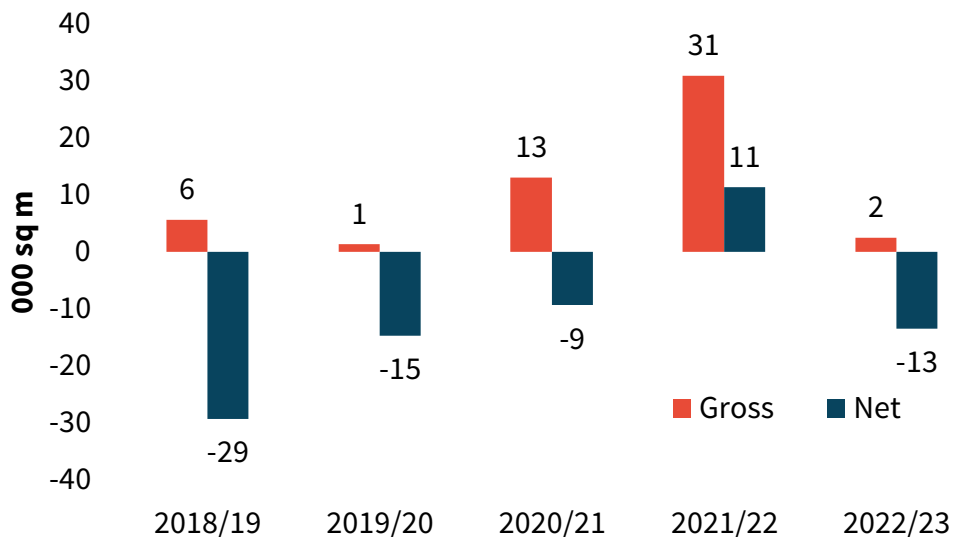


Source: CoStar.

### Supply of office space

5.16 Figure 5.7 uses the planning data provided by Hertfordshire County Council to show how the total stock of office space has changed between 2018/19 and 2022/23. It shows 53,000 sq m of new office space has been developed in South West Herts. However this has been offset by 109,000 sq m of losses (e.g. due to conversions of office space to other uses such as residential). Overall there has been a net loss of 66,000 sq m of office space since 2018/19 when the last study was undertaken.

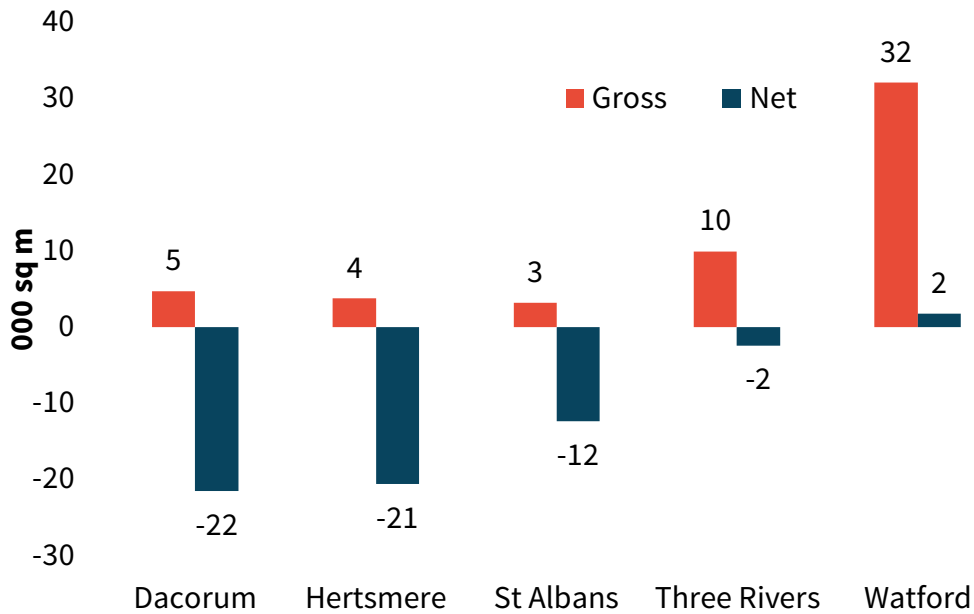
Figure 5.7 Gross and net change in supply of office space, 2018/19 to 2022/23



Source Herts CC. Note: this only includes E(g)(i)/B1a floorspace. It excludes E(g)(ii)/B1b. There has been one major development of this nature; 60,000 sq m of new film and TV studios at Borehamwood in Hertsmere. Although the need for film and TV studios is considered in this study, it has been excluded here as it is distinct from office space and is subject to different market trends and drivers.

5.17 Figure 5.8 shows the largest increase in the supply of office space since 2018/19 has been in Watford. This is due to new office development at Clarendon Road. All of the other areas have seen a net reduction in the supply of office space.

Figure 5.8 Gross and net change in stock of office space by district, 2018/19 to 2022/23



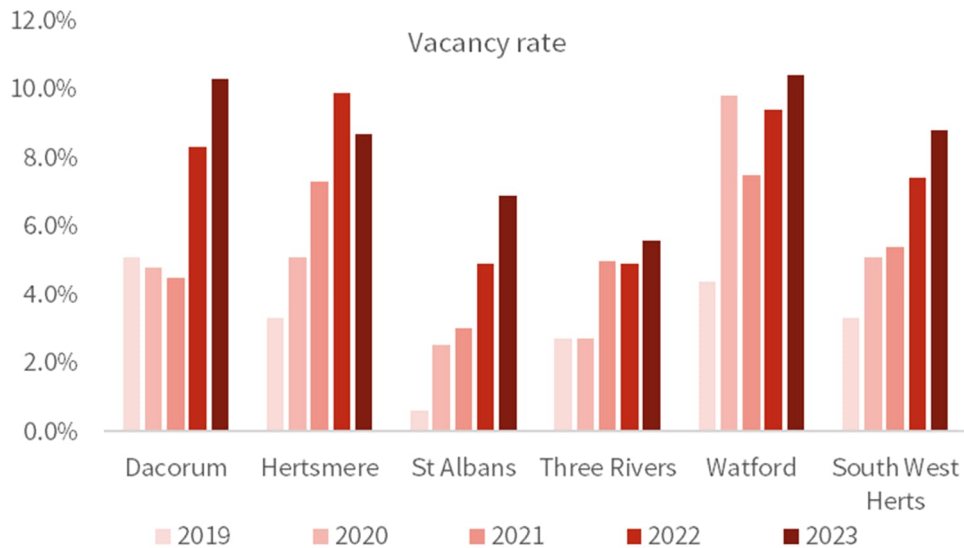
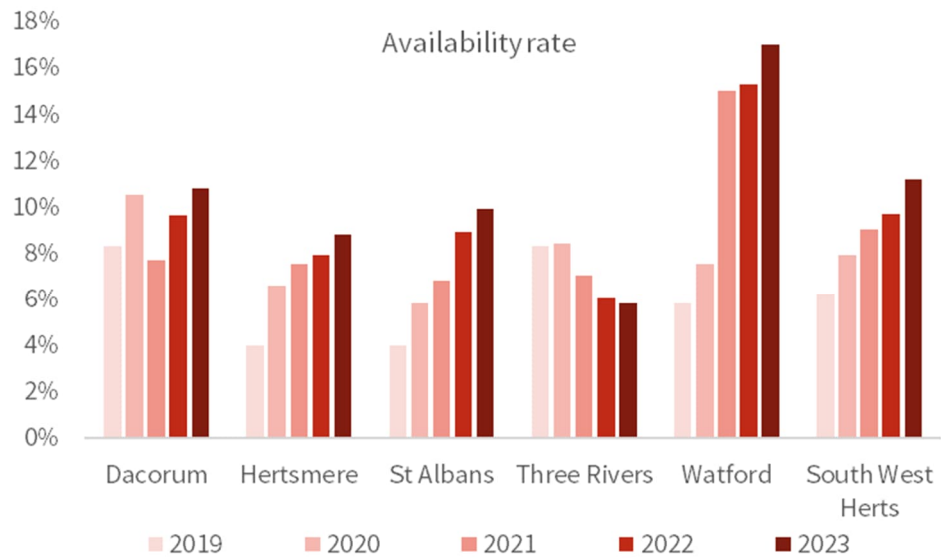
Source Herts CC

5.18 Despite the fall in the total supply of office space, most areas have experienced an increase in the availability rate since 2019. This has been driven by the fall in demand for office space over this period. As of July 2023, there was 162,000 sq m of available office space in South West Herts, of which 124,000 sq m is vacant. This represents an availability rate of 11.2% (indicating an oversupply of office space) and a vacancy rate of 8.8%. The largest increase in availability occurred in Watford which was driven by both an increase in the supply of office space and falling demand, particularly for larger floorplates over 1,000 sq m.

5.19 In Hertsmere, St Albans and Three Rivers, the availability rate is still below 10% indicating that the market is still broadly in equilibrium. However, for the first two of these areas, the upward trend suggests that these areas are likely to have an oversupply in the next few years. Commercial agents also reported there was currently a surplus of office space in the main market areas, with one commenting there was unlikely to be a need for any new development over the next five to ten years.

5.20 The one exception to this was Three Rivers, where the availability rate has fallen since 2019-23 although the vacancy rate has risen. The availability rate in Three Rivers is also much lower than other areas (5.8%). This is likely to be due to local factors affecting demand in Three Rivers, although the exact explanation is unclear. Nevertheless, it suggests market conditions are slightly different in Three Rivers, and the local authority should prioritise the protection of office space as far as possible.

Figure 5.9 Availability and vacancy rate of office space, 2019-2023

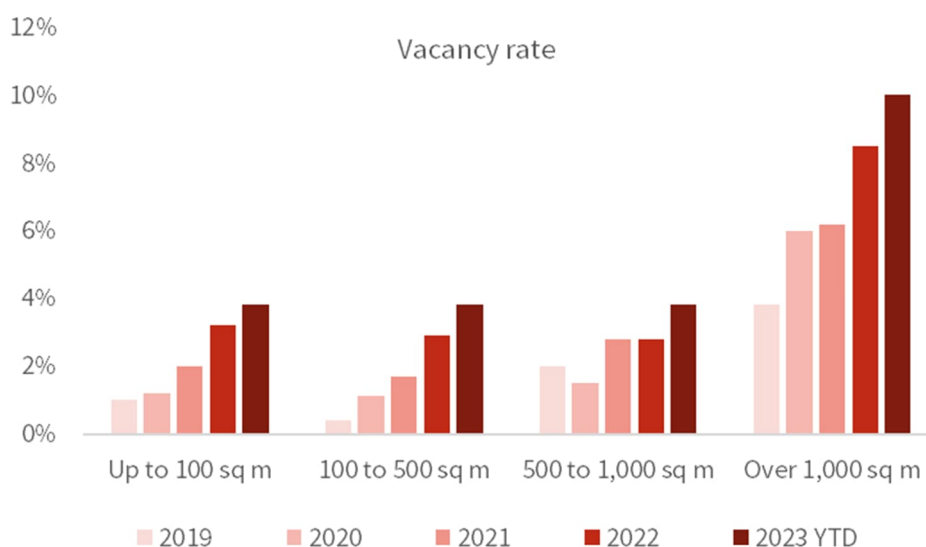
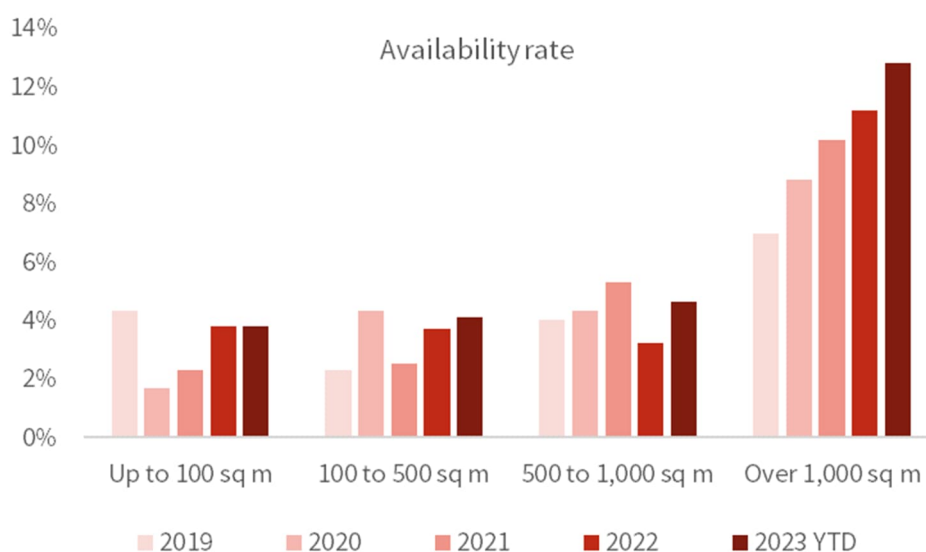


Source CoStar. Note: the data for Watford has been manually adjusted because the data included space in 50 Clarendon Road which is only vacant because it is planned for demolition and redevelopment.

- 5.21 Figure 5.9 shows the availability rate is highest for large floorplates over 1,000 sq m. This has increased from 7% in 2019 to 13% in July 2023, driven by an increase in vacancies. Availability rates for smaller floorplates have remained broadly stable, these remain below 5% indicating that supply is still constrained, although there has been an increase in vacancies since 2019.
- 5.22 Some stakeholders reported that the limited availability of small offices is acting as a barrier to growth for some businesses. For instance, Wenta, a not-for-profit organisation offering workspace to small businesses in Watford reported there is still a lack of office space suitable for small businesses in Watford, particularly space available on flexible terms and this had resulted in some businesses leaving the area.



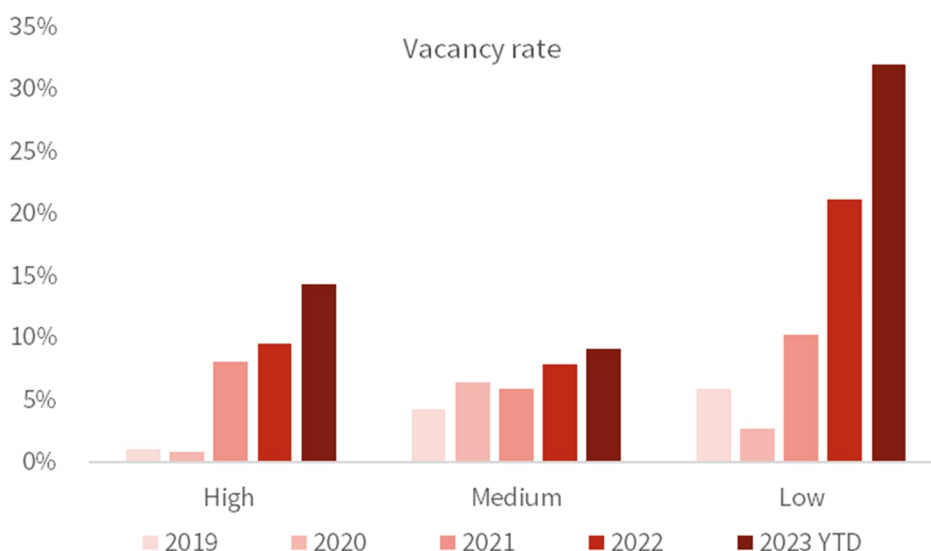
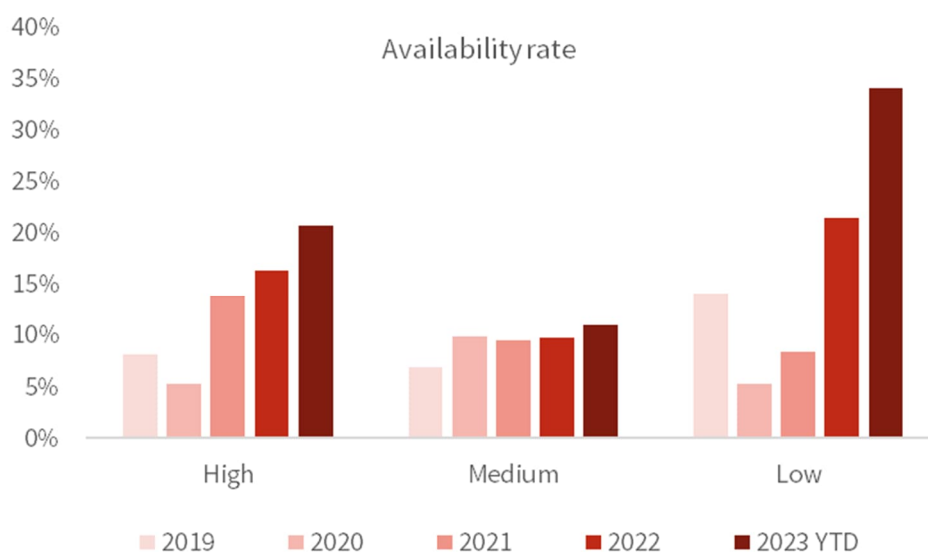
Figure 5.10 Availability and vacancy rates of office space by size of floorplate, 2019-2023



Source CoStar

- 5.23 Office space which is regarded as low quality has seen the sharpest rise in availability and vacancy rates, with the availability rate increasing from 5% in 2020 to 34% in 2023. This has been driven by an increase in vacancies. According to CoStar there has also been an increase in the availability of high quality office space. This currently has an availability rate of 20%, although this includes some premises which are still under construction. The vacancy rate for high quality space is 14% (28,000 sq m). This includes 9,300 sq m on Maylands Avenue and 6,000 sq m on Clarendon Road in Watford. This suggests that, even though there has been an increase in demand for higher quality space since 2019, this has not kept pace with the increase in supply.
- 5.24 A new mixed use development on Clarendon Road is due to come to market in 2024 which will include nearly 13,000 sq m of new, high quality office space. Commercial agents were unsure whether this would let in the current market, particularly larger floorplates, and believed this will need to be subdivided into smaller units.

Figure 5.11 Availability and vacancy rate by quality of space, 2019-2023



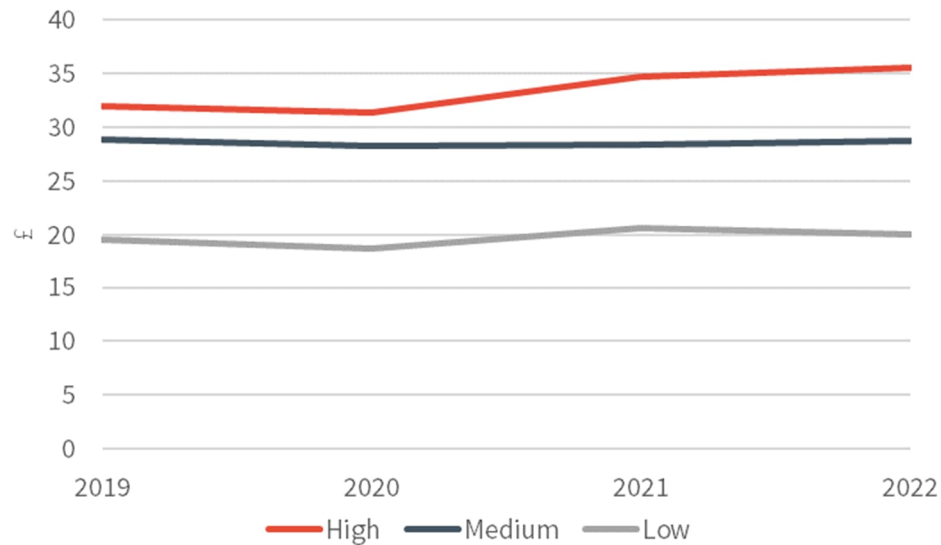
Source: CoStar

## Rental values

5.25 Despite falling demand and the increase in availability, average rental values have remained broadly stable in recent years once adjusted for inflation. Figure 5.12 shows that higher quality office space was the only type of space to experience an increase in rental values, increasing from £32 per sq ft in 2019 to £35.60 per sq ft in 2022. Over a longer period since 2014, office rent price data (See Appendix C, Table C.1), rental prices rose substantially as vacancy rates reduced after the 2008 recession, stabilising somewhat from 2019 when vacancy rates and availability once again increased. Average rental prices for individual local authority areas did not reach the values (£40+ per sq ft) that, according to commercial agents, new offices would need to be commercially viable. The viability threshold has increased in recent years as a result of increases in building costs. Whilst most agents consulted were sceptical that new development would be

viable for the foreseeable future, there are a small number of locations, including for example Clarendon Road in Watford, where there is evidence that £40 per sq ft is now being achieved.

Figure 5.12 Average rental values per sq ft by quality of space (2022 prices)



Source CoStar

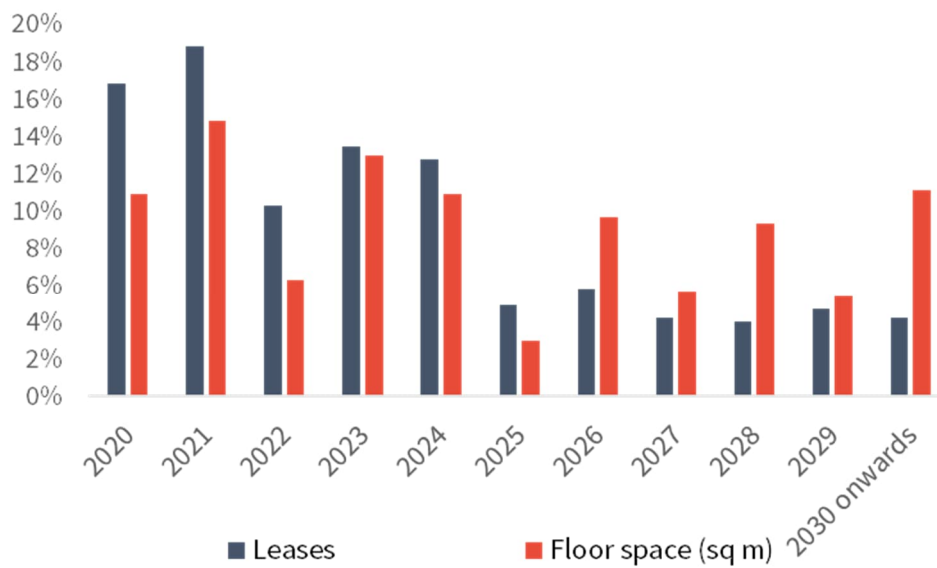
- 5.26 Data in Appendix C shows variation between rental values in each of the South West Herts districts. Watford borough, whose central Watford office area is the most significant such location in the area, has the highest average values reported at c. £35 per sq ft, with evidence that certain developments of new, high grade office space in Watford are now achieving £40 per sq ft. Dacorum’s the lowest at c.£22 per sq ft.

### Have we seen the full effects of the Covid-19 pandemic?

- 5.27 The full effects of the Covid-19 pandemic and changing working patterns are not likely to emerge until all of the leases signed before the pandemic have expired or reached a break-point (a date at which the tenant or landlord can choose to terminate the lease). It is at this point that tenants will decide to either renew the lease, downsize, increase their space or relocate.
- 5.28 Analysis of CoStar shows around 47% of leases signed before the pandemic have not yet expired or been the subject of a lease-break<sup>26</sup>. These unexpired leases tend to be for larger floorplates, meaning the proportion of the total office spaced leased which is still to expire or be the subject of a lease break is even higher, at 65%.

<sup>26</sup> CoStar does not provide the expiry date or break date for all leases. This is based on a sample of 617 leases signed before March 2020 which had an expiry date after March 2020

Figure 5.13 Expiry or break-date of offices leases signed before March 2020

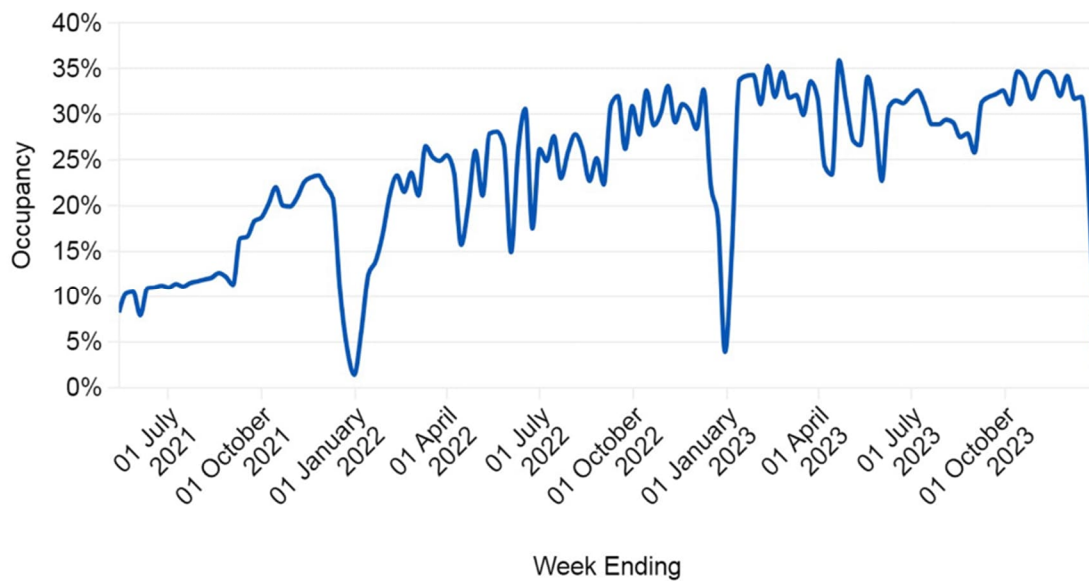


Source CoStar. Based on a sample of 617 leases for office space

- 5.29 The decision about whether to renew, downsize or relocate will be informed by the degree to which tenants are utilising the space they lease. At the moment, there is evidence that office utilisation is significantly below pre-pandemic levels. A national weekly survey of office occupancy by Remit Consulting shows, on average, UK offices were operating at between 30 and 35 per cent occupancy throughout 2023, with no clear evidence that it is on an upward trend. This compares to between 70-80% before the Covid pandemic, meaning office utilisation is less than half its pre-pandemic level. This suggests it may take a long time to return to pre-pandemic levels, and that this may only occur if employers reduce the amount of office space they occupy.
- 5.30 This survey data is not available for South West Herts. However it is reasonable to assume that office occupancy is similar or lower than the national average. This is because the percentage of people who say they mainly work from home is higher in South West Herts (36%) than the UK average (31%)<sup>27</sup>. This difference is even greater in some ‘office based’ sectors such as professional, scientific and technical activities (68% vs 56%).

<sup>27</sup> See Figure 4.21

Figure 5.14 Weekly UK office occupancy, July 2021 to January 2024



Source Remit Consulting. Note: the chart shows weekly data so the large, temporary falls relate to the Christmas and New Year period.

- 5.31 On this basis, we believe there is a high probability that there will be further increases in office vacancies in South West Herts over the next few years. If office occupancy remains well below pre-pandemic levels, it is reasonable to assume that many businesses will choose to downsize in response to these changes in working patterns when their leases expire or are reviewed.
- 5.32 There is also some market evidence that this is occurring in South West Herts. A recent market report by Brasier Freeth undertaken for the Hemel Hempstead office market states:

“During the pandemic many landlords worked with their occupiers to assist with lease restructures or payment measures, however as most tenants had legally binding contracts, they did not rush to lease surrenders. We are now approaching a point where lease event frequency means that as we approach four years post the pandemic, more accommodation is coming to the market and tenants are relocating or regearing leases. The overarching trend is to move to smaller quality accommodation (reducing their office space due to hybrid working and cost) or lease regears on better terms. The net result is static rents and more space coming to the market, a trend which we believe will continue for at least several years until companies find an operating level they can sustain”.

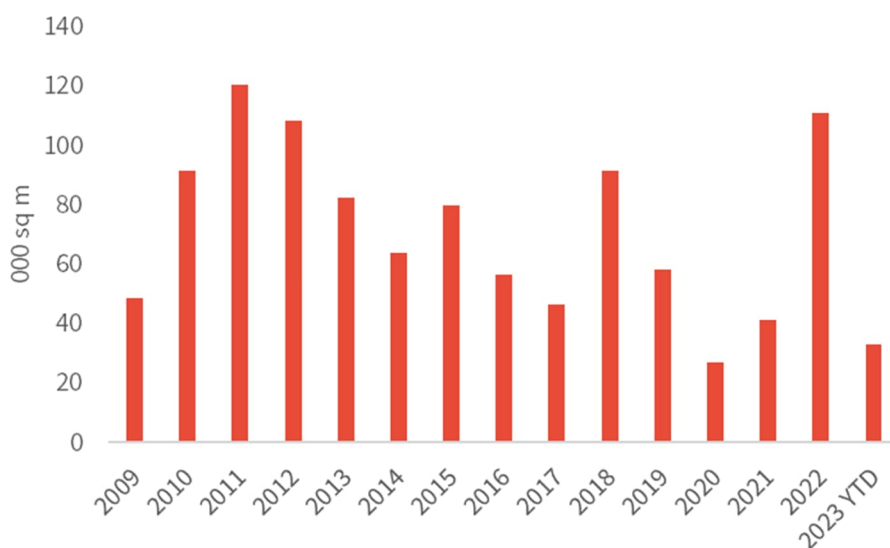
## Industrial market<sup>28</sup>

### Demand for industrial space

- 5.33 Figure 5.15 shows annual gross absorption of industrial space has fluctuated since the last study was undertaken in 2018/19. Although market activity was limited in 2020 and 2021, this rebounded strongly in 2022 with gross absorption of 110,000 sq m.

<sup>28</sup> CoStar includes storage and distribution space in its definition of industrial space and does not provide a breakdown by the different types of space. In this section wherever we refer to industrial space this includes storage and distribution space.

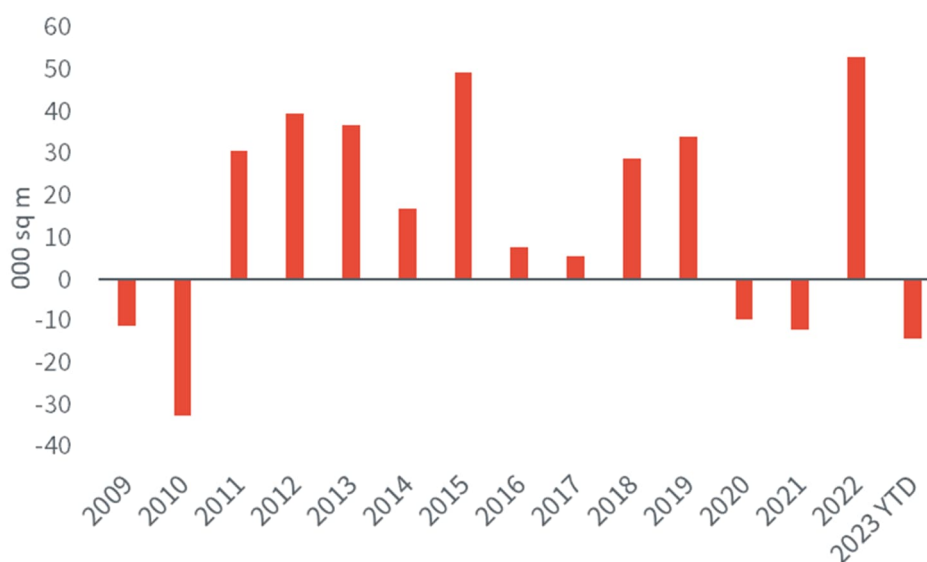
Figure 5.15 Gross absorption of industrial space, 2009-2023 (YTD)



Source: CoStar

5.34 Net-absorption of industrial space has also fluctuated but has been positive overall, with 64,000 sq m of space taken up between 2019 and 2022 (average of 16,100 sq m p.a.). This is in line with the long term average between 2009 and 2018 (16,900 sq m p.a.). It should be noted, however, that absorption of industrial space in South West Herts has been constrained by limited availability, as we show below.

Figure 5.16 Net absorption of industrial space, 2009-2023 (YTD)



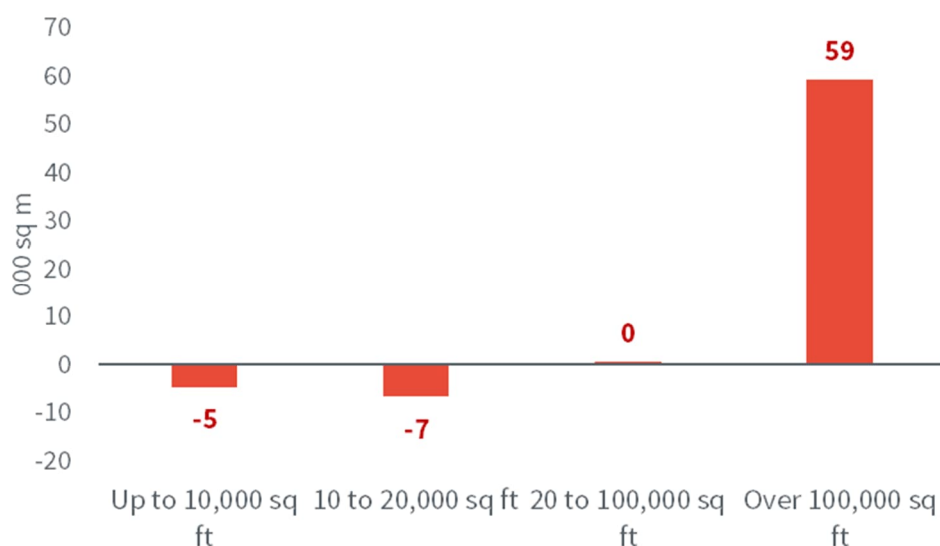
Source CoStar

5.35 Net-absorption of industrial space has been driven by demand for large floorplates (over 100,000 sq ft or 9,300 sq m). This is consistent with other markets around the UK which experienced very strong demand for large B8 warehouses as a result of the growth in online shopping during the Covid pandemic and growing concerns about supply chain resilience. Net absorption of smaller

sized units (up to 20,000 sq ft) has fallen slightly between 2019 and 2023, although this has also been constrained by limited availability.

- 5.36 Commercial agents and economic stakeholders confirmed that it is large storage & distribution operators that are driving high demand in the market but noted there is still demand from other uses. However many often find it difficult to find the space that meets their requirements. Consultees from Hertfordshire Growth Hub reported this was a particular issue for small manufacturing businesses that are looking for grow-on space.

Figure 5.17 Net absorption of industrial space by size of floorplate, 2019-2023 (YTD)

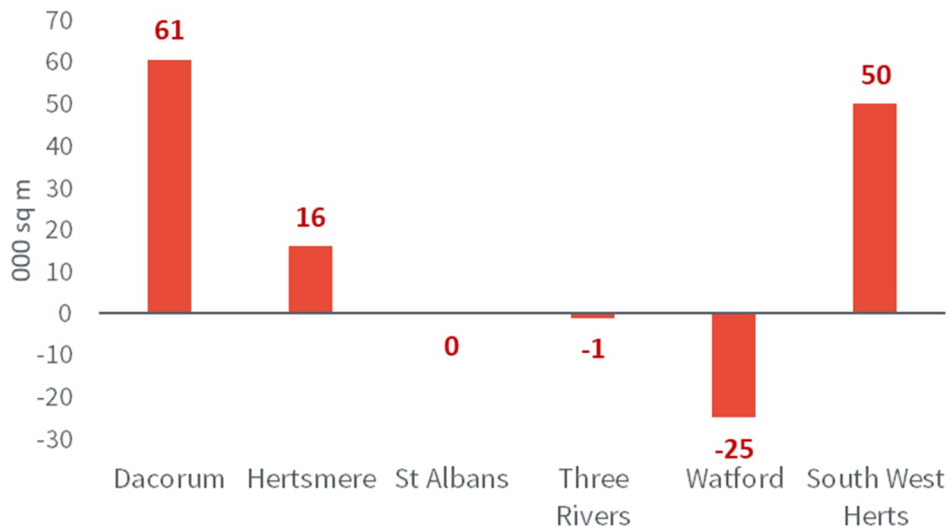


Source CoStar

- 5.37 Figure 5.18 shows demand for industrial and storage & distribution space was concentrated mainly in Dacorum, particularly around Maylands Business Park and Prologis Park Hemel Hempstead. Demand for space is very strong in this location because of its access to the M1 but it is also the only location in which there has been large scale development in recent years (e.g. Prologis Park). Commercial agents confirmed that demand would be high in any location offering large plots with good access to the motorway.
- 5.38 Watford experienced a significant fall in net-absorption, which is explained by the loss of industrial space. CoStar shows the total stock of industrial space fell by c. 28,000 sq m between 2019 and 2023, with a fall in net absorption of 25,000 sq m, suggesting that almost all of the space that was lost was occupied by businesses<sup>29</sup>.

<sup>29</sup> Note that Herts CC planning data shows an even larger fall in industrial space in Watford of over 70,000 sq m. The difference is likely to be accounted for by differences in the classification of industrial space and the extent of reductions in industrial floorspace known to CoStar for its database.

Figure 5.18 Net absorption of industrial space by district, 2019-2023 (YTD)



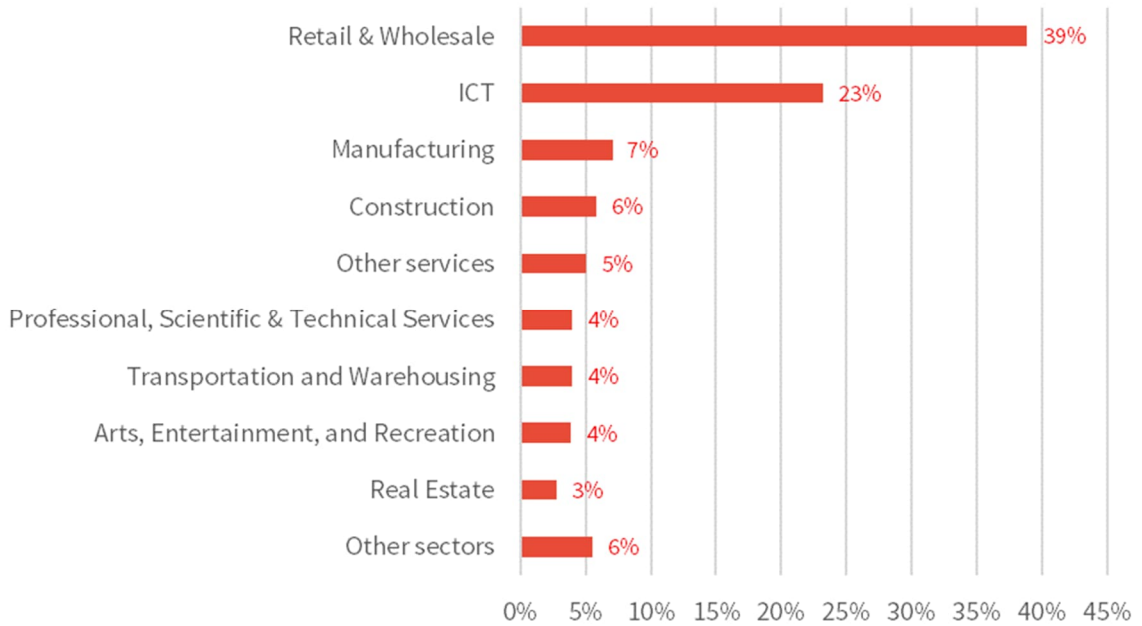
Source CoStar

- 5.39 Figure 5.19 shows the industry of tenants for all lease deals where the tenant is known in CoStar (around two thirds of lease deals)<sup>30</sup>. It shows that the retail and wholesale sector has driven demand for industrial and storage & distribution space in South West Herts, accounting for 39% of leased space between 2019 and 2023. This suggests the growth in online shopping has been a major driver of demand for industrial and storage & distribution space in recent years.
- 5.40 The next largest sector was ICT. Closer analysis shows that this is due to a number of lease deals by film and TV studios, which falls within the ICT sector. This includes Sky Studios which leased c. 27,000 sq m of space at its new studios in Elstree (this has been recorded as industrial space in CoStar) and Warner Bros which leased 26,000 sq m of warehouse space at Ventura Park in St Albans.
- 5.41 Manufacturing accounted for only 7% of leased space, but 18% of lease deals, reflecting the fact that most requirements from this sector tend to be for much smaller units than storage & distribution uses.

<sup>30</sup> Although CoStar includes an option to exclude lease renewals from the analysis, it is known from previous studies that a large number of lease deals are mis-categorised as new deals rather than renewals. This is also likely to be the case here.



Figure 5.19 Total floorspace required by deals (2019-2023 YTD)

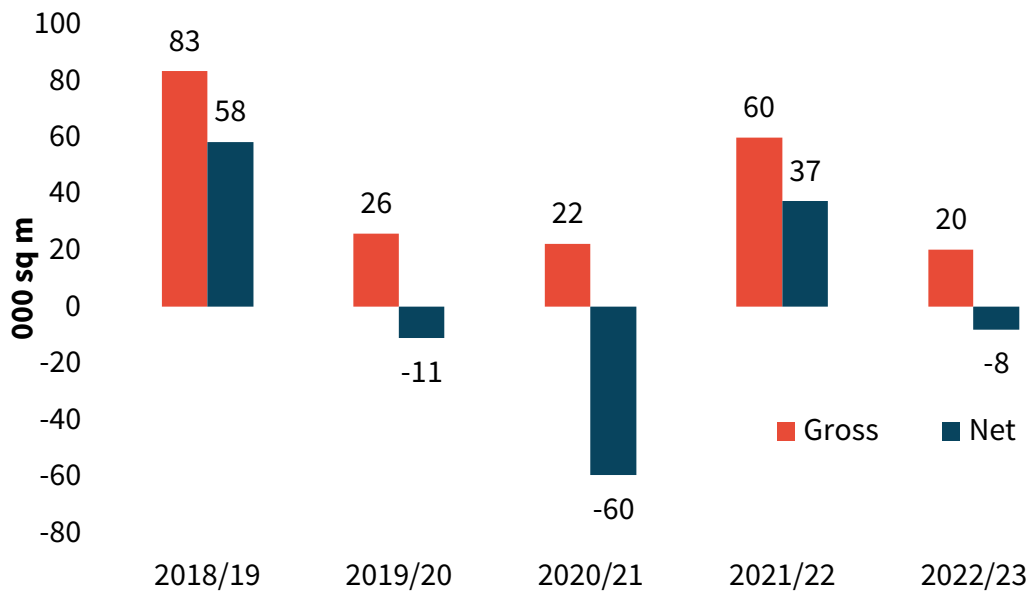


Source: CoStar

### Supply of industrial space

5.42 According to Herts CC’s planning database, checked with information from individual local authorities, 211,000 sq m of new industrial space has been developed in South West Herts since 2018/19. However this has been offset by the loss of 194,000 sq m of industrial space due to demolitions or conversions. This has resulted in the net loss of 16,000 sq m of industrial space.

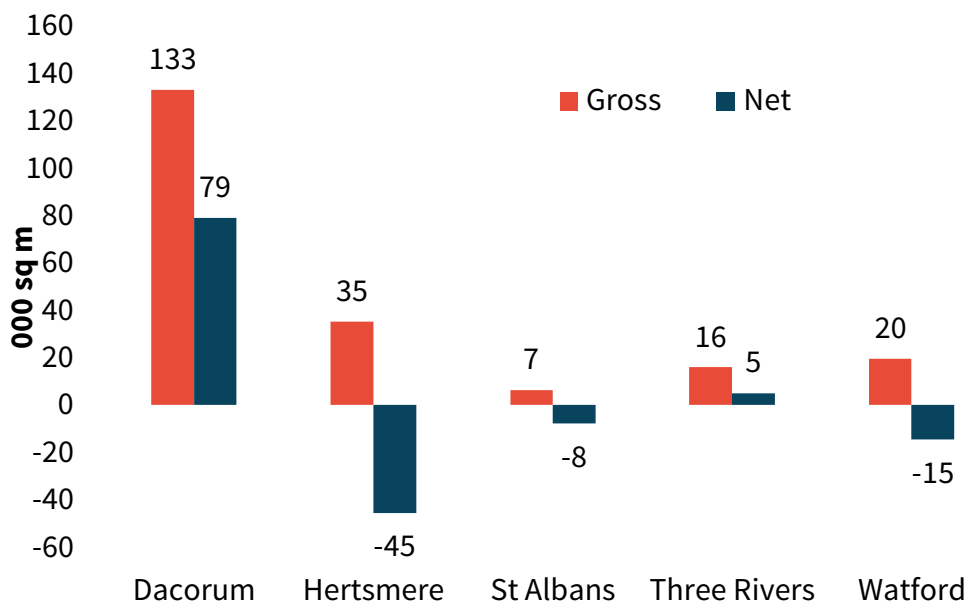
Figure 5.20 Gross and net change in supply of industrial space, 2018/19 to 2022/23



Source Herts CC

5.43 Figure 5.21 shows most new development of industrial space since 2018/19 has been in Dacorum (133,000 sq m) and Hertsmere (35,000 sq m). However, overall, Hertsmere still experienced a net loss of industrial space. Dacorum and Three Rivers were the only two areas which experienced an increase in supply (due to new completions being greater than losses of industrial space). The largest fall in supply was in Watford. This is likely to explain why Watford experienced a fall in net absorption (see Figure 5.18).

Figure 5.21 Gross and net change in supply of industrial space by district, 2018/19-2022/23



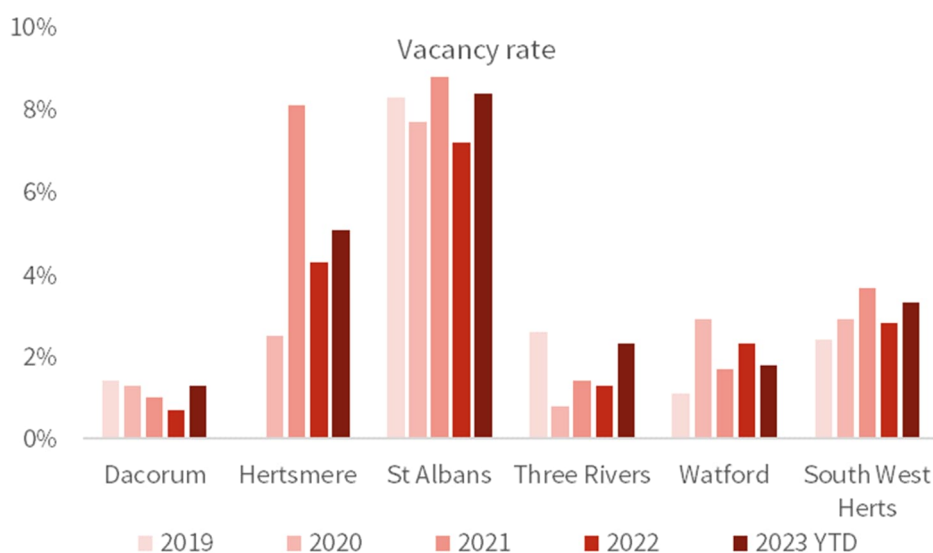
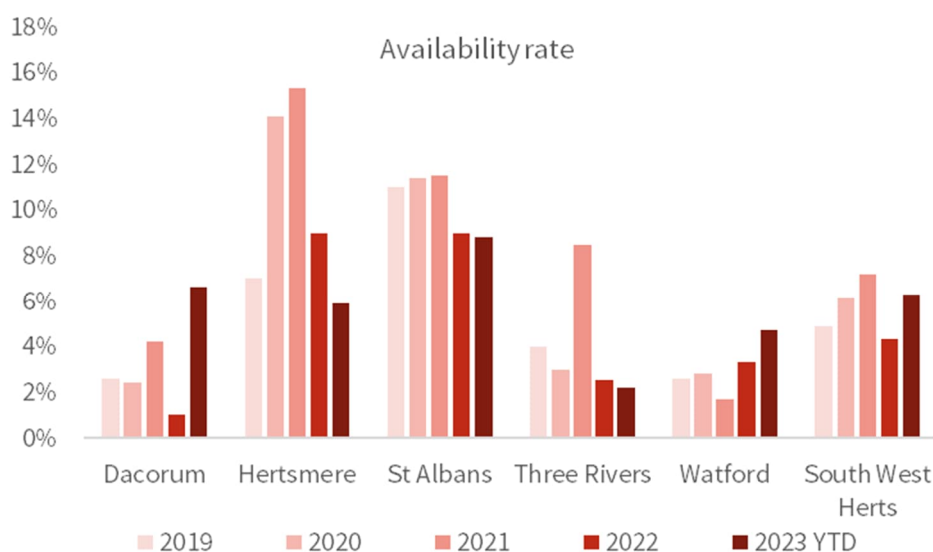
Source: Herts CC Note that the industrial space figures include E(g)iii (formerly B1c), B2 and B8

5.44 As of August 2023 there was 127,000 sq m of industrial space available in South West Herts, representing an availability rate of 6.3% (see Figure 5.22). This suggests the market for industrial and storage & distribution space in South West Herts is broadly in equilibrium (i.e. between 5 and 10%). Availability has increased slightly since 2019 (97,000 sq m or 4.9%). However the second chart shows that only 3.3% of industrial space is vacant which suggests there is limited supply and that take-up of industrial and storage & distribution space may have been constrained.

5.45 The chart shows that the availability rates are particularly low in Three Rivers and Watford. Dacorum also has a very low vacancy rate<sup>31</sup>, which reflects the fact that a high proportion of industrial space in this district is in large units over 100,000 sq ft which have been in greatest demand. The only area currently with an availability rate of over 8% is St Albans.

<sup>31</sup> The increase in the availability rate in Dacorum in 2023 is due to Amazon’s decision to close a large depot in Hemel Hempstead. However consultees reported that new tenants have already been found. Therefore it is no longer available and the availability rate in Dacorum is actually significantly lower than is shown in the chart.

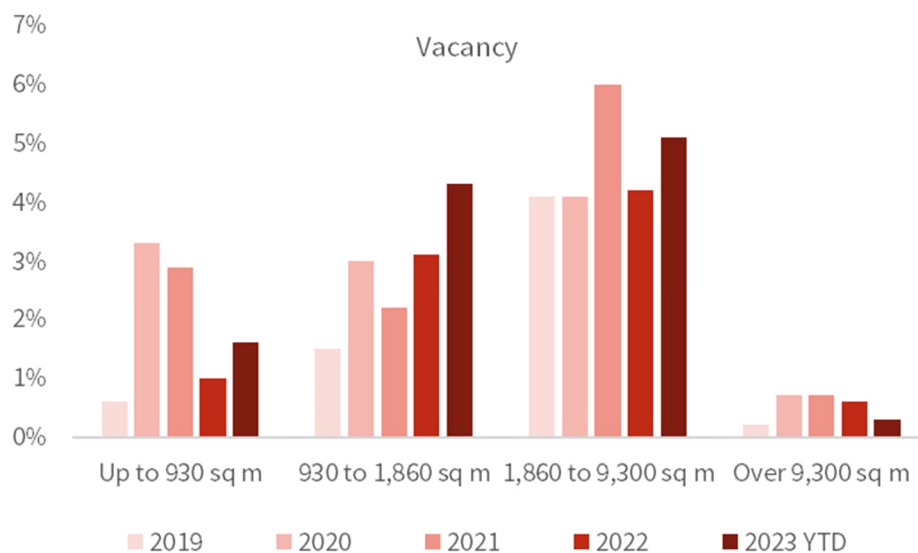
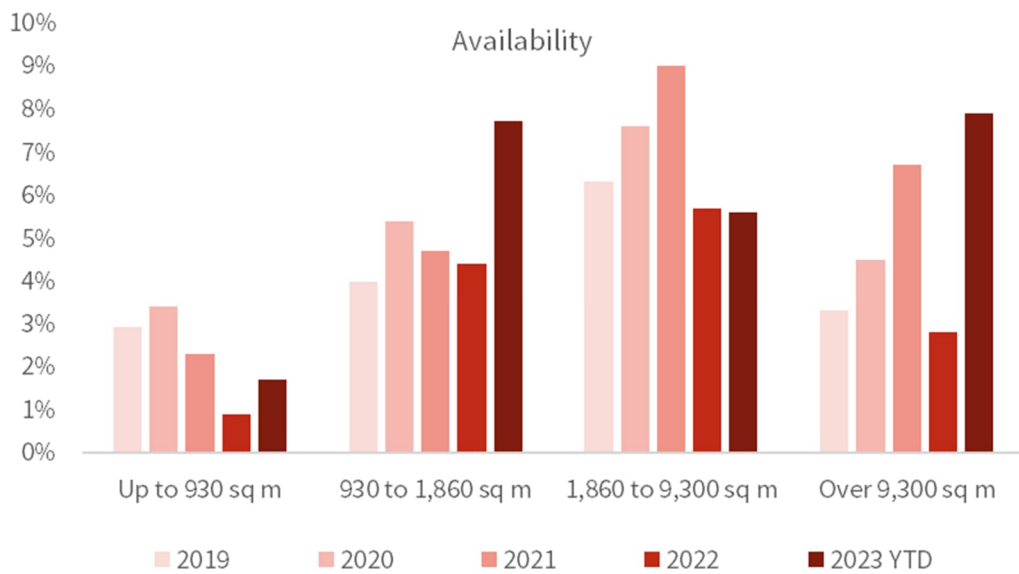
Figure 5.22 Vacancy rate of industrial space by district, 2019-2023 (YTD)



Source CoStar

- 5.46 Analysis of availability and vacancy rates by size of units suggests there is an undersupply of the smallest and largest units (up to 930 sq m/10,000 sq ft and over 9,300 sq m/100,000 sq ft). Figure 5.23 shows the vacancy rate for the largest units is only 0.3%. Although the availability rate is higher (8%) the vast majority of this available space is in a single warehouse soon to be vacated by Amazon. We understand new tenants have already been found for this warehouse so it is no longer available, implying that the availability rate is actually substantially lower. The charts show that the vacancy rate for the largest units has consistently been below 1% since 2018, meaning whenever new large warehouses have been brought to market an occupier has been found quickly.
- 5.47 The vacancy rate for small units is 1.6%. These units are sought after by small local businesses, including recent start-ups which suggests the limited supply could be acting as a barrier to growth for these businesses. This was also confirmed by stakeholders such as Wenta who reported a severe lack of small industrial or hybrid units in Watford.

Figure 5.23 Vacancy rate of industrial space by size-band, 2019-2023 (YTD)



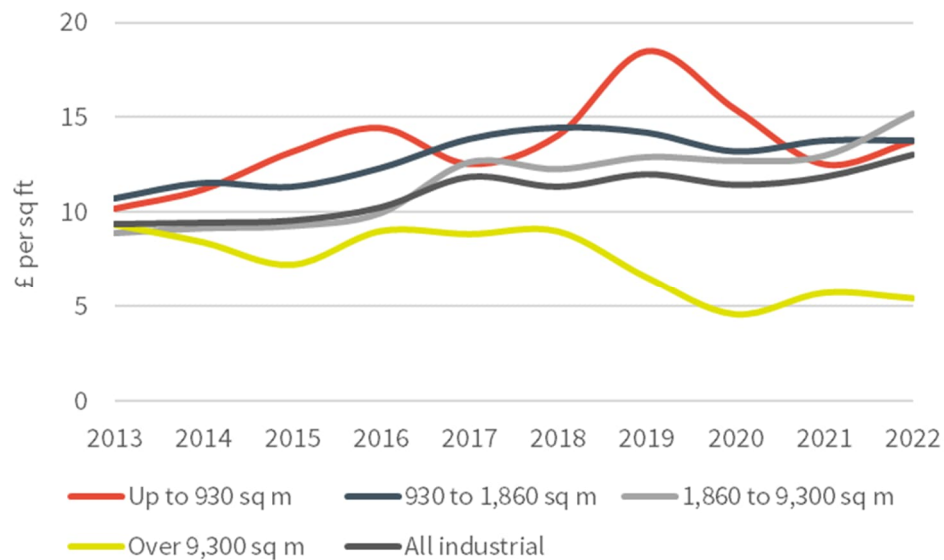
Source CoStar

## Rental values

- 5.48 Figure 5.24 shows rental values for industrial space have been growing at a faster rate than inflation. Average rental values per sq ft increased from £12 in 2019 to £13 in 2022 (in 2022 prices). Looking back further, real rental values have increased by £3.70 per sq ft since 2013, indicating an undersupply of industrial space (see Table C.7 in Appendix C).
- 5.49 The chart shows real rental values have been increasing for all sizes of unit except the largest sizeband (over 9,300 sq m). This is surprising given that the largest units have been in high demand and the vacancy rate has been consistently low. It should be noted, however, that the number of lease deals for large units is very small in any given year and the average rental value could be distorted by deals for lower quality space.

5.50 Commercial agents reported rents are now increasing rapidly, driven by an undersupply in the market. According to a number of agents, prime rents (for the highest quality space) have been proven to be £20 per sq ft and are forecast to go higher, with higher rental values now being quoted on the market.

Figure 5.24 Rental values per sq ft by sizeband (2022 prices)



Source CoStar

### Wider M1 market

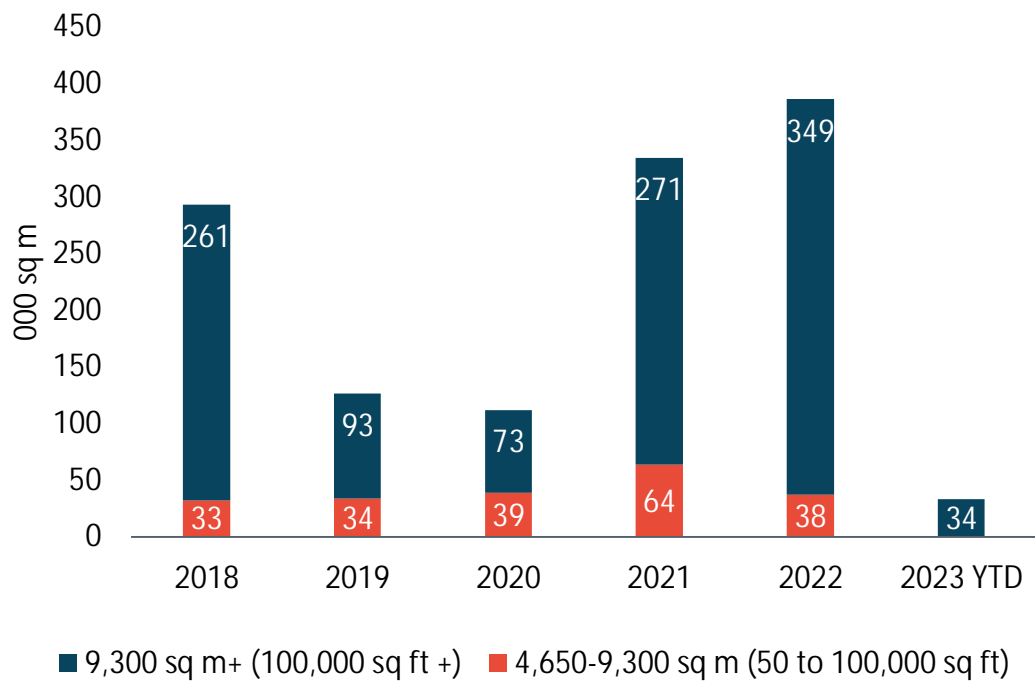
5.51 We have also undertaken analysis of the wider M1 industrial market (outside South West Herts). The reason for this is to understand whether development in these locations could help to meet some of the demand in South West Herts. The analysis has focused on:

- districts which the M1 motorway passes through as far north as Northampton. This includes the districts of Barnet, Brent, Harrow, Central Bedfordshire, Luton, Milton Keynes, South Northamptonshire and Northampton.
- Units over 4,650 sq m (50,000 sq ft). We have not analysed the supply of smaller units as occupier requirements for these units tend to be more localised and less footloose, and therefore increased supply is unlikely to meet demand in South West Herts.

5.52 Figure 5.25 shows there has been significant development of new industrial space in the wider M1 market in the last few years. In total nearly 1.3m sq m of new industrial space has been developed, with the vast majority of this in large warehouses over 9,300 sq m (100,000 sq ft).

5.53 Note that this is a gross figure and does not take in to account losses of industrial space. It is based on CoStar data which may be inconsistent with planning data for these local authorities.

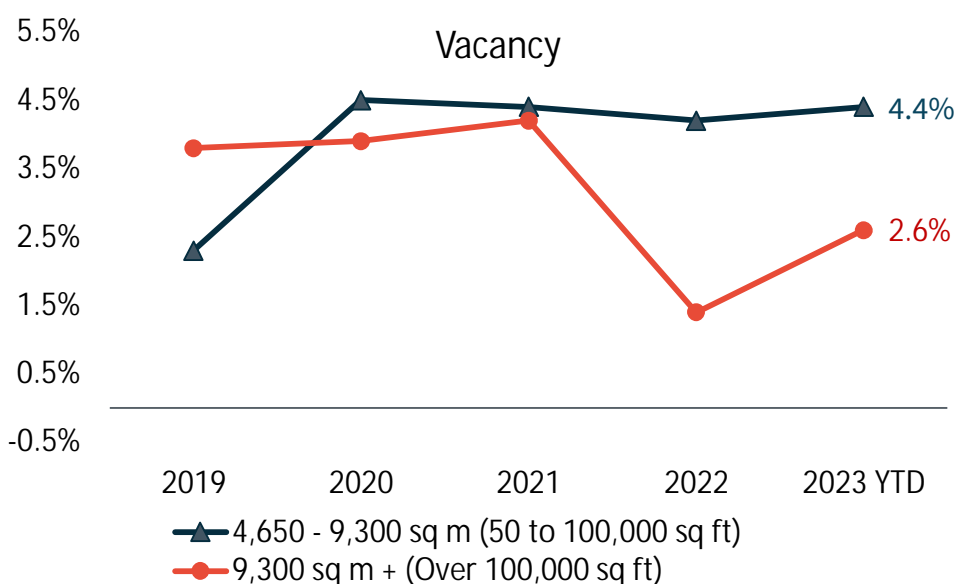
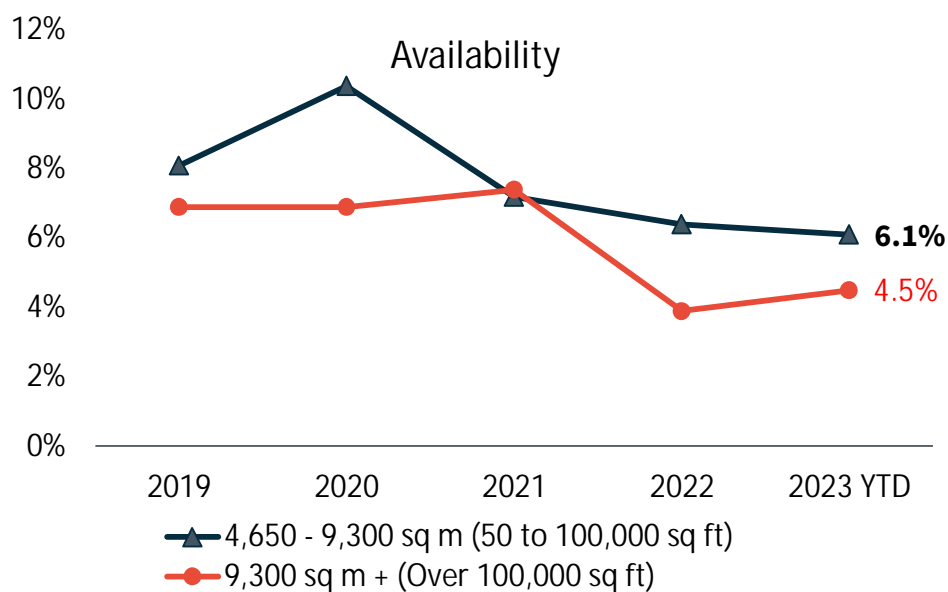
Figure 5.25 Deliveries of new industrial floorspace over 50,000 sq ft, 2018 to 2023 (YTD)



Source CoStar

5.54 Despite this significant rate of development, the availability rate for industrial space has remained below the equilibrium level of 8% since 2019 and has fallen over time. Similarly the vacancy rate has remained at consistently low levels, particularly for the largest units. This suggests that the increase in supply has been in response to growing demand for large industrial units. There is no evidence yet that the wider M1 market is over-supplied and therefore could help to meet demand in South West Herts.

Figure 5.26 Availability and vacancy rates for industrial space over 4,650 sq m (50,000 sq ft), 2019-2023 (YTD)



Source CoStar

## Property requirements of data centres

- 5.55 Data centres are specialised facilities that house computer systems and associated components such as telecommunications and storage systems. They are essential for the continuous operation of various IT services, including data storage, backup and recovery, networking and web hosting. A number of South West Herts authorities have reported growing demand for data centres, and therefore require evidence and advice on their requirements and an indication of the potential scale of demand.
- 5.56 Table 5.1 shows the details of known data centres in Dacorum. There are six separate data centres in total, all located in and around Maylands. There is at least 83,000 sq m of data centre space in Dacorum but this only includes the three developments where details are known. There

are three further data centres which were not purpose built facilities (i.e. they were converted from other uses, most likely B8 warehouses). If these were included, the total size of data centres in Dacorum is certain to exceed 100,000 sq m.

Location	Floorspace (sqm GIA)	Completed
3 Centro, Boundary Way	Not known	Unknown
150 Maylands Avenue	Not known	Exact date unknown but c. 2012
Hutchinson 3 Data Centre, Boundary park and Boundary Way	Not known	Unknown
Campus, Spring Way	23,358	2018/19
Unit 4, Prologis Park Phase 1, Maylands Gateway	26,382	2021/22
3A Blossom Way (Prologis Park phase 2)	33,155	Under construction
	Min. 82,895	

Source: DBC

5.57 Data centres vary widely based on their purpose and capabilities:

- **Enterprise data centres:** Owned and operated by businesses for their own use.
- **Colocation data centres:** data centres that are operated by one business but are shared by several firms or groups of enterprises (also called multi-tenant data centres), also called “retail” colocation. A “wholesale” colocation data centre is where the data centre operator provides the whole data centre to a single user.
- **Hyperscale data centres:** Large-scale operations designed for robustness and scalability. These data centres support big data analytics, cloud services, and streaming services, and are typically operated by major cloud providers and large tech companies including Google, Amazon Web Services and Microsoft.

5.58 The data centres developed in Dacorum to date have all been relatively small enterprise or colocation data centres. There are currently no completed hyperscale data centres in South West Herts. However there was an application submitted for a 84,000 sq m ‘hyperscale data centre’ at Abbots Langley in Three Rivers. This proposal was rejected by TRDC on the grounds that it would impact green belt land in the area. It has now been called in by the Secretary of State who will determine the application. Google has also started building a £700m hyperscale data centre on a 33 acre site in Waltham Cross in nearby Broxbourne.

5.59 Hertsmer Borough Council has received an application for a 2 million sq ft (185,800 sq m) hyperscale data centre adjacent to the A1(M) and M25, to the east of South Mimms Services. The scale of the proposal would establish it as one of Europe’s largest data centre campuses. The application will be determined by the Secretary of Stage, following the recent UK Government announcement that data centres are considered to be critical national infrastructure.

### Key drivers of demand for data centres

5.60 Globally and across Europe and the UK there is extremely rapid growth in the amount of data that is being generated and that needs to be stored, and this is expected to continue in the long term. According to IDC’s Global DataSphere, which forecasts annual data creation, data is



expected to grow at a compound annual growth rate (CAGR) of 21.2% between 2021 and 2026. This is being driven by the radical transformation in how people interact and how technology is used for personal, government and business activities. Data usage is currently roughly doubling every three and half years. The roll out of technologies such as machine learning, artificial intelligence and the Internet of Things is continuing to fuel this growth.

- 5.61 Additionally, a recent study found that data storage requirements have surged in the last few years. From an average of 3.34 terabytes in 2018, they have escalated to 25.64 terabytes in 2023, representing a compound annual growth rate of 50.3%<sup>32</sup>.
- 5.62 Data is stored in the “core” (i.e. traditional data servers and cloud data centres), the “edge” (infrastructure such as institutional servers) and in a global collection of “endpoints” (PCs, smartphones and other information storage devices). The share of data held in the core – i.e. data centres – is growing rapidly, meaning the need for data centre capacity is growing even faster than all data storage.
- 5.63 Within data centres, there is a major shift underway from traditional enterprise data centres (serving one business) to colocation and hyperscale centres. Driven by the economies of scale and need for increased capacity to deal with large volumes of data, hyperscale data centres will have grown from 39% of total traffic within all data centres in 2016 to an estimated 55% by the end of 2021<sup>33</sup>.

#### **Data centres in the UK**

- 5.64 London is currently the pre-eminent data centre location in Europe and accounts for the majority of data centres and capacity in the UK. Knight Frank estimated there are 153 data centres in London in 2021, with 1,134 of built MW capacity, 199 MW under construction and 636 MW planned<sup>34</sup>. However the exact geographical definition of “London” is rarely defined in data centre market reports, and this appears to use a broad definition which includes Greater London and surrounding areas close to the M25. For example, Slough is often included in this definition of London despite being located in Berkshire. Therefore, parts of the FEMA are also likely to be included in this definition of London.
- 5.65 This role of London is a result of several factors: it is the major global financial and business centre in Europe; it has excellent connectivity; and secure and reliable power supplies. London also has the largest concentration of IT personnel and (now) data centre expertise in Europe.

#### **Locational requirements**

- 5.66 Each type of data centre will have specific needs depending on its scale and configuration/purpose (the core data centres have different locational drivers than edge or enterprise data centres for instance). For most hyperscale data centres, there are three key locational drivers:
- Access to a large power supply
  - Access to excellent and reliable connectivity

<sup>32</sup> <https://www.pbctoday.co.uk/news/digital-construction-news/construction-software-news/new-study-finds-aec-firms-using-50-more-cloud-storage-before/137619/>

<sup>33</sup> Cisco (2018): "Cisco Global Cloud Index: Forecast and Methodology, 2016–2021" CISCO White Paper

<sup>34</sup> Knight Frank (2021) The Data Centre Report, EMEA & APAC, Q1 2021 and Q2 2021

- Location in an ‘availability zone’.

- 5.67 Availability zones (AZs) are distinct areas within a ‘cloud region’. A cloud region is a specific geographical area where cloud providers operate data centres. These regions host cloud services and infrastructure, allowing users to select a region closest to them or their customers to minimize latency and comply with data residency regulations. Each region is made up of multiple, isolated AZs for enhanced reliability and fault tolerance. These zones are geographic locations in which public cloud service providers' data centres reside, meaning there is a tendency for data centres to be clustered.
- 5.68 Each of the major cloud providers (Google, AWS, Microsoft) has a cloud region in London, with each region having a number of availability zones. However, again, the exact geography of these availability zones is obscure. Each AZ is given a code, however we have been unable to find any information on which areas are covered by each.
- 5.69 Nevertheless, there are references to a ‘Hemel Hempstead Availability Zone’ in news articles relating to the application for a new data centre at Abbots Langley<sup>35</sup>. This would explain the clustering of data centres around Maylands.

## Property requirements of priority sectors

---

### Film and TV

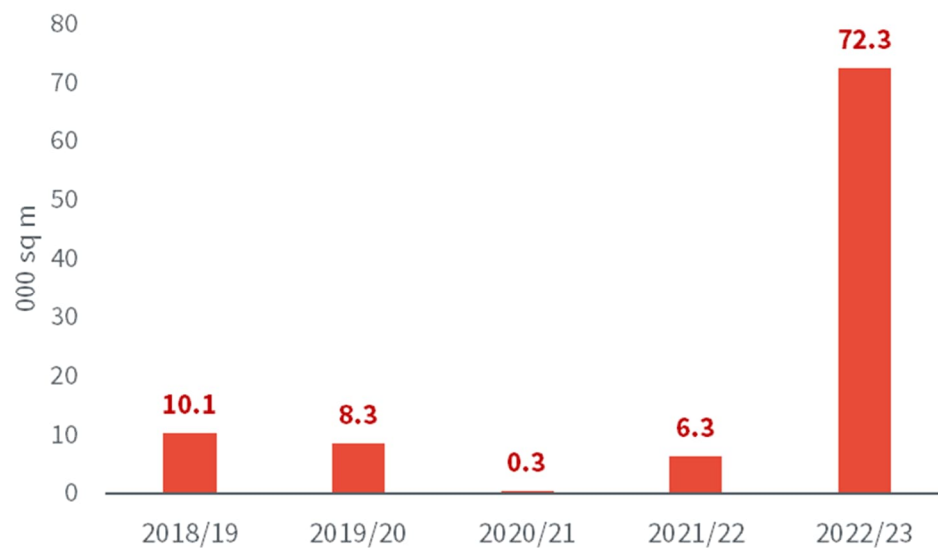
#### Recent developments

- 5.70 There are several notable film and TV studios in South West Hertfordshire, each contributing to the area’s reputation as a prominent filming location. These include:
- **Warner Bros Studios Leavesden:** this lies on the boundary of Watford and Three Rivers. The studios are known for producing major films, including the Harry Potter series.
  - **Elstree Studios:** Located in Borehamwood in Hertsmere. It is a significant hub for film and TV production.
  - **Sky Studios Elstree:** also in Hertsmere, this is described as the UK’s newest, state of the art film and TV studio, featuring 12 sound stages varying in size from 10,000 to 40,000 sq ft.
  - **Bovingdon Studios:** located near Hemel Hempstead in Dacorum is a 180 acre site (c. 73 Ha) on a former airfield, offering a range of facilities for film and TV production.
- 5.71 Figure 5.27 shows the scale of studio-related development in South West Herts since 2018/19. Before 2022/23, most new development related to expansion of existing studios (e.g. new sound stages or other production facilities at Leavesden or Bovingdon Studios). The large increase in 2022/23 relates to the development of Sky Studios Elstree (60,000 sq m<sup>36</sup>).

<sup>35</sup> [Permission for £1 billion Hertfordshire data center refused over environmental concerns |ITPro](#)

<sup>36</sup> The Sky Elstree Studios development was given planning permission as E(g)(ii)/B1b space, but the vast majority of other development has been E(g)(iii)/B1c space. However the type of development described in the planning applications is very similar. Therefore the difference is likely to be due to a difference in interpretation by Hertsmere Borough Council and other councils about the relevant use class.

Figure 5.27 Studio related development in South West Herts, 2018/19-2022/23



Source Herts CC. Note : this is an estimate of new studio related development based on manual searches of the planning data provided by Herts CC. It may have missed certain developments where film and TV studios were not mentioned in the description.

5.72 The data on unimplemented planning permissions shows there is a further 20,500 sq m of E(g)(iii)/B1c space with consent for development, all of which is at the Warner Bros Leavesden Studios site. In addition, DBC has received a number of applications to expand facilities at Bovingdon Studios, including three permanent studios and backlot space which has been granted permission and two further applications for a permanent studio (to replace a temporary studio) which has now been approved, and for the retention of an existing studio building.

### Property challenges

- 5.73 Consultees reported South West Herts is a popular location for a number of reasons, including:
- its proximity to London
  - the presence of existing studios which means there is a supportive infrastructure and large pool of skilled professionals and creative talent nearby
  - its scenic variety, including picturesque villages and historic sites, modern urban areas and open green spaces. Its ex-airfields are reported to be attractive as they offer flat topography and a blank horizon suitable for outside filming.
- 5.74 Most consultees reported that demand for film and TV studios and stages is still strong. Local planning companies reported that they still have clients looking to promote a number of sites for new studios or related development, meaning further expansion of studios is likely. However it was also noted that demand could change quickly. The recent growth has been driven by favourable tax incentives from Government to locate production in the UK. If this was to change, consultees believed demand for new space could fall very quickly.
- 5.75 Consultees were unaware of any plans to change the tax relief, with one reporting that the new R&D tax credit actually improves incentives for the sector. However, it is very difficult to robustly estimate future demand for new studio space as there is no guarantee that it will continue on its current trajectory. One consultee believed there was already an oversupply of studio space and

sound stages<sup>37</sup> in Hertfordshire and thought further large scale development was unlikely. Although some local authorities have commissioned sector studies (e.g. Hertsmere), none of the studies reviewed actually assess or quantify the future need for film and TV studios, meaning it has not been possible to provide an estimate of the need for new studio space.

- 5.76 While some stakeholders are anticipating further applications for new studio space, some stressed that the more urgent need was for ancillary space, including light industrial, warehousing, office space and car-parking. This space is often only required on a temporary basis to support film and TV production on location and is usually needed very quickly. One consultee described how studios very often need to create ‘production cities’ overnight, which requires office space for administrative purposes, industrial and warehouse space for storage and building sets, and car-parking for storage & distribution, all within close proximity of each other. This may only be required for as long as production lasts (a few months to two years). This requires significant flexibility as they cannot wait months for approval from the local authority.
- 5.77 In the short term, consultees expected a significant increase in demand in 2024 as a result of the film and TV writers strike ending in Autumn 2023. This was assumed to lead to a significant increase in production due to the backlog which has built up during the strike.
- 5.78 However, by February 2024 the media and entertainment trade union BECTU reported that the film and television sector was facing significant headwinds, with a survey carried out by the union finding that 58% of workers (staff, contract and freelance) had not seen recovery in employment since the end of the strike.<sup>38</sup> The same report pointed to factors including a downturn in commissioning from streaming companies, the effects of the BBC license freeze, lower advertising revenue and higher production costs (fuelled by inflationary pressure in the early 2020s) contributing to uncertainty. Reflecting on the state of the industry in 2023, which had seen combined production spend fall by 32% compared with 2022, the head of the British Film Commission was positive about the strength of the industry but recognised that the environment for film and TV production had become ‘challenging’.<sup>39</sup>
- 5.79 Consultees believed access to sites is imposing costs on sector, but the main barrier is the speed and flexibility of planning policy and its inability to respond quickly to demand rather than a lack of sites. Applications can take up to two months which is too long for most studios. It was reported that production has almost always started before planning permission is granted, and in some cases is nearing completion, meaning the studios proceed at risk in the hope that a) permission is granted or b) the local planning authority does not take enforcement action.
- 5.80 They believed the action that would be most helpful to the sector would be for local authorities to adopt more active and specific policies rather than general statements that they support the sector. For example, this could state that the council will support applications for studio space up to a maximum size, they will support new industrial developments or changes of use where they are linked to film and TV production, and will look favourably and act quickly on applications for new set-builds. Having a more favourable planning system which is more responsive to the needs of the sector could then help to attract new investment to the area.

<sup>37</sup> One consultee reported that Hertfordshire now has more sound stages than Hollywood

<sup>38</sup> BECTU (2024) UK Film and TV Industry Slowdown: A Sector in Crisis, February, p.5

<sup>39</sup> British Film Institute (2024) Official BFI 2023 statistics reveal £4.23 billion film and high-end television production spend in the UK

### Indicative estimate of future requirements for film and TV studios

- 5.81 The commentary above makes clear that the future requirement for film and TV studios is highly uncertain and could be affected by a range of factors, not least changes to the tax incentives for the sector. It is therefore not possible to provide a robust quantitative estimate of future requirements.
- 5.82 Nevertheless, to provide a broad indication of the potential requirement for space, we have drawn upon the findings of a national market report by Knight Frank<sup>40</sup>. This report provides forecasts for a low growth and high growth scenario, based on various sector developments and assumptions. Based on these scenarios, it estimates that, across the UK as a whole, the sector is likely to require between 2.0 million sq ft and 3.2 million sq ft of studio space between 2022 and 2028 (186,000 to 298,000 sq m).
- 5.83 The report estimates there is currently 6.9 million sq ft (642,000 sq m) of studio space in the UK. We estimate that at least 15% of this is based in South West Herts<sup>41</sup> (1.0m sq ft or 94,300 sq m), but the figure is likely to be higher given the presence of Sky Studios whose facility alone has 45,000 sq m of space. Assuming at least 15% of future demand for space was also in the FEMA, that would give a requirement for between 28,000 and 45,000 sq m of new studio space in South West Herts between 2022 and 2028. However this is purely indicative. The requirement could be substantially higher or lower than this. Therefore no weight should be attached to this estimate.

### Life sciences

- 5.84 As noted in Chapter 4, Hertfordshire's main cluster of biopharmaceuticals companies is in Stevenage, with smaller clusters in Hatfield and Welwyn Garden City. These areas are seen as attractive because of the density of skills, proximity to other life sciences businesses and the Cell and Gene Therapy Catapult in Stevenage.
- 5.85 All of the main clusters of businesses engaged in bio-pharmaceuticals R&D are therefore outside South West Herts. Medical technology businesses are more widely distributed, including a number in Hemel Hempstead. Consultees from the LEP reported that a high proportion of these are large businesses that have either HQs, offices or distribution facilities located in South West Herts (e.g. Boston Scientific in Maylands). The main activities in the FEMA are therefore support services rather than R&D focused. These choose to locate in South West Herts because of its proximity to London and the availability of a large supply of professional skills. The main property and location requirements of the sector in South West Herts are therefore similar to other sectors; high quality offices which are accessible by train and distribution space located close to the motorway network.
- 5.86 Although there may be potential to attract bio-pharmaceuticals R&D to South West Herts in the longer term, at this juncture it does not yet have the density of skills and other life science businesses to compete with Hertfordshire's more established clusters. There are, however, notable businesses established in the area including, for example, large bio-pharmaceutical R&D facilities in Hertsmeare borough (Bio Products Laboratory Ltd and NIBSC). According to the LEP, the shortage of laboratory space which affected a number of the established life sciences locations around London is expected to ease over the next few years, with a new life sciences

<sup>40</sup> [uk-film-and-television-studios-market-2023-10567.pdf \(knightfrank.com\)](https://www.knightfrank.com/uk-film-and-television-studios-market-2023-10567.pdf)

<sup>41</sup> This is based on the stage space listed for each of the studios in South West Herts on the British Film Commissioning website: [Studios and Stage Space – British Film Commission](#)

campus planned for Stevenage. The sector generally remains a national priority, with the consultation draft NPPF (July 2024) identifying in its proposed revisions life sciences as one of the sectors which plan-making should support.

## **Agri-tech**

- 5.87 South West Herts has well-established strengths in the agri-tech sector, focused specifically on the Rothamsted Research Campus at Harpenden in St Albans. There are currently around 30 businesses based at the site, which are mainly start-ups. The centre includes a number of facilities for businesses in the agri-tech sector, including office and laboratory space and co-working space, which are all fully occupied. Consultees from Rothamsted reported that they had recently developed nine small research & innovation laboratories and these were all let quickly, indicating there is latent demand for additional laboratory space from agri-tech businesses which is not currently being met.
- 5.88 Consultees reported that the most urgent property need for the agri-tech sector is grow-on space for those businesses that are too large for the campus accommodation, which applies to a number of their tenants. They noted a number of their tenants had been unable to find suitable premises in the local area which had resulted in them leaving South West Herts.
- 5.89 These tenants were reported to require a mix of laboratory, office and small-scale production space. There is limited scope for further development at the Rothamsted campus itself, meaning this grow-on space would ideally be located close by in order to retain these businesses in the area and build on the existing cluster in St Albans. They specifically identified an opportunity to meet this need at the East Hemel Hempstead Central site, part of the Herts IQ Enterprise Zone, which they believed could act as a satellite to the Rothamsted campus or a small science park in its own right.
- 5.90 It was recognised, however, that the specialised nature of development and the need to create a critical mass of tenants to raise the profile of the park means it is unlikely this would be delivered by the market on its own. As a minimum, this would require key stakeholders (particularly the LEP and lead officers from the Hemel Garden Communities initiative) to develop a strategy for the site, supported by partners from the agri-tech sector, including Rothamsted, businesses and universities to demonstrate demand and viability.

## **Clean-tech/Low Carbon Environmental Goods and Services (LCEGS)**

- 5.91 The clean tech/LCEGS sector is a highly diverse sector which is likely to generate a wide range of property requirements, as illustrated in Table 5.2.

Sub-sector	Activities	Indicative land and property requirements
Renewable energy	Solar, wind, hydro, and geothermal energy production and related supply chain	<ul style="list-style-type: none"> <li>• Offices for planning and design</li> <li>• Industrial/warehouse space for production of components</li> <li>• Large open spaces/water bodies for energy production</li> </ul>
Energy efficiency	Range of activities related to improving energy efficiency in buildings, manufacturing, and transportation.	<ul style="list-style-type: none"> <li>• Office space for design &amp; management</li> <li>• Industrial space for manufacturing, repair and distribution of energy efficient products</li> </ul>
Sustainable transportation	Development of electric vehicles, public transportation systems, and infrastructure for alternative fuels	<ul style="list-style-type: none"> <li>• R&amp;D labs</li> <li>• Manufacturing facilities for vehicles</li> <li>• Space for installing and maintaining charging stations</li> </ul>
Waste management & recycling	Waste reduction, recycling, and sustainable disposal methods	<ul style="list-style-type: none"> <li>• Large industrial sites for recycling facilities, waste processing</li> <li>• Storage areas for sorted materials</li> </ul>
Water management	Sustainable water use, treatment, and conservation technologies	<ul style="list-style-type: none"> <li>• Treatment plants</li> <li>• R&amp;D and manufacturing facilities for water technology development</li> <li>• Locations near water sources</li> </ul>
Sustainable Building Materials and Construction	Production of eco-friendly building materials and sustainable construction practices	<ul style="list-style-type: none"> <li>• Office space for R&amp;D and construction management</li> <li>• Industrial space for manufacturing materials</li> </ul>
Environmental consultancy & services	Advisory services for environmental management and compliance.	<ul style="list-style-type: none"> <li>• Office space suitable for SMEs</li> </ul>
Land use & forestry	Sustainable forestry management, reforestation, and land conservation	<ul style="list-style-type: none"> <li>• Large land areas for forestry and conservation activities.</li> </ul>

5.92 Although the LEP has commissioned research analysing Hertfordshire's strengths in this sector, so far there has been no geographical mapping of the sector and as yet there is no database of businesses in the sector<sup>42</sup>. This makes it difficult to understand the needs of the sector and the most urgent priorities for South West Herts.

5.93 The FEMA's main asset in this sector is the Building Research Establishment campus in Watford<sup>43</sup>. This is a key centre for building science and sustainability in the UK, contributing significantly to research and development in construction, building materials, and environmental engineering.

<sup>42</sup> The LEP reported they are in the process of creating this database

<sup>43</sup> Agri-tech is also included in this sector

However, consultees could not identify a wider cluster of building sustainability or energy efficiency businesses or comment on their property requirements.

## Future Skills Requirements

- 5.94 Chapter 6 of this report considers future employment growth amongst the scenarios for identifying future employment land needs. The ability of South West Herts to supply the labour, skills and qualifications in the workforce to respond to growth opportunities and sustain the area's businesses is not a direct driver of need, but is a key enabling factor for the demand that will be generated.
- 5.95 The report comments in Chapter 4 on what currently appears to be a relatively tight supply of labour in South West Herts, reflected in relatively high economic activity and employment rates. It also points to some sectors and professions where employers are signalling shortages of hospitality, health and social care and manufacturing workers. There is now widespread recognition that the construction sector across the UK has faced significant recruitment challenges in recent years, in part the result of the Covid-19 pandemic having seen workers leave the sector and out-migration by European Union labour following the UK's exit. Hertfordshire's 2022 Local Skills Report points to emerging shortages of workers in the logistics and distribution sector, the challenge of equipping adults with digital skills, and the growing need for 'green skills'. It also points to the need for general employability skills, literacy and numeracy, and the importance of leadership and management skills at a time when the workforce is ageing and replacement demand is being generated.<sup>44</sup>
- 5.96 UK Government labour and skills projections, applied by the Hertfordshire LEP in developing the area's Skills Strategy, point to a period between 2020 and 2035 which is expected to see significant need for higher qualified workers across the economy.<sup>45</sup> This is the result of several forces:
- changing technology, with sustained innovation in the digital sphere including cloud computing and artificial intelligence, and continued developments in hardware and software changing many professions and generating demand for people with these skills and qualifications;
  - climate change, which is driving the development of new products, materials, business processes and working practices, demanding skills in technology development, engineering, creative thinking and management;
  - A growing and ageing population will continue to generate substantial demand for a workforce with skills in health and care.
  - Replacement demand as older workers exit the workforce generating a need for their replacements at a time when the working age population has been either rising much more slowly than the older population, or has fallen in some areas.
- 5.97 The same Department for Education analysis suggests that the highest demand from 2020-35 will be for a workforce with higher level qualifications. The data points to business, media and public service professionals generating the largest need for graduate level qualifications, with science, engineering, research and technology, and health professionals and associate professionals also identified amongst the largest drivers of need.

<sup>44</sup> Hertfordshire Local Enterprise Partnership (2022) Hertfordshire Local Skills Report

<sup>45</sup> Department for Education (2023) Labour Market and Skills Projections: 2020-35



- 5.98 In several respects South West Herts is well placed to respond to these needs. Its accessibility and proximity to London provide it with the means to access a large pool of labour. Its resident population is already well-qualified, whilst future housing growth should attract younger households into new developments.
- 5.99 However, the importance of measures which address the need to ensure the supply of labour and skills matches the future needs of businesses is recognised across South West Herts. This includes delivering the school, further and higher education and training which gears young people for work, and which encourages the retention of those leaving college and university within the area. In this regard, the University of Hertfordshire has a strong track record in graduates securing work in Hertfordshire and the East of England, whilst the area as a whole performs well in delivering vocational education.
- 5.100 It also points to the importance of providing adults who are outside the workforce, or who need new skills for the changing economy, with the programmes of support delivered by education providers, local authorities and their partners. Again, South West Herts appears to be in a positive position with FE and HE institutions which are delivering a substantial range of vocational education and training, and which are well connected to employers.
- 5.101 In several sectors, opportunities to strengthen the supply of local labour and skills exist through the planning system. For example, growth in the construction sector will be driven in part by the need to respond to housing delivery in South West Herts will generate labour demand and with it the need for new skills and qualifications as the industry adapts to the imperative for sustainable development. The continued strength of the logistics and distribution sector will generate local demand for labour, and increasingly for skills in the technologies associated with modern logistics operations. Planning policy could be used to set requirements both for the training of a local workforce, and for local recruitment where it is appropriate, particularly for those sectors more likely to rely on access to a local workforce.

## Potential uses in the Herts IQ Enterprise Zone

---

- 5.102 The Herts IQ Enterprise Zone, also known as the Hertfordshire Innovation Quarter, is a significant development aimed at fostering innovation and business growth in Hertfordshire. It is aiming to deliver up to 3 million sq ft (c. 280,000 sq m) of new commercial space across a number of sites, including several sites around Maylands in Hemel Hempstead (Maylands Gateway, Spencers Park, Maylands Avenue, Prologis Park, Maylands Business Park), the BRE campus in St. Albans and Rothamsted Research in Harpenden, St Albans. The largest development opportunity is at East Hemel Hempstead Central, a 53 Ha greenfield site just off junction 8 of the M1, owned by the Crown Estate. Although this is located within the local authority boundary of St Albans, the site is immediately adjacent to Maylands and would form part of the Hemel Hempstead urban area (and therefore, in functional terms, would be linked to Dacorum). All of the Maylands sites form part of the Hemel Garden Communities (HGC) programme intervention area, which is aiming to create new sustainable communities in and around Hemel Hempstead.
- 5.103 To date, the overwhelming majority of new development (97%) has been large B8 warehouses at Maylands. A range of stakeholders, including SADC, Hertfordshire LEP and HGC are keen to avoid overconcentration of strategic distribution uses in the EZ, and wish to attract some of the target sectors for the EZ which include agri-tech, smart construction, life sciences and clean-tech.

## Findings of other studies

### Herts IQ: Future scenarios, SQW

- 5.104 To inform discussions about the future of Herst IQ, the Hertfordshire LEP commissioned a study by SQW looking at potential scenarios for the future development of the EZ. This was a high level think-piece, rather than an in-depth feasibility or market demand assessment. Nevertheless it provides a useful guide to potential outcomes for the site, and what additional interventions would be needed to realise some of the more aspirational scenarios. Four different scenarios were considered, including a ‘do nothing’ scenario where development is left to the market (resulting mainly in more B8 development but of a low quality), a scenario in which Maylands becomes a highly automated logistics and distribution park of national significance, and a scenario in which Herts IQ forms a key part of an ambitious growth strategy for Hemel Hempstead which would see it secure city status.
- 5.105 The most aspirational and ambitious scenario would see Herts IQ become “*synonymous with the UK’s strongest cluster across a range of environmental technologies*”. This would include: “*a steady flow of start up businesses linked to Rothamsted Research, a specialist sub-cluster – focused at BRE – in sustainable and modern construction methods... (and) growing environmental technology businesses which are focused at Maylands; these include firms with a strong engineering pedigree as well as those linked more to the science of climate change*”.
- 5.106 The report recognises that this scenario would not be delivered by the market, and may require significant public intervention and partnership working for the scenario to be realised; “*it would need spatial scale to have impact and the whole of South West Hertfordshire (and possibly the whole of Hertfordshire) ought to be involved in driving it forward. University of Hertfordshire would need a prominent seat at the table, alongside both Rothamsted Research and BRE*”.

### Maylands Masterplan, Draft Report

- 5.107 Cushman & Wakefield, We Made That and KMC Transport Planning developed a vision and masterplan for Maylands (including the East Hemel Hempstead Central site) that can guide development over the next 20 years. The draft masterplan identifies potential long term uses for a number of the Herts IQ sites, underpinned by a market demand assessment.
- 5.108 This finds that, in the short term, demand will be strongest for B8 distribution and data centres (i.e. the sectors which have driven recent demand). There is also likely to be demand from “*conventional light industrial occupiers such as small manufacturing businesses*” although this will be on a smaller scale than B8 development.
- 5.109 In the medium term the masterplan sees potential to attract office based uses (e.g. financial and professional services, digital etc) but this is “*unlikely to be deliverable without infrastructure, placemaking and transport investment*”. Manufacturing uses could also be attracted to the site. Initially this is likely to be driven by “*dirtier*” industries, but there may be potential to attract higher quality manufacturing in the future “*as sectors grow and the quality of Maylands increases*”. It should also be feasible to attract some supporting small scale retail and leisure uses.
- 5.110 Finally, in the long term, the masterplan identifies an opportunity to attract R&D uses (potentially from a range of Herts IQ target sectors) but that this will require the “*presence of research institutions (or similar) around which related businesses can cluster to be delivered at scale*”.

5.111 The draft masterplan incorporates all of these uses in its ‘Future Maylands’ vision. New employment uses in logistics are identified for a significant proportion of the East Hemel Hempstead Central site adjacent to the motorway. The Maylands Gateway site is earmarked for “*ambitious employment uses within the sectors identified by Herts IQ, including R&D/ Flex office space planned at Breakspear Park, and light industrial/ manufacturing (in growth sectors) on remainder of site*”. This is supported by a new local centre and mobility hub. Other parts of the site include a mix of light industrial, logistics and manufacturing development.

## Conclusions

5.112 Drawing upon our own analysis of sector strengths and dynamics and the reports above, we have drawn the following conclusions about potential uses and sectors at Herts IQ

- 1) **Logistics and data centres:** although there is a clear and understandable desire to avoid over-concentration of these uses, the shortage of alternative sites in South West Herts that can help meet demand for these uses means that there is likely to remain strong interest in new development around Maylands for B8 uses or potentially for data centres.
- 2) **R&D and high quality manufacturing:** there is an opportunity to develop a high quality science park, offering R&D and production space. In the short term, the only firm evidence of market demand for this type of space is from the agri-tech sector (i.e for grow-on space targeted at existing agri-tech tenants at Rothamsted Research). This demand is likely to be small scale. However, if these businesses could be attracted to the site, this would help to demonstrate the site’s potential viability and attractiveness for science based industries, and could therefore lay the foundations for a larger and more diversified science park. In the longer term, the site could potentially attract science based uses from a number of the target sectors (e.g. environmental technologies). However this will be dependent on firm commitment and partnership working with a number of partners to develop a compelling vision for the science park, and back this with investment in infrastructure, targeted incentives and support services to make this an attractive site for a wider range of science based sectors. We also agree with the authors of the Maylands Masterplan that it will be important to attract an anchor tenant, which can act as a magnet, attracting other companies, start-ups and researchers.
- 3) **Small scale flexible offices:** it is unlikely that development of new office space at the EZ would be viable in the short term due to market conditions. In the longer term, if there was substantial housing and population growth in Hemel Hempstead, it is likely that there would be demand for small scale, flexible office uses in this location, particularly if much of the growth in the local population is among professionals. That could potentially attract a wide range of sectors including creative, digital and professional services businesses).
- 4) **Modern methods of construction (MMC) innovation facility:** Hemel Hempstead is anticipated to see significant housing development over the next two decades. There may therefore be an opportunity to establish a centre for innovation in MMC, closely linked to the BRE campus in Bricket Wood, St. Albans. This could aim to make advancements in construction technologies, particularly those that can be applied to the forthcoming residential developments in the area. This would also be dependent on vision and drive from the public sector, and a firm commitment from BRE.
- 5) **Light industrial and manufacturing:** the commercial property market assessment has noted a shortage of smaller industrial units to meet the needs of local businesses as well

as small scale, specialist manufacturing, which could also be provided at the Maylands site. We understand that a number of the smaller development sites are in public ownership and could therefore be reserved for these uses.

## 6. Future Growth Scenarios

- 6.1 This section sets out future scenarios for the demand for employment floorspace, including:
- Office space; formerly B1a, now E(g)(i)
  - Industrial space; including B2 and E(g)(iii)
  - Storage & distribution space; B8
- 6.2 The chapter shows the results for four scenarios:
- 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 trends-based scenario based on gross development rates of new employments space
  - A trends-based scenario based on the net change in occupied floorspace (net-absorption).
- 6.3 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. A recommended apportionment is provided later in the report.
- 6.4 Floorspace requirements are shown for the period 2021-41 to align with the end date for local plans. However we also show requirements for the period 2041-2050 (by extrapolating the trend for 2021-41). This is to inform planning for the South West Herts Joint Strategic Plan which will cover the period to 2050. The forecasts for this later period are subject to significant uncertainty and should be treated with a high degree of caution.

### Treatment of specialist floorspace

---

#### R&D space

- 6.5 Research and Development (R&D) space (E(g)(ii)) occupies a unique position that straddles the characteristics of both office and light industrial space, but it also presents distinct elements that might not be fully captured by either category which presents challenges for how this is assessed in the report.
- 6.6 The 2019 report included R&D space as a subset of office space. However, when this was revisited for this study, it was unclear how transactions for R&D space had been recorded in CoStar, which is the main data source for the trends-based scenario. 'Laboratory space' is a 'secondary category' of employment space in CoStar, but this is a subset of the primary category 'light industrial'. CoStar has no records at all for laboratory space, which means there have either been no lease deals recorded in South West Herts for the past ten years (which is unlikely), or this field was not completed when the deals were recorded. CoStar advised that the categorisation of R&D space will depend on the judgement of the agent recording the deal. If there is a lease deal where it is not clear whether it relates to lab space or office space, or where there is both lab and office space, the agent may categorise it as office space rather than light

industrial. This means there is significant uncertainty about where R&D space appears in the CoStar data.

- 6.7 For these reasons we have assumed that the scenarios do not include R&D space, and have also excluded E(g)(ii) from the supply side analysis. This is on the grounds that, however this space is allocated, it would only account for a very small fraction of demand for either office or light industrial space. We have not provided a separate estimate of the need for R&D space as there is no data on which to base this, and any estimates would be spurious and subject to large margins of error. However the previous chapter provided a high level qualitative assessment of the potential demand for R&D space at Herts IQ.

### **Film and TV studio space and related development**

- 6.8 South West Herts' successful film and TV sector generates demand for two types of employment space, which are treated differently in the report:
- New studios and sound stages associated with new and existing film and TV studios. In the planning data for Herts CC, these have either been recorded as B1b/E(g)(ii) or B1c/E(g)(iii). In reality, this is a highly distinctive and specialised type of employment space, and is not recorded in CoStar (i.e. on the demand side). Therefore these are not covered in the scenarios, and are not counted in the supply side assessment in later chapters. Paragraphs 5.70 to 5.83 provide further commentary on the need for this type of space.
  - Ancillary development related to the film and TV industry (i.e. offices, industrial and warehouse space needed to support the sector). This demand is for non-specialised space and is therefore included in the scenarios for this chapter.

### **Data centres**

- 6.9 At the moment there is no consensus over the relevant use class for data centres. A recent article by RPS notes that some local authorities regard data centres as B8 (because they are used for the electronic storage of data), whilst others see them as a specialised use (*sui-generis*) due to their unique operational requirements.
- 6.10 For the purpose of this study, we have treated data centres as B8 development (storage and distribution) on the grounds that a number of the data centres in South West Herts have occupied existing B8 warehouses which have then been repurposed as data centres. CoStar has also recorded transactions related to data centres as warehouses, meaning they are included in the net-absorption data used to develop the trends based scenario. It would be very difficult to extract these as we do not have complete information on which transactions relates to data centres. However, it should be noted that the data centres that have been developed to date have been *relatively* small-scale colocation centres (between 20,000 and 30,000 sq m).
- 6.11 The study does not estimate forecast need for data centres. Given the specialist nature of these requirements, we would recommend that the South West Herts authorities seek specialist advice on the need for additional data centre capacity, including on the locations which might be the focus for such demand.
- 6.12 It should be noted that recent planning applications for data centres in Hertfordshire, including in South West Hertfordshire, point to the area being an attractive location for hyperscale data centres (see paragraphs 5.58-5.59 for reference to planning applications).

## Employment-led scenario

---

6.13 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.
- **Convert jobs to FTEs:** this is done on the basis of the ratio between full time and part time employment in each sector.
- **Estimate number of jobs in workplaces (i.e. not working at home):** the data on home working presented in Figure 4.22 was used to estimate the proportion of FTEs in each broad sector who work somewhere other than their home. Note that this is likely to underestimate the total number of people who work somewhere other than their home part of the time as the survey only asked people to state their main workplace.
- **Allocate jobs to use classes** (E(g)(i) formerly B1a, E(g)(ii) formerly B1b, E(g)(iii) formerly B1c, B2, 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 in workplaces that require different types of floorspace. This has been done by matching business level IDBR<sup>46</sup> data to the Valuation Office Agency (VOA) database. This allows us to estimate the proportion of employees in each sector that use different types of premises.
- **Convert FTEs to floorspace:** for each use-class we need to estimate the average amount of floorspace required for each FTE. This has used the 2015 HCA Employment Densities Guide (see Appendix D), which remains the most up to date guidance document on employment densities. We refer to other, more recent evidence where this is available.
- **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.

## Employment forecasts

6.14 The two earlier studies both used employment forecasts from the East of England Forecasting Model (EEFM). This was not possible for this study as these forecasts are no longer published.

<sup>46</sup> Inter Departmental Business Register

Therefore forecasts were purchased from Cambridge Econometrics (CE). Our reasons for selecting CE are as follows:

- Consistency with the 2019 update. The EEFM forecasts used in that study were produced by CE. We have also found CE forecasts to be less prone to large fluctuations over time than some of the models used by other forecasters.
- The fact that CE forecasts are less constrained by population growth compared to the models produced by other forecasters. Since we have a separate scenario for modelling labour supply, the labour demand scenario should be as unconstrained as possible.

6.15 The employment forecasts for South West Herts are linked to all of CE's 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:

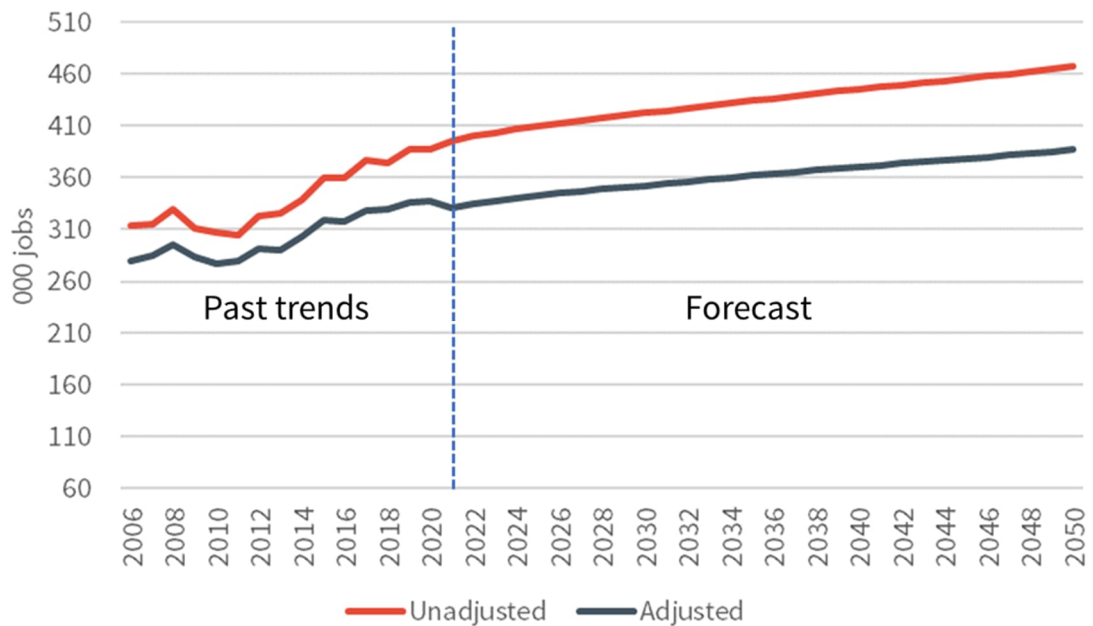
- An area's share of the region's employees in a particular sector – this approach is used for sectors which are essentially independent of the local economy (eg manufacturing)
- The number of employees in a given sector per head of the local population – this is most appropriate for sectors in which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

6.16 As noted in Chapter 4, there are a number of inaccuracies in the employment datasets for South West Herts, resulting in an overestimate of employment in certain sectors. These inaccuracies are present in the updated CE forecasts meaning there is a risk that they overestimate future jobs growth in certain sectors. The forecasts were therefore adjusted, using the same approach as the 2019 study,

6.17 The results of the adjustments are shown in Figure 6.1. This reduces the scale of jobs growth between 2021 and 2041 from 53,000 in the unadjusted forecasts to 42,000 in the adjusted forecasts. However the average annual rate of growth is unaffected (0.6% p.a.). The scale of forecast jobs growth between 2021 and 2050 is reduced from 72,000 to 56,000 (also 0.6% p.a.).



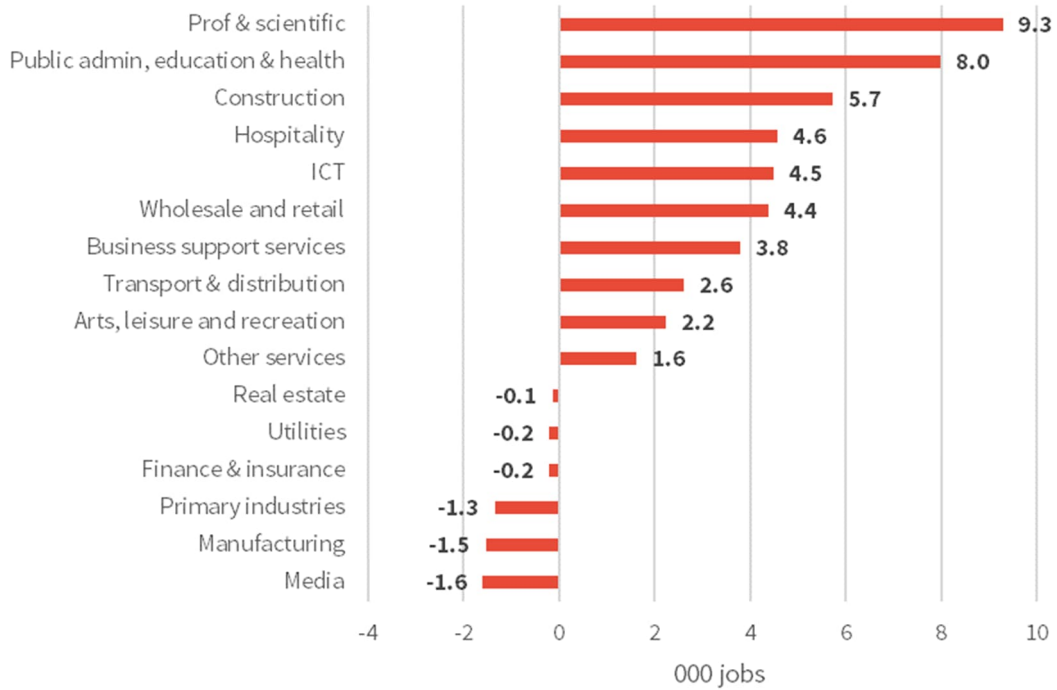
Figure 6.1 Adjusted and unadjusted employment forecasts



Source Cambridge Econometrics with adjustments made by Hatch

- 6.18 According to the forecasts, the fastest growing sectors will be professional, scientific and technical activities (+9,300 jobs), public services (+8,000 jobs), construction (+5,700 jobs) and ICT (+4,500 jobs) (see Figure 6.2). The largest declining sector is forecast to be media (-1,600 jobs) and manufacturing (-1,500 jobs).
- 6.19 This is broadly consistent with long term trends in sectoral employment change in South West Herts, except for the media sector which has been one of the FEMA’s highest performing sectors in recent years.
- 6.20 In terms of implications for employment space, the forecasts suggest that there will be a high level of jobs growth in sectors which have traditionally been office based (professional services, ICT), but jobs growth will also be positive in sectors which use warehouses, including wholesale and retail (+4,400 jobs) and transport and distribution (+2,600 jobs).

Figure 6.2 Forecast jobs growth by broad sector, 2021-2041 (000s)



Source Cambridge Econometrics adjusted by Hatch

6.21 Employment growth is forecast to be broadly spread across the five districts. The highest level of jobs growth in absolute terms is expected to be in Dacorum and St Albans, but the average annual rate of growth is forecast to be highest in St Albans and Three Rivers (both 0.7% p.a.).

Figure 6.3 Forecast employment growth by district, 2021-2041



Source Cambridge Econometrics with adjustments made by Hatch.

## Translating jobs growth to floorspace requirements

### Converting jobs to FTEs

- 6.22 We have converted total employment in to FTEs for each of the 45 sectors in the CE 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 E. The forecasts suggest the number of FTEs in South West Herts will increase by 35,400 between 2021 and 2041 and by a further 12,400 between 2041 and 2050. The results for local authority areas are shown in Table 6.1.

Table 6.1 Converting forecast change in employment to change in FTEs, 2021-2041/2050 (000s)

Local authority	2021-2041		2041-2050	
	Jobs	FTEs	Jobs	FTEs
Dacorum	10.2	8.6	3.7	3.1
Hertsmere	7.1	6.0	2.3	2
St Albans	10.0	8.5	3.4	2.9
Three Rivers	6.8	5.8	2.4	2.1
Watford	7.7	6.5	2.8	2.4
South West Herts	41.7	35.4	14.8	12.4

Source: Cambridge Econometrics, analysis by Hatch

### Estimating the number of jobs not based at home

- 6.23 The next step was to estimate the number of FTE jobs which are not home based. This was based on the APS data described in Chapter 4 and was estimated by applying the percentage of employees who state that they work somewhere other than their home to the forecast growth in FTEs for each of the sectors. It was assumed that current levels of homeworking will persist throughout the forecast period. Table 6.2 shows that the number of FTEs not based at home will increase by 23,000 between 2021 and 2041. It should be noted that this is a very crude assumption as it assumes that workers are either working from home full time or working in a workplace. It therefore takes no account of hybrid or agile working.

Table 6.2 Forecast growth in FTEs requiring workspace by sector (000s)

	2021-2041		2041-2050	
	FTEs	FTEs in workspace	FTEs	FTEs in workspace
Primary industries	-1.2	-0.9	-0.1	-0.1
Manufacturing	-1.4	-0.9	-0.6	-0.4
Utilities	-0.2	0.0	0.1	0
Construction	5.2	3.8	1.6	1.2
Wholesale and retail	4.0	2.7	0.9	0.6
Transport & distribution	2.3	1.9	0.5	0.5
Hospitality	3.3	3.3	1.7	1.6
Media	-1.4	-0.5	-0.2	-0.1
ICT	4.1	1.4	0.9	0.3
Finance & insurance	-0.2	-0.1	-0.3	-0.2
Real estate	-0.1	-0.1	0.4	0.2
Professional services	8.4	2.7	2.9	0.9
Business support services	3.4	2.5	1.6	1.2
Public admin, education & health	6.4	5.1	2.3	1.8
Arts, leisure and recreation	1.7	1.1	0.6	0.3
Other services	1.2	0.9	0.1	0.1
<b>Total</b>	<b>35.4</b>	<b>23.0</b>	<b>12.4</b>	<b>8.1</b>

Source: Hatch using data from Cambridge Econometrics and APS

### Allocating FTEs to use classes

- 6.24 FTEs were allocated to use classes by matching business level IDBR data to the Valuation Office Agency (VOA) database of premises. This allows us to estimate the proportion of employees in each sector that use different types of floorspace. The allocations for each of the 45 sectors are shown in Appendix F.
- 6.25 The results for South West Herts and individual local authority areas are shown in Table 6.3. According to the forecasts and the assumptions in the model, the net change in the number of FTEs requiring floorspace will be positive for each of the use classes and in each of the local authority areas, but will be highest for offices in all areas. This is explained by the sectoral profile of growth in the forecasts, with the highest growth in office based sectors.

	FTEs in offices		FTEs in industrial		FTEs in storage & distribution	
	2021-2041	2041-2050	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	1,400	500	300	100	900	200
Hertsmere	1,000	300	200	100	500	100
St Albans	1,400	500	300	100	500	200
Three Rivers	1,000	400	200	100	500	100
Watford	1,100	400	200	100	400	100
South West Herts	5,900	2,100	1,300	400	2,800	700

Source: Hatch using data from Cambridge Econometrics and APS

### Employment densities

- 6.26 The HCA 2015 Employment Densities Guide remains the most up to date source of information on employment densities<sup>47</sup>. 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. A 2020 report by the British Council of Offices (BCO) recommends 10-12m<sup>2</sup> per person (NIA) in offices to promote productivity and wellbeing, and reduce carbon emissions. The 2019 report used a central estimate of 12 sq m per FTE (NIA) and 14.4 sq m per FTE for the Gross External Area (GEA)
  - Industrial: ranging from 36 sq m per FTE (based on Gross Internal Area (GIA)) to 47 sq m per FTE (based on NIA). This was used in the 2016 and 2019 reports.
  - Storage & distribution: ranging from 70 sq m per FTE for final mile distribution centres to 80 sq m per FTE for regional distribution centres (based on the Gross External Area) . The 2019 report assumed 70 sq m in all areas except Dacorum and St Albans where we assumed 80 sq m per FTE (GEA) due to the larger size of units at Maylands/East Hemel Hempstead where most large B8 development is likely to be located. However, DBC has confirmed that they do not expect large warehouses on any of the remaining allocated sites. Therefore we have assumed Dacorum has the same employment density as Hertsmere, Three Rivers and Watford (70 sq m per FTE) but a slightly lower density in St Albans (80 q m per FTE)
- 6.27 All of the figures presented in this report are for the GEA in line with the 2016 and 2019 report. If necessary these can be converted in to Gross Internal Area (GIA) by applying a factor of 0.95.

<sup>47</sup> The relevant table from the HCA densities guide is provided at Appendix E

Table 6.4 Employment density assumptions for different use classes (sq m per FTE)

	Offices		Industrial		Storage & distribution	
	NIA	GEA	NIA	GEA	NIA	GEA
Dacorum	12.0	14.4	41.5	47.1	65.2	70.0
Hertsmere	12.0	14.4	41.5	47.1	65.2	70.0
St Albans	12.0	14.4	41.5	47.1	74.4	80.0
Three Rivers	12.0	14.4	41.5	47.1	65.2	70.0
Watford	12.0	14.4	41.5	47.1	65.2	70.0

Source; Hatch using HCA Employment Densities Guide

### Vacancy and safety margin

6.28 We have used the following assumptions for the vacancy rate and safety margin:

- An allowance of 8% is added to all floorspace requirements to reflect normal levels of market availability in employment space and to increase the choice for occupiers. This is only added where demand for floorspace is positive.
- A safety margin of 10% is added to provide a buffer. This helps to mitigate the risk that the forecasts underestimate the need for employment space and provides an allowance for unforeseen changes in the future. This is only added where demand for floorspace is positive.

### Floorspace requirements

6.29 The estimated floorspace requirement using this approach is shown in Table 6.5 below. After an allowance for the safety margin and vacancy rate has been included, this scenario suggests a need for

- 100,600 sq m of office space over the period 2021-2041 (5,030 sq m p.a.). This is higher than the forecast in the 2019 study (4,100 sq m p.a. between 2018 and 2027). It is also higher than long term trends in the net-absorption of office space (3,500 sq m p.a. since 2005). It should be noted, however, that the long term trend is strongly influenced by the recent fall in demand for office space. The average net-absorption for 2005 to 2019 (the period up to the pandemic) was 6,900 sq m p.a.
- 71,600 sq m of industrial space between 2021 and 2041 (3,580 sq m p.a.). This is significantly higher than the estimates from the same scenario in the 2019 study (1,000 sq m p.a).
- 227,800 sq m of storage & distribution space between 2021 and 2041 (11,390 sq m p.a.). This is significantly higher than the same scenario from the 2019 study (500 sq m p.a.), which is explained by a forecast for much higher levels of growth in the wholesale and retail sector and the fact that we have assumed a lower employment density in St Albans.

6.30 Taken together, this scenario suggests an average requirement for around 15,000 sq m of industrial/storage & distribution space per annum between 2021 and 2041. This is in line with past trends in net-absorption of industrial space (16,900 sq m p.a. between 2009 and 2022) as shown in Figure 5.16.

Table 6.5 Floorspace requirements in the employment-led scenario

	Time period	Offices	Industrial	Storage & distribution
Without safety margin or vacancy	2021-2041	85,600	60,900	193,800
	2041-2050	29,800	17,700	51,200
With safety margin and vacancy - total	2021-2041	100,600	71,600	227,800
	2041-2050	35,000	20,700	60,100

Source: Hatch

- 6.31 The breakdown by local authority area (provided for information purposes only) is shown in Table 6.6. It suggests the greatest demand for each type of space (office, industrial and warehouse space) will be in Dacorum and St Albans.

Table 6.6 Floorspace requirements in employment led scenario by district

	Office space		Industrial space		Storage & distribution space	
	2021-2041	2041-2050	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	24,100	8,700	17,300	5,700	72,500	20,900
Hertsmere	16,500	5,400	12,300	3,100	41,000	10,500
St Albans	24,100	8,300	16,200	4,400	43,700	10,800
Three Rivers	16,800	6,200	12,700	4,200	37,100	9,200
Watford	19,000	6,500	13,100	3,200	33,400	8,700
South West Herts	100,600	35,000	71,600	20,700	227,800	60,100

Source; Hatch using Cambridge Econometrics forecasts

## Translating floorspace to land requirements

- 6.32 To translate the floorspace estimates to land requirements we have applied the same plot ratios used in the 2019 study, shown in Table 6.7. 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.
- 6.33 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 which plot ratios to apply.

Table 6.7 Plot ratio assumptions

	Office	Industrial	Storage & distribution
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

- 6.34 The land requirements given below assume that all of the demand for floorspace needs to be met on new sites. In practice this will not be the case, particularly in the office market where there is a large quantity of available office space which, in theory, could meet all of the demand for office space in this scenario. The *additional* land requirements are assessed in more detail in Chapter 8.
- 6.35 With this caveat in mind, the land requirements in the employment led scenario are shown in Table 6.8. It suggests a need for:
- 12.1 Ha of office development between 2021 and 2041 and a further 4.2 Ha between 2041 and 2050
  - 17.9 Ha of industrial development between 2021 and 2041 and a further 5.2 Ha between 2041 and 2050
  - 56.9 Ha of storage & distribution development between 2021 and 2041 and a further 15.0 Ha between 2041 and 2050.
- 6.36 These are all significantly higher than the same scenario in the 2019 study and reflect the fact that the current forecasts suggest a much higher level of employment growth, including in a number of key sectors such as professional services, retail and wholesale and transport and distribution.

	Offices		Industrial		Storage & distribution	
	2021-2041	2041-2050	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	3.0	1.1	4.3	1.5	18.1	5.2
Hertsmere	2.1	0.6	3.1	0.8	10.3	2.6
St Albans	3.0	1.1	4.1	1.1	10.9	2.7
Three Rivers	2.1	0.8	3.2	1	9.3	2.3
Watford	1.9	0.7	3.3	0.8	8.4	2.2
South West Herts	12.1	4.2	17.9	5.2	56.9	15.0

Source: Hatch using Cambridge Econometrics forecasts

### Summary

- The latest CE projections point to a higher rate of jobs growth in South West Herts than the equivalent scenario from the 2019 study (0.6% p.a. compared to 0.4%). This includes strong growth in a number of sectors which drive demand for employment space, including professional services, ICT, and wholesale and retail.
- This results in much higher floorspace requirements. Over the 2021-2041 period, the scenario suggests the need for 100,600 sq m of office space (5,030 sq m p.a.), 71,600 sq m of industrial space (3,580 sq m p.a.), and 227,800 sq m of storage & distribution space (11,390 sq m p.a.).
- The results for industrial and storage & distribution space are more plausible than the same scenario in the 2019 study and are broadly consistent with recent trends in net-absorption.
- The estimated demand for office space is higher than long term trends. However the long term average is strongly influenced by the fall in demand in the period since the Covid pandemic which has brought about a structural change in the office market. Once the



market has adjusted and the full effects of the pandemic have worked through, this level of demand is plausible and consistent with long term trends.

- There is currently 162,000 of office space available in South West Herts, of which 124,000 sq m is vacant. There is also a high probability that this will increase in the next few years. Therefore, in quantitative terms, this scenario suggests there is no need for additional office space in South West Herts over the plan period. New build development may still be required to meet occupier demand for higher quality office buildings, but the scenario suggests South West Herts could still accommodate some loss of other office space, particularly if it is lower quality and in locations which are not in high demand.

## Labour supply scenarios

- 6.37 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?".
- 6.38 This scenario uses the same approach as the 2019 study. We have drawn upon projections generated as part of the Local Housing Need Assessment Update (LHNA)<sup>48</sup> for South West Herts, which has modelled the population growth implications of two scenarios:
- **Standard method:** based on the population change which would occur if South West Herts authorities delivered the minimum number of houses implied by the standard method for assessing housing need, as set out in PPG.
  - **2014 based population projections:** based on the population change shown in the 2014 based sub-national population projections, which are the starting point for assessing housing need in the standard method. However, no adjustment is made for market signals (e.g. deteriorating affordability).
- 6.39 Hatch has prepared a third scenario which is based on the more recent 2018-based sub-national population projections produced by ONS. Our reasons for doing this are that the 2014 based projections are now several years out of date and have already been shown to overestimate the size of South West Herts' population in 2021 by just under 20,000 people. In contrast the 2018 based projections underestimated South West Herts' population by 7,500. The scenarios based on the 2014 and 2018 based population projections show the potential implications of lower housing delivery.
- 6.40 In order to convert population change in to the number of jobs 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 growth. A full breakdown of the assumptions used is provided in Chapter 6 of the LHNA<sup>49</sup>.
- 6.41 Table 6.9 shows the estimated change in the number of jobs in each of the scenarios described above. This shows that, if the South West Herts authorities delivered the minimum level of housing implied by the standard method, the number of jobs in South West Herts would increase

<sup>48</sup> Icen (2024) South West Herts Local Housing Needs Assessment Update, March

<sup>49</sup> Ibid.

by 79,300 between 2021 and 2041 and by a further 36,600 between 2021 and 2050<sup>50</sup>. This would represent an annual average growth rate of 1.1% p.a. which is well above past trends and significantly higher than the level of growth in the employment led scenario.

- 6.42 In contrast, if the South West Herts authorities did not meet the level of housing implied by the standard method, jobs growth could be significantly lower. If population increased in line with the 2018 based population projections, we estimate this could only support an additional 7,000 jobs between 2021 and 2041. This would represent a growth rate of only 0.1% p.a. which is significantly lower than past trends and employment forecasts. It is in this scenario where housing could potentially act as a constraint on economic growth.
- 6.43 As noted above, there is evidence to suggest that the 2018 based projections underestimate population growth while the 2014 projections over estimate population growth, so the true implication of not meeting the housing target is likely to fall within these two scenarios.

	2021-2041			2041-2050		
	Standard method	2014 based projections	2018 based projections	Standard method	2014 based projections	2018 based projections
Dacorum	18,700	15,000	3,500	9,500	6,600	1,700
Hertsmere	13,800	10,700	1,400	6,200	4,200	700
St Albans	17,500	14,300	900	7,900	5,300	400
Three Rivers	12,800	9,800	500	5,800	3,900	200
Watford	16,500	13,700	700	7,200	5,000	400
South West Herts	79,300	63,500	7,000	36,600	25,000	3,400

Source: Hatch

- 6.44 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 latest date for which reliable data on commuting is available). 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 connected to London. This would change the commuting ratio and result in lower jobs growth in this scenario.
- 6.45 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.

<sup>50</sup> This assumes that a) economic activity rates for older age groups increases and b) commuting patterns, double jobbing and unemployment remain constant

## Floorspace requirements

- 6.46 The jobs growth in each scenario has been translated in to floorspace requirements using the forecast sectoral profile of employment in the adjusted CE forecasts. The steps to convert this employment into FTEs and allocate this sectoral growth to different use classes were then the same as in the employment led scenario.
- 6.47 Table 6.10 shows that the three labour supply scenarios generate a wide range of results. In the standard method scenario, there is a requirement for 194,100 sq m of office space, 130,200 sq m of industrial space and 483,500 sq m of storage & distribution space between 2021 and 2041. However in the scenario which uses the 2018 based population projections, demand for storage & distribution space is minimal and demand for industrial space falls slightly.

	Standard method		2014 based		2018 based	
	2021-2041	2041-2050	2021-2041	2041-2050	2021-2041	2041-2050
Office space	194,100	88,700	154,800	59,800	15,400	7,000
Industrial space	130,200	56,300	101,300	35,500	(700)	(1,400)
Storage & distribution space	483,500	203,200	376,000	126,800	2,400	(7,900)

Source; Hatch. Note: these figures include the safety margin and allowance for vacancy, except where demand is negative

## Land requirements

- 6.48 Floorspace has been converted into land requirements using the same plot ratios as the employment led scenario. The land requirements for each scenario, broken down by district, are shown in Table 6.11. Again, it should be noted that the additional land required will be lower if demand could be met through existing space or sites with planning permission.
- 6.49 The table shows a wide range of results, particularly for storage & distribution space, with land requirements ranging from 1 Ha in the scenario which uses 2018 based projections<sup>51</sup> to 121 Ha in the scenario which uses the standard method.

<sup>51</sup> Over the period 2021-2041

Table 6.11 Land requirements in labour supply scenarios

		Standard method		2014 based		2018 based	
		2021-2041	2021-2050	2021-2041	2021-2050	2021-2041	2021-2050
Offices	Dacorum	5.6	2.8	4.5	1.9	1.0	0.5
	Hertsmere	4.3	1.9	3.3	1.3	0.3	0.1
	St Albans	5.3	2.3	4.3	1.6	0.3	0.1
	Three Rivers	4.1	1.8	3.1	1.2	0.1	0.1
	Watford	4.0	1.7	3.4	1.1	0.2	0.1
	<b>South West Herts</b>	<b>23.3</b>	<b>10.6</b>	<b>18.5</b>	<b>7.2</b>	<b>1.9</b>	<b>0.8</b>
Industrial	Dacorum	7.9	3.9	6.0	2.6	0.6	0.2
	Hertsmere	5.6	2.4	4.3	1.5	0.2	0.1
	St Albans	6.7	2.8	5.3	1.7	(0.6)	-0.3
	Three Rivers	5.5	2.3	4.1	1.5	(0.1)	0
	Watford	6.9	2.7	5.7	1.6	(0.3)	-0.3
	<b>South West Herts</b>	<b>32.6</b>	<b>14</b>	<b>25.3</b>	<b>8.9</b>	<b>(0.2)</b>	<b>-0.3</b>
Storage & distribution	Dacorum	37.2	17.30	28.9	11.2	3.8	1.0
	Hertsmere	20.5	8.60	15.8	5.5	1.7	0.4
	St Albans	22.0	8.88	17.1	5.1	(2.7)	(1.4)
	Three Rivers	18.8	7.23	14.1	4.4	(0.4)	(0.7)
	Watford	22.4	8.83	18.2	5.5	(1.9)	(1.2)
	<b>South West Herts</b>	<b>120.9</b>	<b>50.83</b>	<b>94.0</b>	<b>31.7</b>	<b>0.6</b>	<b>(2.0)</b>

Source: Hatch

### Summary

- This scenario uses population projections to estimate the amount of employment floorspace and land required to meet future population growth. Future population growth is heavily influenced by the scale of housing delivery in South West Herts over the next 20 to 30 years. This is highly uncertain, particularly given recent policy announcements that the housing targets derived via the standard method would be advisory only, meaning local authorities could choose to set a lower target. The level of housing delivery will also be influenced by the policies adopted by future governments. As such, we have shown the results of three different scenarios which give very different results.
- Each of the scenarios assumes a linear relationship between population growth and jobs growth. The reality is far more complex than this, and the results are highly sensitive to a number of variables, including commuting patterns, unemployment and changes in economic activity rates, all of which are difficult to predict with any degree of accuracy.
- For these reasons, the results from these scenarios should be treated as illustrative and, in our view, do not represent a reliable and robust basis on which to assess employment space and land requirements.
- Nevertheless, the scenarios presented here do provide an illustration of the potential risks to South West Herts from a failure to build sufficient housing. In the 'worst case' scenario,

which uses the most recent population projections produced by ONS, population growth would be driven by people over the age of 65 resulting in a minimal level of jobs growth. If this scenario proved to be accurate, there is a high risk that South West Herts would face significant constraints on growth in the future.

## Trends based scenario – gross development rate

- 6.50 The first trends-based scenario considers past trends in the development of employment space and projects these forward. This has used planning data provided by Herts CC for each of the local authorities, checked with further submissions from the individual local authorities.
- 6.51 The scenario shows the gross development rate (how much floorspace has been developed) as opposed to the net development rate (which also takes account of losses including demolitions). Although the net development trend is shown, this has not been used to model floorspace or land requirements as it would result in a negative requirement for each use class.
- 6.52 The planning data covers the period to 2022-23, but the scenario is based on the average over the period 2008-09 to 2020-21. This is because the start date for assessment period is 2021 and therefore should not include any 'demand' which came after this date.
- 6.53 It should be noted that the start of this trend period coincides with the 2008/9 economic downturn which affected development rates for a number of years. We have included this period because a trends based scenario should be based on a long time period rather than a shorter one as these are less prone to large fluctuations. The period should ideally include a full economic cycle so the most relevant period would be from 2008/9 up to 2020 Q2 (i.e. up to the start of the most recent recession, caused by the Covid pandemic). However, one could argue that this was not a typical recession – output recovered much faster than in previous recessions because it was the result of lockdowns rather than a fall in demand. In the industrial market the recession coincided with record levels of demand for industrial space (although it was very different in the office market).

### Office space

- 6.54 According to the planning data, 127,100 sq m of new office space was developed in South West Herts between 2008-9 and 2020-21 (average of 9,800 sq m p.a.). However this has been offset by just under 388,300 sq m of losses resulting in a net loss of 260,700 sq m of office space (see Table 6.12). This has been strongly influenced by the introduction of permitted development rights (PDR) in 2013 which made it easier to convert offices into residential dwellings.
- 6.55 If the gross development rate was projected forward this would result in a requirement for 196,400 sq m by 2041 and a further 88,300 sq m between 2041 and 2050. If we make an additional allowance for a 10% safety margin and 7.5% vacancy rate, this increases to 230,700 sq m over the period 2021-2041 and a further 103,900 sq m between 2041 and 2050.
- 6.56 Although this requirement appears large, it should be noted that this is a gross figure and does not take in to account any future losses of office space. If future losses followed past trends this would result in further large scale losses of office space.

Table 6.12 Gains and losses of office space in South West Herts, 2008/9 to 2022/23 (sq m)

	Gains	Losses	Net
2008-09	13,800	(6,700)	7,100
2009-10	7,700	(17,500)	(9,900)
2010-11	10,900	(8,900)	2,000
2011-12	6,500	(29,700)	(23,300)
2012-13	12,300	(34,600)	(22,300)
2013-14	2,900	(30,600)	(27,600)
2014-15	12,600	(35,900)	(23,300)
2015-16	10,600	(46,300)	(35,800)
2016-17	10,900	(50,400)	(39,400)
2017-18	19,000	(54,400)	(35,400)
2018-19	5,600	(34,900)	(29,300)
2019-20	1,300	(16,100)	(14,800)
2020-21	13,000	(22,300)	(8,800)
2021-22	30,800	(19,700)	11,100
2022-23	2,500	(15,900)	(13,400)
Total (2008/9 to 2020/21)	127,100	(388,300)	(260,700)
Average (2008/9 to 2020/21)	9,800	(29,900)	(20,100)

Source: Herts CC

- 6.57 Broken down by local authority areas, this gives rise to the office space requirements shown in Table 6.13. This shows that, based on past development rates, the highest requirements would be in Three Rivers.

Table 6.13 Office space requirements in gross development rates scenario by local authority area

	Average annual development rate 2008-09 to 2020-21	Forecast need		Including safety margin and vacancy rate	
		2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	2,300	46,300	20,800	54,300	24,500
Hertsmere	1,400	28,500	12,900	33,500	15,100
St Albans	1,400	27,200	12,200	31,900	14,400
Three Rivers	3,200	63,900	28,700	75,100	33,800
Watford	1,500	30,500	13,700	35,900	16,100
SW Herts	9,800	196,400	88,300	230,700	103,900

Source: Hatch

### Land requirements

- 6.58 The land requirements for new office development in this scenario are shown in Table 6.14 (using the same plot ratios as other scenarios). It suggests a total land requirement of 28.0 Ha

over the period 2021-2041 and a further 12.6 Ha between 2041 and 2050, with the largest land requirement being in Three Rivers.

**Table 6.14 Land required for new office development in gross development rates scenario by local authority area**

	Forecast land requirement		Including safety margin and vacancy rate	
	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	5.8	2.6	6.8	3.1
Hertsmere	3.6	1.6	4.2	1.9
St Albans	3.4	1.5	4.0	1.8
Three Rivers	8.0	3.6	9.4	4.2
Watford	3.1	1.4	3.6	1.6
South West Herts	23.8	10.7	28.0	12.6

Source: Hatch

## Industrial, storage & distribution space

- 6.59 The data on completions for the period 2008/9 to 2017/18 groups industrial and storage & distribution space together and does not provide a separate breakdown. Therefore the gross development rate has been calculated for all industrial and storage & distribution space, and then apportioned to each type of space based on the ratio from 2018/19 onwards.
- 6.60 Table 6.15 shows over 412,000 sq m of industrial space was developed in South West Herts between 2008-09 and 2020-21, an annual average rate of 31,742 sq m a year. However, this was offset by losses of just over 615,500 sq m, resulting in a net loss of around 202,900 sq m. Some of these losses are due to conversions to residential dwellings but this accounts for a much smaller proportion of losses than for offices. In most cases, these losses are likely to reflect the fact that the buildings are dated or no longer fit for purpose. Closer analysis of the planning data shows that a large number of these losses involve the demolition of existing buildings and replacement with new industrial or mixed-use accommodation which are then counted as 'gains'.
- 6.61 If the gross development rate (31,742 sq m) was projected forward, this would result in a requirement for 634,800 sq m of new industrial space by 2041 and a further 285,700 by 2050. Including a safety margin and allowance for vacancy rate increases this to 746,000 sq m over the period to 2041 and a further 335,600 sq m between 2041 and 2050.

Table 6.15 Gains and losses of industrial and storage &amp; distribution space, 2008-9 to 2022/23

	Gains	Losses	Net
2008-09	33,500	(45,400)	(11,800)
2009-10	18,400	(45,200)	(24,100)
2010-11	4,700	(107,800)	(102,900)
2011-12	37,400	(49,400)	(12,100)
2012-13	57,800	(24,700)	33,100
2013-14	13,600	(66,800)	(53,200)
2014-15	30,700	(24,200)	6,600
2015-16	25,700	(30,300)	(4,600)
2016-17	26,100	(47,500)	(21,500)
2017-18	33,700	(30,500)	3,200
2018-19	83,300	(25,000)	58,300
2019-20	25,700	(37,000)	(11,300)
2020-21	22,000	(81,700)	(59,700)
2021-22	59,700	(22,500)	37,200
2022-23	20,000	(28,200)	(8,200)
Total for period 2008-9 to 2020-21	412,600	(615,500)	(202,900)
Average for 2008-9 to 2020-21	31,700	(47,300)	(15,400)

Source: Herts CC

- 6.62 For individual local authority areas, the relevant annual averages used in the analysis for this scenario are shown in below. There is a marked difference in the annual averages between the two periods, but the longer term past period (2008-21) represents the more robust reference period to project forward, for reasons highlighted earlier in the report.

Table 6.16 Average Annual Gains, All Industrial Space, 2008-21 and 2018-23

	Average Annual Gains, 2008-21	Average Annual Gains, 2018-23
Dacorum	15,600	26,700
Hertsmere	3,300	7,000
St. Albans	2,600	1,300
Three Rivers	6,400	3,200
Watford	3,800	3,900
Total	31,700	42,100

Source: Herts CC

- 6.63 The data on completions from 2018/19 onwards shows that 71.6% of new space developed was storage & distribution (B8), with the remaining 28.4% being industrial space (B2 or E(g)(iii)/B1c)<sup>52</sup>. If we assume that this is the ratio of industrial/storage & distribution space throughout the trend period, it gives rise to the following requirements including the safety margin and vacancy allowance:

<sup>52</sup> It should be noted that some sites have a flexible planning permission (for example, for Class E(g)(iii), B2 and B8 uses). In such cases, HCC splits the floorspace total equally between the various uses permitted. No account is taken of what types of uses actually occupy completed buildings. Therefore, the percentage split between B8 and B2/E(g)(iii) stated here is unlikely to be accurate. In reality, the market has probably delivered a higher proportion of B8 in recent years than indicated here.



- 205,800 sq m of industrial space by 2041 and a further 92,500 sq m by 2050
- 540,200 sq m of storage & distribution space by 2041 and a further 243,100 by 2050

**Industrial space/land requirements**

6.64 For the period before 2018, there is no data on the breakdown of past gross development rates by the two categories of industrial and warehousing. The breakdown is only available for the period after 2018. Two approaches, Gross Development Rate Alternative A and B, are used

**Gross Development Rate Alternative A**

6.65 Table 6.17 is based on the share of industrial or warehousing space developed between 2018 and 2023 in each of the individual local authority areas. The split between the two uses differs very substantially between areas. Dacorum saw the substantial majority of development in B8 storage and distribution. By contrast, Three Rivers saw only 8% in the B8 category.

Table 6.17 Share of Industrial and Storage & Distribution Development, 2018-23 Within Individual Area : Gross Development Rate Alternative A		
	% Industrial	% Storage and Distribution
Dacorum	7%	93%
Hertsmere	44%	56%
St Albans	64%	36%
Three Rivers	92%	8%
Watford	72%	28%
SW Herts	28%	72%

Source: Herts CC, checked by individual local authorities

**Gross Development Rate Alternative A**

6.66 Table 6.18 shows the outcome of applying the breakdown shown in Table 6.17 above, ie. based on the split between industrial and storage & distribution development within each local authority area between 2018 and 2023. Whilst the overall figures are consistent with the past annual average need figures for each individual local authority area, they do not result in the South West Herts split of industrial (28.4%) and storage & distribution (71.6%). Instead they give a 41% (industrial) and 59% (storage and distribution) split. This is because the figures are driven by the mix within each individual local authority area between 2018 and 2023, rather than the overall South West Herts split.

Table 6.18 Industrial space requirements in gross development rates Alternative A by local authority area

	Average annual development rate	Forecast need		Including safety margin and vacancy rate	
		2021-2041	2041-2050	2021-2041	2041-2050
<b>Industrial</b>					
Dacorum	1,100	21,900	9,900	25,800	11,500
Hertsmere	1,500	29,600	13,300	34,700	15,700
St Albans	1,700	33,100	14,900	38,900	17,500
Three Rivers	6,000	119,200	53,700	140,100	63,000
Watford	2,700	54,900	24,800	64,600	29,000
South West Herts	12,900	258,800	116,400	304,000	136,900
<b>Storage and Distribution</b>					
Dacorum	14,500	289,100	130,200	339,700	152,900
Hertsmere	1,900	37,200	16,800	43,700	19,700
St Albans	900	18,300	8,200	21,500	9,600
Three Rivers	500	9,700	4,400	11,400	5,100
Watford	1,100	21,800	9,800	25,600	11,500
South West Herts	18,800	376,100	169,200	442,000	198,900
<b>Overall</b>					
Dacorum	15,600	311,000	140,100	365,500	164,400
Hertsmere	3,400	66,800	30,100	78,400	35,400
St Albans	2,600	51,400	23,100	60,400	27,100
Three Rivers	6,500	128,900	58,100	151,500	68,100
Watford	3,800	76,700	34,600	90,200	40,500
South West Herts	31,700	634,900	285,600	746,000	335,800

Source: Hatch using Herts CC data. Note: Total figures are rounded to nearest 100 and this results in a slight difference in the annual average (31,800 v. 31,700).

- 6.67 The implied land need for new development for Alternative A are shown in Table 6.19. It suggests a total land requirement of 186.5 Ha over the period 2021-2041 and a further 83.9 Ha by 2050, with the largest land requirement being in Dacorum, primarily reflecting its large share of storage and distribution development between 2018 and 2023.

Table 6.19 Land required for new industrial development in gross development rates scenario A by local authority area, Alternative A

	Forecast land requirement		Including safety margin and vacancy rate	
	2021-2041	2041-2050	2021-2041	2041-2050
<b>Industrial</b>				
Dacorum	5.5	2.5	6.4	2.9
Hertsmere	7.4	3.3	8.7	3.9
St Albans	8.3	3.7	9.7	4.4
Three Rivers	29.8	13.4	35.0	15.8
Watford	13.7	6.2	16.1	7.3
South West Herts	64.7	29.1	76.0	34.2
<b>Storage and Distribution</b>				
Dacorum	72.3	32.5	84.9	38.2
Hertsmere	9.3	4.2	10.9	4.9
St Albans	4.6	2.1	5.4	2.4
Three Rivers	2.4	1.1	2.9	1.3
Watford	5.4	2.4	6.4	2.9
South West Herts	94.0	42.3	110.5	49.7
<b>Overall</b>				
Dacorum	77.8	35.0	91.4	41.1
Hertsmere	16.7	7.5	19.6	8.8
St Albans	12.8	5.8	15.1	6.8
Three Rivers	32.2	14.5	37.9	17.0
Watford	19.2	8.6	22.5	10.1
South West Herts	158.7	71.4	186.5	83.9

Source: Hatch using Herts CC data

**Gross Development Rate Alternative B**

- 6.68 The share of each individual local authority area in the overall development of each use in South West Herts between 2018 and 2023 is shown in Table 6.20 below. In this case, storage and distribution development was heavily concentrated in Dacorum (81%) reflecting large scale completions of B8 space during this period. Industrial development is more evenly distributed, albeit with St. Albans accounting for a small share of both industrial and storage & distribution.

Table 6.20 Local Authority Area Share of South West Herts Industrial and Storage &amp; Distribution Development, 2018-23, Gross Development Alternative B

	% Industrial	% Storage and Distribution
Dacorum	16%	81%
Hertsmere	27%	13%
St Albans	7%	2%
Three Rivers	25%	1%
Watford	24%	4%
South West Herts	100%	100%

Source: Herts CC, checked by individual local authorities

6.69 Table 6.21 shows the results if the annualised need (31,700) is:

- First, split between the SW Herts authorities on the basis of the overall share of industrial (28.4%) and storage and distribution (71.6%) in the FEMA between 2018 and 2023. This gives 8,800 sq m for industrial, and 23,000 for storage and distribution, and 23,000 sq m for storage and distribution.
- Second, local authority area shares are based on Table 6.20 above.

6.70 The results are not consistent with the individual annual projected need figures in Table 6.16). This is because the analysis applies the share in the overall South West Herts mix of industrial and storage & distribution development between 2018 and 2023), rather than being constrained by the past annual average. For example, Dacorum's annual figures sum to 20,100 sq m compared with the annual average of 15,600 that represents the long-term past trend (2008-21).

Table 6.21 Industrial space requirements in gross development rates scenario by local authority area, Gross Development Alternative B

	Average annual development rate	Forecast need		Including safety margin and vacancy rate	
		2021-2041	2041-2050	2021-2041	2041-2050
<b>Industrial</b>					
Dacorum	1,400	28,300	12,700	33,200	15,000
Hertsmere	2,350	46,900	21,100	55,100	24,800
St Albans	650	12,600	5,700	14,900	6,700
Three Rivers	2,250	44,600	20,100	52,400	23,600
Watford	2,150	42,600	19,200	50,100	22,500
South West Herts	8,800	175,100	78,800	205,800	92,500
<b>Storage and Distribution</b>					
Dacorum	18,700	373,200	167,900	438,500	197,300
Hertsmere	3,000	59,000	26,600	69,400	31,200
St Albans	300	7,000	3,100	8,200	3,700
Three Rivers	200	3,600	1,700	4,300	1,900
Watford	800	16,900	7,600	19,800	9,000
South West Herts	23,000	459,700	206,900	540,200	243,100
<b>Overall</b>					
Dacorum	20,100	401,500	180,600	471,700	212,300

Hertsmere	5,300	105,900	47,700	124,500	56,000
St Albans	900	19,600	8,800	23,100	10,400
Three Rivers	2,400	48,200	21,800	56,700	25,500
Watford	2,900	59,500	26,800	69,900	31,500
South West Herts	31,700	634,900	285,700	746,000	335,800

Source: Hatch using Herts CC data. Note: Total figures are rounded to nearest 100 and this results in a slight difference in the annual average (31,800 v. 31,700).

- 6.71 The implied land need for new development is shown in Table 6.22. As is the case in Gross Development Rate Alternative A, Dacorum has significantly the largest share of land, driven by its high share (81%) of storage and distribution development between 2018 and 2023.

Table 6.22 Land required for new industrial development in gross development rates scenario by local authority area, Alternative B

	Forecast land requirement		Including safety margin and vacancy rate	
	2021-2041	2041-2050	2021-2041	2041-2050
<b>Industrial</b>				
Dacorum	7.1	3.2	8.3	3.7
Hertsmere	11.7	5.3	13.8	6.2
St Albans	3.2	1.4	3.7	1.7
Three Rivers	11.2	5.0	13.1	5.9
Watford	10.7	4.8	12.5	5.6
South West Herts	43.8	19.7	51.5	23.1
<b>Storage and Distribution</b>				
Dacorum	93.3	42.0	109.6	49.3
Hertsmere	14.8	6.6	17.3	7.8
St Albans	1.7	0.8	2.0	0.9
Three Rivers	0.9	0.4	1.1	0.5
Watford	4.2	1.9	5.0	2.2
South West Herts	114.9	51.7	135.0	60.8
<b>Overall</b>				
Dacorum	100.4	45.2	117.9	53.1
Hertsmere	26.5	11.9	31.1	14.0
St Albans	4.9	2.2	5.8	2.6
Three Rivers	12.1	5.4	14.2	6.4
Watford	14.9	6.7	17.5	7.9
South West Herts	158.7	71.4	186.5	83.9

Source: Hatch using Herts CC data

- 6.72 In both cases, the 2018-23 breakdowns are not a robust means of estimating how the longer-term past trend (2008-2021) projected forward might be distributed between the individual local authority areas. The reference period is a much shorter one, and figures for the individual areas

are skewed by factors including a small number of large completions (Dacorum) or by a relative lack of completions in that period.

6.73 The key issue is that applying either approach to the projected annual need for 31,700 sq m of industrial, storage and distribution floorspace over the periods to 2021-41 and 2041-50 leads to inconsistencies:

- Gross Development Rate Alternative A: Whilst Alternative A is consistent with the past annual averages for individual districts and South West Herts overall projected forward, it results in a split of industrial and storage & distribution (40:60) which is not aligned with the split of 28.4% industrial and 71.6% storage and distribution implied by the 2018-23 data. It therefore significantly understates the likely level of future storage and distribution need.
- Gross Development Rate Alternative B: This results in the split of 28.4% industrial and 71.6% storage and distribution which is consistent with the 2018-23 data. However, since it is driven by the share of each district in South West Herts development of industrial and storage & distribution floorspace 2018-23, it is not consistent with the long-term annual averages projected forward.

### Summary

- This scenario shows the employment space and land requirements if the average annual development rate over the period 2008-9 to 2020-21 continued over the forecast period. This scenario differs to other scenarios in one important respect, which is that it is based on the gross change in floorspace while the other scenarios show the net change in floorspace requirements.
- As a result this scenario suggests a very large requirement for new floorspace compared to other scenarios. Based on the period 2021-2041, the requirements are for 230,700 sq m of office space, 205,800-304,000 sq m of industrial space and 442,000 to 540,000 sq m of storage & distribution space.
- The risk in using gross development rates to estimate additional floorspace and land requirements (one of the main aims of the Economic Study) is that a significant proportion of the floorspace developed has involved the replacement of existing buildings on the same site and therefore has not required any additional land. This is likely to continue in the future as buildings become outdated and need to be replaced with more up-to-date stock. Therefore, while past development rates may give an indication of the total amount of development that is likely to be required in South West Herts, they are unlikely to provide a robust estimate of additional land requirements.
- The figures implied for future industrial and storage & distribution floorspace for individual local authority areas are another weakness of this scenario, and reinforce the need for caution about adopting this scenario as the basis for future planning policy.

## Trends based scenario – net-absorption

6.74 The second trends-based scenario uses past trends in net-absorption to estimate future space requirements. This essentially measures the change in the quantity of occupied floorspace in South West Herts over a given period. Because this is a net figure, it can be used to provide an estimate of the *additional* floorspace/land required to meet demand if demand followed past trends.

- 6.75 The data used in this scenario is from CoStar, which provides the most comprehensive database available on commercial real estate trends in the UK. CoStar's database provides time-series data on the office market from 2005 onwards and on the industrial/storage & distribution market from 2009 onwards. The scenarios for each type of space use the longest period available to ensure that the trends based scenario is based on a long term trend including a full economic cycle, including the effects of the economic downturn in 2008/9.

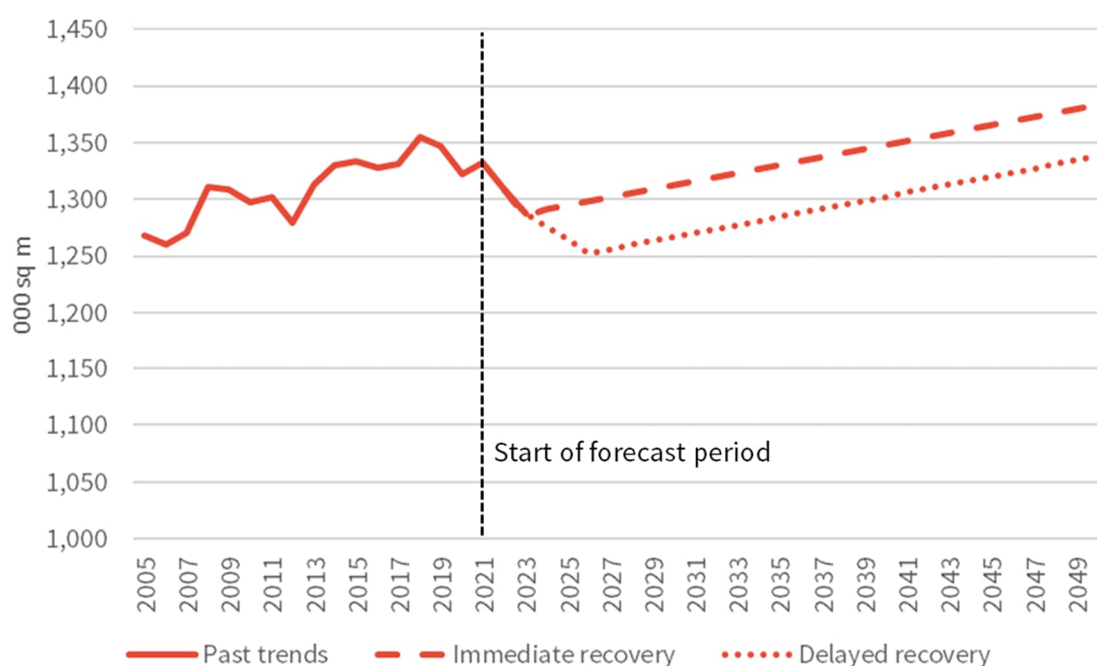
## Office space

- 6.76 Figure 6.4 shows the trend in occupied office space between 2005 and 2023 (year to date). On average, net absorption (the change in occupied office space) increased by 3,555 sq m p.a. over this period. However this was negatively affected by the period 2020 to 2022 (coinciding with the Covid pandemic) when net absorption decreased by over 35,000 sq m p.a.
- 6.77 The chart also shows two alternative scenarios for how this could change in future. In the first scenario, there is an immediate recovery in demand and net absorption reverts to the long term average of 3,555 sq m p.a. from 2024 onwards<sup>53</sup>. We believe this scenario is unlikely because it is likely to take some time for the full effects of the pandemic to emerge as there are still many tenants still bound by the terms of their lease which was signed before the pandemic (see paragraphs 5.27 to 5.32).
- 6.78 The second scenario is based on a delayed recovery in demand for office space following a period of structural adjustment. This assumes that occupied office space falls by a further 35,000 sq m in the short term. This is the same amount by which occupancy fell between March 2020 and July 2023. We make this assumption because our analysis in Chapter 5 showed that around half of the leases signed before March 2020 have still not expired or been the subject of a lease break/review. It is therefore reasonable to assume that only around half of the fall in occupancy has occurred to date. We assume that net absorption of office space falls by 11,700 sq m p.a. (in line with the trend between 2020 and 2023) until 2026 when it reverts back to the long term average of 3,555 sq m p.a. In this scenario, occupied office space does not recover to its pre-pandemic level over the forecast period.
- 6.79 It should be noted that the base year for forecasts is 2021. We know that net absorption decreased by 45,000 sq m between 2021 and July 2023<sup>54</sup> (the latest date for which CoStar data is available) meaning that, even in the 'immediate recovery' scenario there is a fall in demand in the first two years of the forecast, from which it takes a long time to recover.

<sup>53</sup> For 2023, we have used the latest available data on occupied space from CoStar which was correct as of July 2023. This is likely to change by the end of the year

<sup>54</sup> Net absorption was positive in 2020-21. Hence why the fall between 2021 and 2023 was greater than between 2020 and 2023.

Figure 6.4 Scenarios for change in occupied office space in South West Herts



Source CoStar and analysis by Hatch

- 6.80 Table 6.23 shows the office floorspace requirement under each of the above scenarios. In the ‘immediate recovery’ scenario, occupied office space increases by 18,800 sq m between 2021 and 2041 and by a further 32,000 sq m between 2041 and 2050. In the ‘delayed recovery’ scenario, the total quantity of occupied floorspace would be negative between 2021 and 2041 because of the large fall at the beginning of this period (-27,000 sq m). It would be positive between 2041 and 2050, but total occupied space would still be lower in 2050 than in 2021.
- 6.81 The figure of 32,000 sq m for both scenarios 2041-50 reflects the assumption about the annual need of 3,555 sq m over that 9 year period.

Table 6.23 Office floorspace requirement under different trends based scenarios (sq m)

	2021-2041	2041-2050	2021-50
Immediate recovery	18,800	32,000	50,800
Delayed recovery	(27,000)	32,000	5,000

Source: Hatch using CoStar

- 6.82 The floorspace and land requirements by local authority area have only been shown for the immediate recovery scenario in which there is a positive requirement. This has been apportioned to local authority areas based on their share of net-absorption over the period 2005-2022. In three areas this is negative (Dacorum, St Albans and Watford), meaning occupied office space was lower in 2022 than in 2005.
- 6.83 Table 6.24 shows there would be a requirement for 2.4 Ha of land for office development by 2041 and a further 4.0 Ha by 2050, with most of this in Three Rivers.
- 6.84 Land requirements have not been calculated for the delayed recovery scenario as this would be negative for all areas.



**Table 6.24 Requirements for office space and land in immediate recovery scenario**

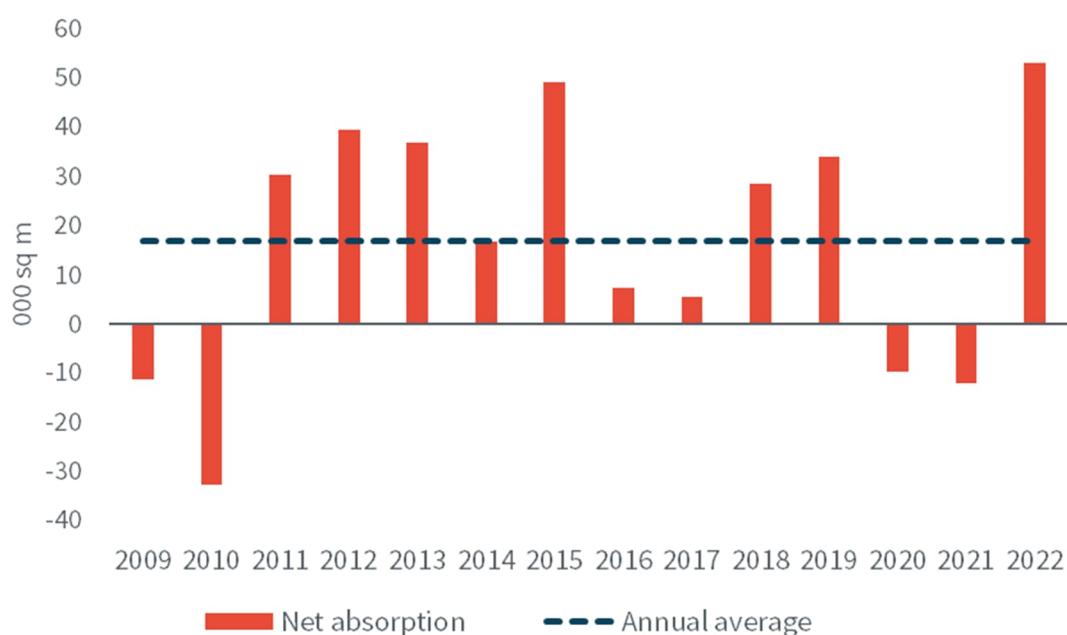
	Office space (sq m)		Land requirement (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	(2,000)	-3,400	(0.3)	(0.4)
Hertsmere	5,700	9,800	0.7	1.2
St Albans	(1,000)	-1,700	(0.1)	(0.2)
Three Rivers	17,200	29,200	2.2	3.6
Watford	(1,100)	-1,900	(0.1)	(0.2)
South West Herts	18,800	32,000	2.4	4.0

Source: Hatch

## Industrial, storage & distribution space

- 6.85 CoStar does not distinguish between industrial and storage & distribution space. Therefore it is necessary to analyse net-absorption for both types of space and make an assumption about the relative share of each.
- 6.86 Figure 6.5 shows annual average net absorption of industrial and storage & distribution space was 16,700 sq m p.a. between 2009 and 2022. If this trend continued, this would result in a requirement for 334,000 sq m of space by 2041 (20 x 16,700) and a further 150,300 sq m by 2050.

**Figure 6.5 Net absorption of industrial and storage & distribution space, 2009-2022**



Source CoStar

## Adjustment for latent demand

- 6.87 As noted in Chapter 5, historic take-up of industrial and storage & distribution space is likely to have been constrained by limited availability. It is therefore necessary to make an adjustment based on the estimated level of latent demand (the net-absorption which would have occurred had supply not been constrained).

- 6.88 In order to make this adjustment we have used the method recommended in a report by Savills on behalf of the British Property Federation ([BPF - Levelling Up - The Logic of Storage & distribution](#)). This recommends that an adjustment is made for previous years in which the availability rate of industrial space was below its market equilibrium level and therefore demand was suppressed. For the purpose of this analysis, we have assumed that the equilibrium rate is 8% in line with the national equilibrium rate used in the BPF report. The analysis is shown in Table 6.25 overleaf.
- 6.89 The adjustment is calculated through the following steps:
- Identify those years when the availability rate was below 8%
  - Estimate how much additional demand (net-absorption) there would have been if availability was at its equilibrium level of 8%. This is done by:
    - Calculating the average of the ratio of net absorption to available floorspace in each of the years in the lookback period (see f in Table 6.25, which is the average of column e).
    - Calculating the additional floorspace required to achieve the equilibrium level in years when availability was constrained. For instance, if the equilibrium rate is 8% but the market had 5% in a given year, the 3% difference needs to be translated into floorspace. This is shown in column g.
    - The ratio (f) is then applied to the availability uplift (g) for those years when availability was below 8% to calculate suppressed demand in each year. We exclude years in which net-absorption was negative (e.g. in 2020 and 2021). This is shown in column h.
  - The average annual suppressed demand is then calculated by taking the average of column h. This can then be added to the historic trend in net-absorption and be used to estimate future requirements which includes both actual and suppressed demand.
- 6.90 We estimate annual average suppressed demand over this period to be 5,587 sq m. This is equivalent to an uplift of 33%. This is slightly higher than the uplift for the UK calculated by Savills (29%).

Table 6.25 Suppressed demand calculation (000 sq m)							
	a. Availability rate	b. Total floorspace	c. Available floorspace (a x b),	d. Net absorption	e. Net-absorption/availability (d/c)	g. Availability uplift to achieve equilibrium – (8% - a) x b	h. Suppressed net absorption (f x g)
2009	13.8%	1,908	263.3	-11.4	-4%		-
2010	15.7%	1,913	300.4	-32.8	-11%		-
2011	10.9%	1,912	208.4	30.3	15%		-
2012	10.3%	1,896	195.3	39.4	20%		-
2013	6.7%	1,885	126.3	36.7	29%	24.5	4.4
2014	6.6%	1,892	124.8	16.7	13%	26.5	4.8
2015	3.7%	1,901	70.3	49.1	70%	81.7	14.7
2016	4.7%	1,909	89.7	7.4	8%	63.0	11.3
2017	5.4%	1,951	105.3	5.4	5%	50.7	9.1
2018	5.3%	1,961	103.9	28.5	27%	52.9	9.5
2019	4.9%	1,981	97.1	34.0	35%	61.4	11.0
2020	6.1%	1,981	120.9	-10.0	-8%	37.6	-
2021	7.2%	1,986	143.0	-12.2	-9%	15.9	-
2022	4.3%	2,020	86.9	52.9	61%	74.8	13.4
					<b>f. Average 18%</b>	<b>i. Average suppressed net absorption</b>	<b>5.6</b>

Source: Hatch

- 6.91 Adding latent demand to the historic trend in net-absorption, and making an allowance for a safety margin and vacancy rate gives the requirements shown in Table 6.26. We estimate the total requirement to be 523,700 sq m by 2041 and a further 235,700 sq m by 2050.

**Table 6.26 Industrial, storage & distribution requirements in net-absorption scenario (sq m)**

	2021-2041	2041-2050
Net-absorption	334,000	150,300
Latent demand	111,700	50,300
Safety margin and vacancy	78,000	35,100
Total industrial, storage & distribution space	523,700	235,700

Source: Hatch

- 6.92 Table 6.27 below shows how the implied need based on this net absorption approach is distributed across South West Herts by individual local authority area, using the same approach as the 2019 study. This used analysis of IDBR and the VOA database to estimate the relative share of occupied space which is used as industrial or warehouse space. For South West Herts as a whole, 72% of floorspace is used as warehousing and 28% for industrial uses. However this varies for each of the local authority areas, with Dacorum having the highest share of space in warehouses (80%).
- 6.93 We have therefore applied the district level percentages to each area's share of net-absorption over the period 2008/9 to 2021/2 to estimate the split between storage & distribution and industrial space by local authority area. This shows that floorspace requirements are heavily weighted towards Dacorum, reflecting the fact that the majority of large-scale industrial and warehouse development has been in this local authority area. The requirement is negative in Watford as this is the only area that experienced a fall in net-absorption of industrial/storage & distribution space between 2009 and 2022.

**Table 6.27 Implied industrial and storage & distribution space requirements by local authority area in net-absorption scenario (sq m)**

	2021-2041		2041-2050	
	Industrial	Storage & distribution	Industrial	Storage & distribution
Dacorum	93,100	381,000	41,900	171,500
Hertsmere	14,500	44,400	6,600	19,900
St Albans	2,600	3,100	1,200	1,400
Three Rivers	10,200	12,000	4,600	5,400
Watford	(10,200)	(27,100)	(4,600)	(12,100)
South West Herts	110,200	413,400	49,700	186,100

Source: Hatch

- 6.94 The land requirements for this scenario are shown in Table 6.28. Over the period to 2041, this shows a requirement for 103.4 Ha for storage & distribution development and 27.6 Ha for industrial development, with a large proportion of this requirement being in Dacorum.

Table 6.28 Implied land requirements by local authority area in net-absorption scenario (Ha)

	2021-2041		2041-2050	
	Industrial	Storage & distribution	Industrial	Storage & distribution
Dacorum	23.3	95.3	10.5	42.8
Hertsmere	3.6	11.1	1.7	5
St Albans	0.7	0.8	0.3	0.3
Three Rivers	2.6	3.0	1.1	1.4
Watford	(2.6)	(6.8)	(1.1)	(3)
South West Herts	27.6	103.4	12.4	46.5

Source: Hatch

- 6.95 This study is concerned with the need at the level of the South West Herts FEMA. The breakdowns in Table 6.27 and Table 6.28 are not intended to suggest that future need for industrial, storage and distribution floorspace and land must be met in the individual local authority areas on that basis. How and where it is met will be determined by factors including the availability of buildings and sites across the area and how they meet the needs of occupiers and the wider market. As such it will be a matter for the South West Herts local authorities to consider in their response to the report.

### Summary

- This scenario shows the employment space and land requirements if net-absorption of office, industrial and storage & distribution space followed its long-term trend in South West Herts. The strength of this scenario is that it does not involve a large number of assumptions or rely on employment/population forecasts which are subject to significant uncertainty. It is a simple projection which most closely reflects market requirements over the long term.
- However, in our view, it is necessary to make a number of adjustments to this scenario to account for other factors. The evidence in Chapter 5 of this report shows there are likely to be further falls in absorption of office space over the next few years as businesses adjust to new working patterns brought about by the pandemic. There is therefore a risk of overestimating the requirement for office space if we assume that demand continues on its long term trend until this period of adjustment is over. However, the full scale of the adjustment and the length of time this will take is still highly uncertain. The adjustment we have made in Figure 6.4 shows one possible outcome, but this may prove to be too pessimistic if there is an increase in office utilisation over the next few years. In our view, it would be prudent for South West Herts authorities to plan on the basis that demand for office space falls somewhere between these two scenarios. This could mean that overall net-absorption over the forecast period is zero, but with a fall in the short term.
- For the industrial market, the long term trend in net absorption represents a good starting point for forecasting future requirements. However it is necessary to make an adjustment based on the fact that availability of industrial and storage & distribution space has been constrained for much of the last ten years, meaning demand is likely to have been suppressed. The adjustment uses a method recommended by the BPF, and has been applied in a number of employment land reviews. In our view this represents a reasonable basis on which to plan future industrial and storage & distribution space requirements.

## Conclusions

---

6.96 This section presents a summary of the various scenarios and provides our justification for our preferred scenario.

### Offices

6.97 Table 6.29 presents a summary of the various scenarios for future office development. Over the period 2021-2041, office space requirements range from -27,000 sq m to +230,800 sq m. The land requirements are also presented, although in most scenarios a significant proportion of demand could be met through the existing supply, meaning additional land would not be required.

6.98 In our view, South West Herts authorities should plan on the basis that there will be no net-increase in demand for office space from its 2021 level over the period 2021 to 2041. This would mean demand lies between the ‘immediate recovery’ and ‘delayed recovery’ scenarios. Our justification for this is as follows:

- The net absorption scenarios are the only scenarios which reflect the large fall in demand for office space which has occurred since 2021 (the base year). All of the other scenarios assume that demand increases from the first year of the forecast and are therefore likely to significantly overstate office requirements, given that it will take a number of years for demand to recover to its 2021 level.
- The net absorption scenarios are the only scenarios based on actual evidence of demand for office space. Both the employment-led and labour supply scenarios use forecasts as their starting point, and then make a wide range of other assumptions to translate these to floorspace requirements, all of which are subject to significant uncertainty.
- The gross development trend scenario shows gross requirements rather than net requirements for office space. It is therefore not comparable with the other scenarios. In our view, the scenarios which inform planning employment land should be based on net requirements as this represents the actual supply which will be available to employers. Setting targets based on gross development rates could actually result in a large fall in the supply of office space if this followed past trends<sup>55</sup>.
- We believe the ‘immediate recovery’ scenario is too optimistic about the recovery in demand for office space. This is on the grounds that there are still a significant number of leases signed before the pandemic which have not expired or been reviewed. Given the low levels of office utilisation it is reasonable to assume that a significant number of occupiers will reduce their office space requirement when the lease is reviewed, meaning further falls in net absorption are likely in the short term.
- The delayed recovery scenario may be too pessimistic in its assumptions about further falls in office occupancy. The decisions made by occupiers whose leases expired during, or in the immediate aftermath of, the pandemic may be different to those whose leases expire a number of years after it. This is particularly likely if office utilisation continues to increase, albeit slowly (e.g. through use of staff incentives) or if landlords offer more favourable terms as an incentive to stay.

<sup>55</sup> Although this is unlikely given that most of the losses of office space relate to PDR and the view from most authorities was that these conversions have now peaked.

Table 6.29 Summary of scenarios for office requirements

	Office space (sq m)		Land (Ha)	
	2021-2041	2041-2050	2021-2041	2021-2050
Employment led	100,600	35,000	12	4
Labour supply – standard method	194,100	88,700	23	11
Labour supply – 2014 projections	154,800	59,800	19	7
Labour supply – 2018 projections	15,400	7,000	2	1
Gross development trend	230,800	104,000	28	13
Net absorption trend – immediate recovery	18,800	32,000	2	4
Net absorption trend – delayed recovery	(27,000)	32,000	-	-

Source: Hatch.

- 6.99 It is important to be clear that this recommendation is based on the overall net-requirement for office space. This does not mean that no new office development needs to take place. As shown in Chapter 5, there is still demand for high quality, smaller office floorplates, as evidenced by the fact availability rates for smaller floorplates (<1,000 sq m) has remained below 5% since the start of the pandemic but have risen to 13% for floorplates over 1,000 sq m. Demand for these smaller high quality offices is likely to grow while the demand for large floorplates is likely to continue to fall.
- 6.100 Over time, we would expect market forces to provide an incentive to landlords to reconfigure and sub-divide office buildings so that they are more suitable for smaller requirements.

#### Requirements for Grade A space

- 6.101 To give a very broad indication of the potential scale of demand for Grade A space we have analysed trends in net absorption for higher quality offices (focusing on buildings that attract 4 or 5 stars in CoStar's 5 star rating system). This shows average net absorption of Grade A space was 4,400 sq m per annum between 2005 and 2023 (and was actually higher than this between 2020 and 2023). Therefore, total demand for Grade A space could be as high as 87,400 sq m over the period 2021-2041. However, some caution is needed here as most of this historic demand for Grade A space was for large floorplates over 1,000 sq m. Given the shift to more flexible working patterns, total demand for Grade A space is likely to be lower than this in the future.
- 6.102 Given current market conditions, in the short term it is unlikely that new speculative development of Grade A space would be commercially viable in the FEMA. It is very difficult to predict where development would be viable in the future, however this is most likely to be in the main office markets of central Watford and St Albans. However there may also be scope for speculative development around railway stations with fast connections to London.

#### Requirements for flexible office space

- 6.103 The South West Herts authorities have also requested evidence and advice on the quantity of flexible office space that is likely to be required. CoStar does not provide data on flexible office space requirements, meaning it is not possible to produce a trends-based scenario for South West Herts.
- 6.104 Savills has estimated that flexible office space currently accounts for roughly 10% of gross take-up (absorption) of office space in regional markets (and as high as 20% in London). If that was also the case in South West Herts, it would mean average gross absorption of flexible office space

was 4,800 sq m p.a. between 2005 and 2023. Over a twenty year period that would equate to 95,700 sq m of flexible office space. However this is a gross figure and does not take in to account businesses that vacate flexible space. Therefore a reasonable assumption may be that demand for flexible space is between 2,000 and 3,000 sq m p.a. However this is purely illustrative; demand could be significantly lower or higher than this range.

- 6.105 It is expected that market forces will mean that a significant proportion of this demand could be met by landlords making existing office space available on flexible terms rather than long term leases. According to JLL's 2021 Global Flex Space Report, 41% of tenants anticipate increasing their use of flexible office space as part of their post-pandemic work strategy. They forecast that, by 2030, flexible office space will represent 30% of all office space available.
- 6.106 Flexible office space is likely to be in greatest demand in locations with a high population and business density, offering good transport links and proximity to amenities. These factors together create a vibrant community, attracting diverse professionals and startups seeking collaboration and networking opportunities. We would expect there to be greatest demand in Watford and St Albans, but smaller scale office hubs may be in demand in any of the FEMA's large towns.

## **Industrial, storage & distribution requirements**

- 6.107 Table 6.30 and Table 6.31 present a summary of the various scenarios for future industrial and storage & distribution requirements. Over the period 2021-2041 the requirement for:
- industrial space ranges from -700 sq m to +304,000 sq m. The land requirements range from -0.2 Ha to 76.0 Ha.
  - storage & distribution space ranges from 4,000 sq m to 540,200 sq m. The land requirements range from 1 Ha to 142 Ha.
- 6.108 Our preferred scenario is the one based on net absorption plus latent demand. This is for the following reasons:
- It is the only scenario based on actual evidence of demand. As noted above, the employment-led and labour supply scenarios make a large number of assumptions and are subject to significant uncertainty.
  - It is based on a method endorsed by the BPF and applied in a number of other employment land reviews, which accounts for historic suppressed demand due to past constraints in the availability of industrial and storage & distribution space. Setting a requirement below this level would, in our view, risk perpetuating the undersupply of industrial and storage & distribution space in South West Herts.
- 6.109 How this need is apportioned across the FEMA will depend on a range of factors, including the availability of sites which meet occupier requirements. This is analysed in the following chapter and is used to inform our recommended apportionment methodology.



	Industrial space (sq m)		Land (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Employment led	71,600	20,700	17.9	5.2
Labour supply – standard method	130,200	56,300	32.6	14
Labour supply – 2014 projections	101,300	35,500	25.3	8.9
Labour supply – 2018 projections	(700)	(1,400)	(0.2)	(0.3)
Gross development trend	205,800-304,000	92,500-136,900	51.5-76.0	23.1-34.2
Net absorption trend + latent demand	110,200	49,700	27.6	12.4

	Storage & distribution space (sq m)		Land (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Employment led	227,800	60,100	67.3	17.9
Labour supply – standard method	568,000	240,700	142.0	60.2
Labour supply – 2014 projections	441,600	150,200	110.4	37.6
Labour supply – 2018 projections	4,000	(8,500)	1.0	(2.1)
Gross development trend	442,000-540,200	198,900-243,100	110.5-135.0	49.7-60.8
Net absorption trend + latent demand	413,400	186,100	103.4	46.5

Source: Hatch

## 7. Supply of Employment Land

7.1 This section provides a quantitative and qualitative review of the supply of employment land within South West Herts. This includes:

- Existing commitments (e.g. unimplemented planning permissions which could increase or decrease the supply of employment space)
- Existing allocated employment sites and sites allocated for development but not yet developed
- Proposed allocated sites in the emerging local plans of authorities
- Potential new employment sites

7.2 The section draws upon the findings of site reviews undertaken by BE Group which provide qualitative and quantitative assessments of these sites (the site pro-formas are included in Appendix G). In addition, the report provides a separate high level overview of the existing employment land supply of existing sites in the FEMA (Appendix H).

### Existing commitments

7.3 Table 7.1 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 (e.g. as a result of demolitions or permissions for residential conversions). This has been based on data provided by Herts County Council but has been reviewed and updated by each of the local authorities.

7.4 If all of the extant permissions were implemented it would result in a net increase of 33,200 sq m of office space and 508,800 sq m of industrial, storage and distribution space across South West Herts. However, it should be noted that a significant proportion of committed industrial, storage and distribution space is at a single site (Radlett Strategic Rail Freight Interchange in St Albans). We provide further commentary on this site and the extent to which it can be counted towards supply in Chapter 8.

	Office		Industrial and warehousing	
	Commitments	Net after losses	Commitments	Net after losses
Dacorum	1,818	-7,525	75,660	52,327
Hertsmere	12,173	8,258	44,532	43,261
St Albans	4,717	3,373	388,285	378,026
Three Rivers	497	497	24,659	21,443
Watford	39,080	28,566	15,605	13,787
South West Herts	58,285	33,169	548,741	508,844

Source: Hertfordshire County Council. Note: this excludes any commitments where the local authorities thought it was unrealistic that the commitment would be implemented, however this only affected Dacorum.

### Summary of strategic sites

7.5 Strategic employment sites refers to sites whose size, function, job creation potential, inward

investment potential or role in meeting the needs of priority sectors is important. They may also be considered strategic if they can help meet policy objectives, such as area-based regeneration or achieving sustainable growth. Strategic sites may be suitable for occupiers whose activities deliver benefits more widely than a specific locality or settlement. They may contribute to attracting businesses that would be important to the South West Herts economy, including job and/or supply chain opportunities. The definition of a strategic site does not have a size threshold. Whilst larger sites (eg. 25 ha+) are typically considered strategic, it is important to recognise that smaller sites that meet some of the criteria described above may still play a significant strategic role.

- 7.6 Table 7.2 presents a summary of the findings of the review of strategic sites identified by each of the local authorities<sup>56</sup>. This provides the status of the site, identifies suitable uses and the quantity of land with development potential. Where the sites have planning permission we have assumed the land with development potential is zero to avoid double counting commitments in Table 7.1.
- 7.7 Overall we identify 93.2 Ha of land with development potential. However only 67.4 Ha of this land is on sites which are realistically available (i.e. they are already allocated or safeguarded, or are not currently in the green belt).
- 7.8 A large number of the sites are suitable for a mix of uses, including office, industrial and storage & distribution development. Although, given the market trends described in previous chapters, we would expect most of these sites to come forward for industrial or storage & distribution development.
- 7.9 The following sections provide district level summaries of the sites. These provide a qualitative assessment of the sites and their suitability for meeting the needs of the FEMA.

<sup>56</sup> Not all of these sites have been reviewed by BE Group. In the later stages of the study some of the sites that were initially reviewed were removed, and local authorities identified additional strategic sites. However it has not been possible to undertake reviews for all of these

Table 7.2 Summary findings of strategic sites review in South West Herts					
		Status	Counted towards available supply	Suitable uses	Land with development potential (Ha) <sup>57</sup>
Dacorum	Bourne End Mills extension	Proposed allocation	No	Mix (small units)	1.2
	Land between Upper Bourne End Lane and A41	Green belt	No	Mix (small units)	2.9
	Two Waters Road/A41 Junction	Proposed allocation	No	Mix (small to medium units)	5.6
	Adjacent to Shendish Manor	Potential site considered	No	Not suitable for employment uses	0.0
	Dunsley Farm	Proposed allocation	No	Mix (small to medium units)	5.4
	<b>Total for Dacorum</b>				
<b>Total available</b>					<b>0.0</b>
Hertsmere	Land north of Hilton Doubletree and south of Sky Studios	Safeguarded for employment	Yes	Mix (small to medium units)	2.1
	Land north west of Cranbourne Road Industrial Estate	Proposed allocation (not in green-belt)	Yes	Mix (small to medium units)	1.8
	Centennial Park - Land South of Aldenham Reservoir	Proposed allocation	Yes	Mix (small to medium units)	4.9
	Centennial Park - Caspian and Tasman House	Previous developed land	Yes	Mix (small to medium units)	1.4
	Mercure Hotel, Tyler Way	Site with planning permission	Yes	Mix (small to large units)	0.0
	Elstree Way	Allocated/existing site	Yes	n/a	0.0

<sup>57</sup> Does not include capacity that could be realised through redevelopment or intensification. This also excludes any sites with planning permission that have already been counted in Table 7.1. For example, Radlett has 96.7 Ha of developable land but this is all included in the planning permission for 331,665 sq m which is counted above

		Status	Counted towards available supply	Suitable uses	Land with development potential (Ha) <sup>57</sup>
	Land off Stephenson Way	Potential allocation	Yes	B1c/B2/B8 (small to large units)	3.1
	<b>Total for Hertsmere</b>				<b>13.3</b>
	<b>Total available</b>				<b>13.3</b>
St Albans	East Hemel Hempstead Central	Allocated in emerging local plan	Yes	Mix (small to large units)	52.7*
	Strategic Rail Freight Interchange, Radlett	Allocated in emerging Local Plan	Yes	B8 (large units)	0.0
	<b>Total for St Albans</b>				<b>52.7</b>
	<b>Total available</b>				<b>52.7</b>
Three Rivers	Croxley Business Park	Allocated/existing site	Yes	n/a	0.0
	Tolpits Lane	Allocated/existing site	Yes	n/a	0.0
	Maple Cross/Maple Lodge	Allocated/existing site	Yes	Mix (small to large units)	0.0
	Kings Langley	Allocated/existing site	Yes	n/a	0.0
	Leavesden Employment Area	Proposed to emerging Local Plan	No	Mix, targeted at creative industries	0.0
	Lynsters Farm	Green belt site	No	Mix (small to medium units)	10.7
	<b>Total for Three Rivers</b>				<b>10.7</b>
	<b>Total available</b>				<b>0.0</b>
Watford	Wiggenhall Road; Fishers and Trade City Estates	Allocated/existing site	Yes	Mix (small units)	0.6
	Shakespeare Road Industrial Estate	Allocated/existing site	Yes	n/a	0.0
	Greycaine Road; Oldhams and Sandown Road Industrial Estates	Allocated/existing site	Yes	n/a	0.0
	Watford Business Park	Allocated/existing site	Yes	n/a	0.0

	Status	Counted towards available supply	Suitable uses	Land with development potential (Ha) <sup>57</sup>
Imperial Way; Colonial Way; and Holly Industrial Estates	Allocated/existing site	Yes	Mix (small to medium units)	0.8
Clarendon Road Primary Office Location	Allocated/existing site	Yes	Office	0.0
<b>Total for Watford</b>				<b>1.4</b>
<b>Total available</b>				<b>1.4</b>
<b>Total for South West Herts</b>				<b>93.2</b>
<b>Total available land in South West Herts</b>				<b>50.4*</b>

\* East Hemel Hempstead Central is assumed to contribute 35.7 ha to industrial, storage and distribution when the proposed proportion identified for business/R&D uses is accounted for

## Dacorum

- 7.10 **Bourne End Mills extension** is a proposed extension to the existing industrial estate at Bourne End Mills, which is located close to a junction of the A41. The extension would be immediately adjacent to Bourne Mill Services which includes a petrol station, takeaway outlet and hotel. The site is likely to be attractive for small scale industrial/storage & distribution units, although there could also be pressure from competing uses related to the service station. Land with development potential: 1.16 Ha, but not included in available supply.
- 7.11 **Land Between Upper Bourne End Lane and A41** is a green belt site located close to a junction of the A41. Formerly used as a cricket field and for agriculture, its location and flat relief suggest suitability for employment uses, particularly small to medium sized units of the same type appropriate to the Bourne End Mills Extension Site. Land with development potential: 2.9 ha, but green belt and not included in available supply.
- 7.12 **Two Waters Road/A41** is also located close to a junction of the A41 and at a key gateway point for Hemel Hempstead, giving the site a high profile which would be attractive for small to medium industrial/storage & distribution uses. However there is significant sloping on the site and the access point is currently unclear, together with what are understood to be nature conservation requirements. This could present viability and environmental constraints which means it is unlikely to be delivered in the short to medium term, but could come forward in the longer term if these viability constraints could be overcome, but there cannot be certainty that the site will form part of the supply. Land with development potential: 5.6 Ha, but not included in available supply.
- 7.13 **Dunsley Farm** is a pastoral site close to a junction of the A41 and opposite a Tesco supermarket. Its location means it would be suitable for a medium scale mix of employment uses. There are proposals for this to be delivered as a mixed-use, housing-led scheme incorporating employment and residential uses. Land with development potential: the employment area proposed is currently 5.4 Ha although there is some uncertainty about the quantity which might actually be proposed and it cannot be included at this point as realistically available supply.
- 7.14 **Adjacent to Shendish Manor.** This site is located within Shendish Manor and Golf Club. This is currently in the Green Belt and is not a proposed allocation in the emerging local plan. There is a potential opportunity for small-scale, high-quality offices in close proximity to Apsley rail station. However, access to the site (currently London Road) would require improvement. There is also potential for impacts on Shendish Manor which would need to be addressed, although this should be managed with design and location. As such we find that this site is not suitable for development at this stage. Land with development potential: 0 Ha

## Hertsmere

- 7.15 **Centennial Park - Land South of Aldenham Reservoir** lies to the north of Centennial Park industrial estate, although access is likely to be via Watford Rd to the north. It is a predominantly flat site, partly covered in trees, offering a high amenity location, although it has a lower profile than surrounding employment areas. We consider this to be suitable for a mix of employment in high quality units. A planning application has been received for up to 20,700 sq m of floorspace including a 2,300 sq m co-working, wellness and innovation hub alongside 18,400 sq m of industrial / distribution floorspace (use class E/ B2 / B8). Land with development potential: 1.4 ha.

- 7.16 **Centennial Park - Caspian and Tasman House** includes existing employment units in the Green Belt. A planning application has been received which proposes to demolish existing units at the Waterfront development (Tasman House and Caspian House) in order to build 5,700 sq m of B2/B8 space, suitable for small scale employment uses. Land with development potential: 1.39 Ha.
- 7.17 **Elstree Way** is a large employment area in Borehamwood, with multiple ownerships. This includes a mix of new build and older employment uses, studios, retail and other commercial uses. Recent development includes large warehousing uses, now on the market (north of Elstree Way). There are potential regeneration opportunities, particularly in the south of the area which includes mainly older buildings. The focus of this should be to enhance studio/film provision and complementary services. However, at the moment there is no land realistically available for development. Land with development potential: 0 Ha.
- 7.18 **Land Off Stephenson Way** is a vacant site to the west of the existing employment area at Otterspool. This is in a prime location, near to a junction for the M1 and the A41. There is good potential for employment uses, including small to large units. The site is in single ownership so should be deliverable, although there is some moderate sloping. Land with development potential: 3.1 Ha.

## St Albans

- 7.19 **East Hemel Hempstead Central** is a very large site in the west of the local authority area, adjacent to Maylands Business Park (Hemel Hempstead, Dacorum). The site is located in the Herts IQ Enterprise Zone and forms part of the Hemel Garden Communities (HGC) programme aiming to create new sustainable communities in and around Hemel Hempstead. It is a relatively flat site, close to the M1 junction and is therefore attractive for a mix of uses, but particularly strategic distribution. A range of stakeholders, including SADC, Hertfordshire LEP and HGC have expressed a desire to avoid overconcentration of strategic distribution uses, and have identified potential for office, R&D and light industrial development with the intention of attracting Herts IQ's target occupiers. These include a number of high value sectors such as sustainable construction, agri-tech and environmental technology. Policy SP5 in St Albans Draft Local Plan states that this will provide for "a range of uses including offices, research and development, light industrial and distribution, with 10% of any new development or redevelopment required to contain units for Small Medium Enterprises and expansion/ Grow-On units". The exact split between these uses has not yet been determined.
- 7.20 The site was reviewed as part of the 2019 study, which found that there would be limited demand for offices at this location because of the area's poor public transport connections and industrial character. Since then, there has been a large fall in demand for offices across South West Herts leading to an over-supply of office space, including in some of the FEMA's most sought after locations. Given these market conditions we believe it will be challenging for the market to deliver new, general office space in this location for the foreseeable future.
- 7.21 SADC draft Local Plan allocation H3 states that 17 ha (29%) of the land at East Hemel Hempstead Central should be reserved to 'deliver a Business, Research and Development Park'. The study has found that, in the short term, there could be demand for such a facility from the agri-tech sector. As noted in paragraphs 5.87 to 5.90, the site is located close to the Rothamsted Campus which acts as an incubator for small businesses in the agri-tech sector but has limited capacity to provide grow on space when these businesses reach a certain size. Consultees from Rothamsted identified the East Hemel Hempstead Central site as a suitable location to deliver this. Further work would be needed to assess the viability of these proposals, which could



require intervention by the public sector. In the longer term there may be potential to attract other sectors.

- 7.22 Through the Maylands Masterplan Plus (currently being prepared) and Duty to Co-operate discussions between St Albans City and District and Dacorum Councils, consideration is being given to the possibility of reserving some land on the East Hemel Hempstead Central site for:
- uses relocating from other parts of Hemel Hempstead (e.g. household waste site), to help meet the town's wider needs.
  - a retail park (probably close to Breakspear Park). Dacorum's retail consultants are considering this issue.
- 7.23 At the current time there is no certainty over whether land will be reserved for these uses and, if so, how much. Therefore, for the purpose of this assessment we have assumed the rest of the site (35.7 Ha<sup>58</sup>) could come forward for strategic distribution, providing an extension to Maylands Business Park. Land with development potential: 52.7 Ha.
- 7.24 **Strategic Rail Freight Interchange, Radlett.** This is a very large (96.7 Ha) greenfield site to the north of the M25 and on a rail corridor. The site has planning permission for 331,665 sq m of B8 units with ancillary offices and B2 space. The developers plan to develop the rail freight interchange in the first phase and are planning to deliver around 500,000 sq ft (46,500 sq m) of new floor space per annum, meaning the whole site could be built out by 2031-33. Given its strategic position, the site is likely to be very attractive to the market for large scale, strategic storage & distribution uses. The fact that it is rail linked means the site is expected to serve a national as well as a regional market. The sale of the land at Radlett was the subject of a court ruling in June 2024 that rejected an application for judicial review. Land with development potential: 0 Ha.

### Three Rivers

- 7.25 **Croxley Business Park** is a high quality office park within the urban settlement of Watford. This includes mid to large floorplate buildings (generally over 2-3 storeys) set in an attractive tree-lined environment, with off street parking and communal facilities within the Hive in the centre of the site. However the site is fully built out and there are unlikely to be any opportunities for intensification in the foreseeable future. Land with development potential: 0 Ha.
- 7.26 **Tolpits Lane** is a large employment area comprising three distinct areas. Wolsley Business Park is an office park with mid to large floorplates, with buildings of a moderate quality. A high level of vacancies was observed. Units along Dwight Lane are a mix of small industrial and hybrid units, which had a more moderate level of vacancies and generally comprised of moderate to good quality units. The employment uses along Olds Approach and Moor Ln comprise a typical industrial estate. This site is also fully built out and there are unlikely to be any opportunities for intensification in the foreseeable future. Land with development potential: 0 Ha.
- 7.27 **Maple Cross/Maple Lodge.** This site is made up of a number of units along Denham Way (A412), comprising a large office complex occupied by Renault and Nissan, a high quality office building occupied by Skanska and a derelict commercial building with MSSCP at the rear. Planning permission has been granted for the demolition of the existing derelict office block and multi-storey car park and redevelopment to provide six warehouses for a flexible range of employment

<sup>58</sup> It should also be noted that part of the site is within the Health and Safety Executive's consultation zones around the Buncefield Oil Terminal, where there are restrictions on the scale and type of employment development that can be permitted.

uses (within Classes E(g)(iii), B2 and / or B8) with ancillary offices together with associated works. A recent application was allowed in appeal (21/0573/FUL) and one extant application for a hotel (green) for which certificate of lawful implementation was issued although nothing has happened on site. Land with development potential: 0 Ha

- 7.28 **Leavesden Park Employment Area.** The site comprises Leavesden Studios, now owned by Warner Brothers, together with MEPC's Leavesden Park office development. The site supports strategic activities relating to the creative industries sector and the planned investment will enable an enhanced role. The area is protected through Article 4 Direction that came into effect in March 2024. The site is allocated in the current Local Plan and has been submitted for allocation in the emerging Local Plan. Land with development potential: 0 Ha
- 7.29 **Kings Langley.** This is an office and commercial park along Home Park Mill Link Rd. It comprises mid-sized office buildings, though not within a dedicated business park. Some buildings have been reconverted to apartments (Bellway, Pinnacle Apartments), with likely interest for further conversions in coming years. There is the potential for regeneration of the site but, in our view, this is likely to be for non-employment uses. Land with development potential: 0 Ha.
- 7.30 **Lynsters Farm.** This is a green belt site comprising a flat, field area around the Grade II listed Lynsters Farm House and Cottages. The site is well-positioned for employment uses close to the M25 (J17), the nearby Maple Cross employment area and HS2 south portal works. There are a number of ecological and flood zone constraints, although the site is of a scale and in a location which may be suitable for a range of industrial or warehousing uses. Land with development potential: 0 Ha.

## Watford

- 7.31 **Wiggenhall Road; Fishers and Trade City Estates.** This moderately sized industrial area is split into two separate estates. The northern Fishers Industrial Estate comprises moderate quality, small industrial units. Units are clustered around an internal circular road. There is a relatively high level of vacancies and some crowding due to limited car-parking. The southern half is the Wiggenhall Industrial Estate, which is a crowded collection of auto servicing and other workshops on a linear road. The amenity is poor and the site suffers from significant congestion. There would be a potential for regeneration of the Wiggenhall Industrial Estate over the current Local Plan period, either for modern employment uses or non-employment uses. There is some potential for further small units on a narrow strip of land to the south, fronting Thomas Sawyer Rd, which is in WBC ownership. Land with development potential: 0.61 Ha
- 7.32 **Shakespeare Street Industrial Estate.** This is a tight, crowded industrial and office estate surrounded by residential terraced housing. Shakespeare Street is a narrow approach street with residential cars parked on the street. Units are of a moderate quality, with some vacancies observed. Whilst the site is protected for employment uses, demand for the site is likely to be for non-employment uses only. Land with development potential: 0 Ha.
- 7.33 **Greycaine Road; Odhams and Sandown Road Industrial Estates.** This is a large industrial estate with units of moderate to good quality, although there are some older units with potential for regeneration, including older office buildings at front of site. There is some internal congestion due to parked cars and access is via residential areas. While there is potential for some incremental refurbishment or regeneration of site, there is limited scope for intensification. Land with development potential: 0 Ha
- 7.34 **Watford Business Park.** This is a large industrial estate comprising a wide range of unit sizes, which are generally moderate to good quality. The main spine road has some on-street parking

but traffic appears generally unimpeded. There is currently a high level of vacancies. While there is potential for some incremental refurbishment or regeneration of site, there is limited scope for intensification. However WBC has noted that there are existing commitments that will result in the re-provision of existing units that are of higher quality. Land with development potential: 0 Ha

- 7.35 **Imperial Way; Colonial Way; and Holly Industrial Estates.** This is a significant industrial estate centrally located within Watford. Imperial Way is a densely developed industrial area with some trade services and offices supporting industrial uses. Colonial Way has a higher proportion of office buildings and hybrid units. Colonial Way connects well to Stephenson Way, which links to the A41 and M1. There are also strong connections to Watford Junction Station. A site near the intersection of Imperial Way and Colonial Way has been cleared and is currently being redeveloped for industrial units (Watford Storage & distribution Hub, units 1,000-4,500 sqm). Land with development potential: 0.8 Ha.
- 7.36 **Clarendon Road.** This is Watford's main office location, offering high quality offices in a central location. Buildings are on average 3-5 storeys with some national occupiers (e.g. KPMG, PWC). Clarendon Road has good streetscaping and the area includes key services for workers. Intensification is currently underway with a number of large proposals in the pipeline, particularly for taller buildings. There is increasing pressure for mixed use development (primarily for residential uses given its sustainable location close to the town centre and Watford Junction station - same sustainability credentials apply to offices located there) and it is important that proposals are managed so not to compromise the operational function of the area as a sub regional office location. Land with development potential: 0 Ha.

## 8. Demand and Supply Balance

8.1 This chapter provides a quantitative and qualitative assessment of the demand and supply of employment land over the period 2021 to 2041/50. The quantitative assessment considers the following:

- Demand (net change) - floorspace demand derived from the preferred scenarios for office, industrial and storage & distribution development.
- Supply, which includes:
  - Development which has already taken place since 2021
  - Existing commitments - unimplemented planning permissions which could result in a change in the supply of office or industrial space
  - Undeveloped land in allocated sites or sites proposed for development

8.2 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 on the availability of sites which will appeal to the market, which is the focus of this chapter.

8.3 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

---

8.4 The preferred scenario in Chapter 6 showed there is likely to be no net-increase in demand for office space by 2041. Chapter 5 showed that, as of July 2023, there was 162,000 sq m of available office space in South West Herts, of which 124,000 sq m was vacant. This includes a high level of availability in the locations in highest demand, including central Watford and St Albans. There is also a further 33,100 sq m of office space with planning permission (see Table 7.1). On this basis, we conclude there is not a need to identify additional sites for office development.

8.5 Given the current supply of office space, the South West Herts authorities may also consider how the supply of office space in their area could be reduced and redevelopment encouraged in order to address other priorities including delivery of housing and light industrial space. However this should focus on lower quality space outside the key strategic office areas (central Watford and St Albans). Reducing the oversupply of poorer quality office space should also help to increase rental values to encourage new development of higher quality space that better meets occupier requirements.

8.6 To illustrate that South West Herts could afford to lose office space, Appendix I shows the results of a hypothetical scenario in which

- the FEMA loses 23,800 sq m of office space per annum in every year from 2024<sup>59</sup> to 2041. This is based on the trend in losses of office space between 2019/20 and 2022/23; and

<sup>59</sup> This uses CoStar data which is available up to 2023 so the first year of the forecast in this case is 2024.

- demand for office space follows the trend in the net absorption scenario (delayed recovery) i.e. demand falls by 11,700 sq m p.a. for the first three years but then grows by 3,500 sq m p.a. in each remaining year.

8.7 This scenario shows that, by 2041, the office vacancy rate would still be higher (10.8%) than at the start of the period in 2023 (8.8%). This is purely illustrative. In practice there is a high degree of uncertainty over how much office space will be lost and how much will be required in the long term. However it demonstrates that it is feasible that South West Herts could lose over 400,000 sq m of office space, with no replacement, and still have a vacancy rate of over 10%.

## Industrial and storage & distribution market balance

- 8.8 The preferred scenario in Chapter 7 identified a need for:
- 110,200 sq m of industrial space and 413,400 sq m of storage & distribution space between 2021 and 2041. This gives a total requirement for 523,600 sq m of space suitable for industrial, storage and distribution uses.
  - An additional 49,700 sq m of industrial space and 186,100 sq m of storage & distribution space between 2041 and 2050, although this is subject to significant uncertainty.
- 8.9 It is necessary to adjust these figures to take account of a) net completions since 2021 (the base year for the forecast) and b) the net balance of existing planning commitments (gains and losses). Given that a large number of the planning permissions are for mixed use development (e.g.B2, B8, E(g)(iii)) we have not assessed commitments for industrial and distribution space separately.
- 8.10 Table 8.1 shows that, after making these adjustments, the remaining need is negative i.e. the existing commitments in South West Herts are sufficient to meet all of the identified need. This means, in quantitative terms, South West Herts does not need to identify any additional land for development of industrial or distribution space.
- 8.11 Over the period to 2050, there would be a shortfall, meaning the South West Herts Joint Strategic Plan would need to identify an additional 221,600 sq m/55.4 Ha for development between 2041 and 2050.

Table 8.1 Remaining floorspace and land requirements after accounting for completions since 2021 and planning commitments

	2021-2041	2041-50
Need (sq m) – A	523,600	235,800
Net completions since 2021 (sq m) - B	29,000	
Net commitments (sq m) - C	508,800	
Remaining need (sq m) = A-B-C	-14,200	221,600
Remaining land requirement (Ha)	0	55.4

Source: Hatch

- 8.12 As noted in Chapter 7, a significant proportion of the existing commitments (331,665 sq m) relate to a single site (Radlett Strategic Rail Freight Interchange). This is a unique development in that it will comprise a small number of very large B8 distribution warehouses that are rail linked.
- 8.13 It was noted at paragraph 7.24 that this site will serve both national and regional markets. Therefore it could be argued that development at Radlett cannot be considered to be meeting

the needs of the FEMA as it serves a far larger catchment area. We agree that Radlett will be meeting demand across a much larger geographical area than existing employment sites in South West Herts, and therefore it would be inappropriate to assume that the whole of the site could address the need in the preferred scenario. Nevertheless we believe it is legitimate to assume that a significant proportion of the site should be counted as meeting this need.

8.14 Our justification for this is as follows:

- 1) Our estimate of need/demand in the preferred scenario is based on trends in net absorption of industrial and storage & distribution space in South West Herts. A significant proportion of this demand for space has been from strategic distribution occupiers serving a much wider catchment area than South West Herts. For example, analysis of CoStar shows that 82% of net absorption of industrial and storage & distribution space since 2009 was at Maylands Business Park and was driven mainly by large warehouses serving markets in London and the South East (as well as markets within the FEMA itself). This has been driven in part by the fall in supply of industrial and storage & distribution space in London which has meant that demand has been met in areas with good connections to the capital.
- 2) Although Radlett will be serving a very large catchment area (including the Midlands), London and the South East will be two major markets. Therefore it will be meeting demand from the same markets that are already served by sites in South West Herts, fulfilling roles that may be to that of Maylands Business Park. Should South West Herts continue to fulfil this role, then it would be reasonable to assume that Radlett will play an important part in maintaining this role, and meeting future need that continues to reflect the area's function as a location for storage and distribution activity serving that larger catchment.

8.15 It is difficult to quantify how much of the land at Radlett is suitable for meeting the identified need. This will depend on the markets served by the occupiers at Radlett and how this aligns with the existing markets which have driven demand for storage and distribution space in South West Herts which is not known.

8.16 To reach a view of the share of Radlett Strategic Rail Freight Interchange which can reasonably be counted towards meeting need in the FEMA, we have considered two scenarios:

8.17 **Scenario 1:** The starting point for Scenario 1 is evidence that 82% of the net absorption of industrial, storage and distribution space in South West Herts since 2009 was accounted for by Maylands Business Park, principally by the uptake of larger scale warehousing, which is likely to be serving markets across London and the wider South East. However, it would not be reasonable to apply that percentage as the share of future South West Herts need accommodated by the Radlett SRFI site, since it would assume that future demand simply reflects a past trend driven by activity at Maylands Business Park. Instead, Scenario 1 takes the mid-point (53%) between 82% and the share of net absorption in South West Herts from 2009 which was accounted for by floorplates in excess of 200,000 sq ft (24%). In this scenario, Radlett SRFI contributes 175,800 sq m to meeting FEMA need (53% of 331,665 sq m).

8.18 Table 8.2 shows that this scenario results in a need for sites with capacity to deliver 141,700 sq m of floorspace over the 2041-50 period, equating to 35.4 Ha. The additional demand generated over the period 2041-50 would mean that the Joint Strategic Plan needs to identify an additional 235,800 sq m/58.9 Ha for this time period.

**Table 8.2 Remaining floorspace and land requirements for (assuming Radlett SRFI contributes 175,800 sq m towards meeting need)**

	2021-41	2041-50
Need (sq m) – A	523,600	235,800
Net completions since 2021 (sq m) – B	29,000	
Net commitments with 175,800 sq m at Radlett included (sq m) – C	352,900	
Remaining need (sq m) = A-B-C	141,700	235,800
Remaining land requirement (Ha)	35.4 Ha	58.9 Ha

- 8.19 **Scenario 2:** This scenario draws on analysis of the share of net absorption of industrial/distribution space since 2009 which was in floorplates over 200,000 sq ft<sup>60</sup> (18,600 sq m). It is reasonable to assume that this take-up relates to demand from strategic distribution occupiers serving a very large market area. CoStar data shows that net absorption for these large warehouses between 2009 and 2023 was 51,600 sq m. This represents 24% of total net absorption of industrial, storage and distribution space over the same period (219,000 sq m). The implication is that 79,600 sq m of the floorspace with planning permission at Radlett SRFI would count towards meeting the needs of the FEMA (24% of 331,665 sq m).
- 8.20 The evidence referred to above indicates that larger scale floorspace delivered in the FEMA has been driven by Maylands Business Park. The assumption that only 24% of Radlett SRFI meets need in South West Herts is a conservative one which may underestimate this contribution.
- 8.21 Table 8.3 shows the remaining need after making this adjustment to commitments. We estimate the South West Herts authorities would need to identify sites with capacity to support 237,800 sq m of industrial and distribution floorspace. Assuming a plot ratio of 0.4, this results in a requirement for 59.5 Ha of land.

**Table 8.3 Remaining floorspace and land requirements for (assuming only 79,600 sq m at Radlett can count towards meeting need)**

	2021-41	2041-50
Need (sq m) – A	523,600	235,800
Net completions since 2021 (sq m) - B	29,000	
Net commitments with only 79,600 sq m at Radlett included (sq m) - C	256,800	
Remaining need (sq m) = A-B-C	237,800	235,800
Remaining land requirement (Ha)	59.5 Ha	58.9 Ha

Source: Hatch

- 8.22 Chapter 7 showed the strategic sites identified by local authorities have 93.2 Ha of land with development potential, of which 67.4 Ha is likely to be available (for example, it would not require release from the greenbelt). Not all of this would be available for industrial and distribution development. Most importantly, 17 ha (29%) of the land at East Hemel Hempstead

<sup>60</sup> We acknowledge that some of the units at Radlett SRFI will be larger than this. However there are few locations with warehouses of this size at the moment

Central will be reserved to deliver a ‘Business, Research and Development Park’<sup>61</sup>. Given market conditions, we would expect the majority of land to come forward for industrial and distribution development rather than offices. It is therefore reasonable to assume 50 Ha of land will be available for industrial and distribution development. The implications of the two Radlett SRFI scenarios set out above is therefore:

- **Scenario 1:** No additional employment land is necessary to meet need to 2041, and potential for sites to contribute to meeting need over the 2041-50 period since the supply exceeds need between 2021 and 2041 by c. 15 Ha (need of 35.4 Ha, supply 50 Ha).
- **Scenario 2:** The South West Herts authorities would need to identify a small amount of additional employment land (c. 9 ha) to meet need over the period 2021-41. Additional sites would be needed to meet demand between 2041 and 2050 (58.9 Ha).

8.23 Given that large scale, strategic warehousing and storage & distribution will be the main driver of demand, it is also important to assess the adequacy of the supply of sites suitable for this type of development (assumed to be 9,300+ sq m or 100,000+ sq ft). Table 8.4 identifies five sites suitable for large warehouses that are close to motorway junctions and would therefore be attractive for this type of development. Cumulatively these sites could deliver over 291,000 sq m of floorspace. This is equivalent to 55% of overall industrial need. This suggests that the supply of sites should be capable of accommodating a significant proportion of future demand. However, one of the sites in the table below does not appear to have capacity to accommodate the largest scale of storage and distribution facility (18,600+ sq m/200,000+ sq ft), whilst two of the sites appear to have capacity to absorb only one such development. This is an issue that the local authorities may wish to consider in responding to this report.

**Table 8.4 Sites suitable for large-scale industrial, storage and distribution development**

	Status	Floorspace (sq m)
Radlett Strategic Rail Freight Interchange (St Albans)	Planning permission	175,800* 79,600**
East Hemel Hempstead Central (St Albans)	Proposed for development	142,800
Land at Green Lane, Hemel Hempstead (Dacorum)	Planning permission	26,640
Mercure Hotel, Tyler Way (Hertsmere)	Planning permission	30,000
Land South of Stephenson Way (Hertsmere)	Potential allocation	12,400
<b>Total</b>		<b>291,440</b>

\*based on 53% of space with planning permission; \*\*based on 24% of space with planning permission;

8.24 For Scenarios 1 and 2, Table 8.5 and Table 8.6 show the combination of commitments and estimated floorspace capacity on available sites either with planning permission or which are realistically available for development for each individual local authority areas. In both scenarios, the distribution would mean that a substantial majority of future industrial and storage & distribution development occurs in St Albans, Dacorum and Hertsmere. This would

<sup>61</sup> Some of this could include industrial development, but given that it is not possible to estimate the split we have assumed that none of the 17 Ha will include industrial space



mean that these authorities are, in effect, meeting need in Three Rivers and Watford which are far more constrained in terms of land supply.

- 8.25 Table 8.5 shows the results for Scenario 1 in which 53% of the Radlett SRFI development contributes to meeting South West Herts Need. St. Albans accounts for 53% of the supply and, in combination with Dacorum and Hertsmere, 92% of the supply.

**Table 8.5 Scenario 1: Commitments and supply of floorspace for industrial and storage & distribution development by local authority area (sq m)**

Area	Net commitments (sq m)	% in area	Estimated floorspace on available sites* (sq m)	% in area	Total (sq m)	% of total in area
Dacorum	52,300	15%	71,400**	35%	123,700	22%
Hertsmere	43,300	12%	53,200	26%	96,500	17%
St Albans	222,100	63%	71,400**	35%	293,500	53%
Three Rivers	21,400	6%	0	0%	21,400	4%
Watford	13,800	4%	5,600	3%	19,400	3%
<b>Total</b>	<b>352,900</b>		<b>201,600</b>		<b>554,500</b>	

\*this has been calculated by applying a plot ratio of 0.4 to the available land in Table 7.2. For example, this identifies 13.3 Ha in Hertsmere (133,000 sq m). Applying a plot ratio of 0.4 gives 53,200 sq m.

\*\*this space relates to East Hemel Hempstead Central. Although this is located within St Albans, functionally it is part of the Hemel Hempstead urban area and is therefore better placed to serve the needs of Dacorum than St Albans. Therefore we have assumed that the space is split between the two. The implication is that the site accounts for more than around 70% (142,800 sq m) of the total floorspace on available sites.

- 8.26 Table 8.6 shows the supply distribution in Scenario 2, when 24% of Radlett SRFI contributes to the supply. In this scenario, St. Albans accounts for 43% of the supply, and with Dacorum and Hertsmere to 91% of the total supply.

**Table 8.6 Scenario 2: Commitments and supply of floorspace for industrial and storage & distribution development by local authority area (sq m)**

Area	Net commitments (sq m)	% in area	Estimated floorspace on available sites* (sq m)	% in area	Total (sq m)	% of total in area
Dacorum	52,300	20%	71,400**	35%	123,700	27%
Hertsmere	43,300	17%	53,200	26%	96,500	21%
St Albans	126,000	49%	71,400**	35%	197,400	43%
Three Rivers	21,400	8%	0	0%	21,400	5%
Watford	13,800	5%	5,600	3%	19,400	4%
<b>Total</b>	<b>256,800</b>		<b>201,600</b>		<b>458,400</b>	

\*this has been calculated by applying a plot ratio of 0.4 to the available land in Table 7.2. For example, this identifies 13.3 Ha in Hertsmere (133,000 sq m). Applying a plot ratio of 0.4 gives 53,200 sq m.

\*\*this space relates to East Hemel Hempstead Central. Although this is located within St Albans, functionally it is part of the Hemel Hempstead urban area and is therefore better placed to serve the needs of Dacorum than St Albans. Therefore we have assumed that the space is split between the two. The implication is that the site accounts for more than around 70% (142,800 sq m) of the total floorspace on available sites.

- 8.27 The commitments and the site review data which are used in Tables 8.5 and 8.6 do not distinguish between floorspace and land earmarked for industrial (B1c/B2) and storage/distribution (B8). For this reason it is not possible to show how the relevant need figures for each local authority match supply in terms of the industrial or storage and distribution uses.
- 8.28 However, a comparison (Table 8.7 below) of the need figures (drawn from Table 6.27 of the report) and adjusted for net completions since 2021 in each local authority area, and the commitments/supply findings presented in Tables 8.5 and 8.6 above, show significant variation between each area. Dacorum’s commitments and supply are substantially (300,000 sq m) lower than its implied need figures. Those of Three Rivers are slightly lower (3,100 sq m), although it should be noted that its supply is driven by commitments, with the study having identified no available land (and therefore floorspace) on the sites reviewed. For Hertsmere the data suggests it has additional supply relative to its need figure (+38,200 sq m). For Watford, what appears to be a substantial surplus (54,900 sq m) is driven by need evidence which suggests that it will have a reduced need for industrial floorspace, so the additional supply of land actually further increases the amount of floorspace and land available.
- 8.29 For St. Albans, both Scenarios 1 and 2 show that it has a considerable ‘surplus’ relative to the implied need figures, driven by the scale of Radlett SRFI’s capacity relative to a low need figure.
- 8.30 These figures are provided for illustrative purposes, since the study does not suggest that need should or would only be met only in the local authority area to which individual figures are attached. The focus in meeting industrial, storage and distribution need is on the FEMA and on meeting demand across the area as a whole.

Area	Industrial	Storage and Distribution	Total Need	Commitments and Sites	Difference
Dacorum	98,800	337,600	436,400	123,700	-312,700
Hertsmere	5,500	52,800	58,300	96,500	38,200
St. Albans	4,800	5,900	10,700	293,500* 197,400**	282,800* 186,700**
Three Rivers	11,400	13,100	24,500	21,400	-3,100
Watford	-7,700	-27,800	-35,500	19,400	54,900
SW Herts	112,800	381,600	494,400	458,400	-36,000

\* Scenario 1; \*\* Scenario 2

- 8.31 As the analysis in this section of the study suggests, Scenario 1 represents a reasonable assessment of the potential contribution that the Radlett SRFI site could make to South West Herts supply of sites and floorspace that respond to need.
- 8.32 However, Scenario 2 implies a shortfall of 9 ha. How this might be distributed between the South West Herts authorities has been considered, with several different approaches assessed as methods for apportioning this shortfall.
- 8.33 **Past Net Absorption and Need:** Analysis of take-up data in this report shows that Dacorum accounted for 91% of industrial net-absorption between 2009 and 2021. In the case of St. Albans, it accounted for only 1%, whilst Watford saw a net loss over the period. Using this approach would simply not reflect either the distribution of commitments and available land in SW Herts, in which Dacorum accounts for only 27%, and St. Albans 43%. Since net absorption is used to

inform the need assessment, the same issue of very uneven distribution skewed to Dacorum applies here.

- 8.34 **Commitments and Available Land:** Table 8.5 and Table 8.6 show a more even distribution when applying the combined commitments and available land supply figures. However, this approach would be inconsistent with the evidence on the available land supply, since it is driven more by currently known commitments which are likely to fluctuate over time (thus implying that shares would change).
- 8.35 **Available Land:** Distributing the shortfall on the basis of the share of available land would see the majority of it accommodated in St. Albans City and District. This is driven by the large contribution made by the East Hemel Hempstead Central site to the significant proportion of the need for industrial and storage & distribution space for the FEMA being met in St Albans, which accounts for around 71% of the identified supply. This approach would be inappropriate for the way in which it concentrates the share in St. Albans, and for implying that Three Rivers would make no contribution, whilst Watford's contribution would be negligible.
- 8.36 **Past Completions:** Floorspace completions are distinct from net absorption since the latter takes account of both new occupation of floorspace and businesses exiting premises. The completions data presented in Chapter 6 would also imply a broader distribution across the five local authority areas, using the annual averages from 2009-21. However, it shows that St. Albans City and District accounted for only a 7% share, with Dacorum at 16%. Figures for Hertsmere, Three Rivers and Watford range from 24-27%. This is not consistent with either evidence of past trends in take-up or the identified commitments and supply in the report.
- 8.37 **Employment Forecasts:** The employment forecasts presented in Chapter 6 (Table 6.6) similarly point to a more even distribution in which Dacorum and St. Albans each account for 24% of forecast employment growth, with Hertsmere (17%), Three Rivers (16%) and Watford (18%) accounting for the remaining share. A strength of this approach is its alignment with employment, and the distribution it implies, is well-aligned with the South West Herts housing need evidence if the standard method is applied. However, it would not reflect the distribution of the identified supply in South West Herts, nor would it reflect the way in which businesses recruit and trade which is not driven by local authority boundaries.
- 8.38 The implied shortfall is a small figure (9 ha) and its potential sharing across South West Herts does not represent a significant uplift in the total need for land for industrial, storage and distribution uses of 130 ha over the 2021-41 period. Nevertheless, evidence that several local authorities (Dacorum, Three Rivers, Watford) have little or no land available for development implies there would be challenges in responding to a need to meet a share within those areas. These are approaches which the South West Herts Local Authorities should consider in responding to this report through the duty-to-cooperate.

## 9. Conclusions and Recommendations

- 9.1 This study has provided an assessment of the employment land needs of South West Herts authorities over the periods 2021 to 2041 and 2041 to 2050. This updates earlier assessments published in 2016 and 2019.
- 9.2 This section presents the key conclusions and recommendations of the report.

### Definition of the FEMA

- 9.3 The earlier studies 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. This study has tested this definition of the FEMA by analysing data on commuting and migration from the 2021 Census. Commuting patterns in 2021 were heavily influenced by the Covid 19 pandemic which meant a very large proportion of people were working from home. Nevertheless, the data shows that overall, the five authorities retain stronger relationships than those with other areas (with a small number of exceptions). The five authorities also share common strategic transport infrastructure, particularly access to the M1 which provides connections to London and is a major driver of demand for industrial and storage & distribution premises. Therefore we conclude that the definition of the FEMA is still valid.

### Relationship with London

- 9.4 The South West Herts authorities continue to have a very strong relationship with London, both in terms of migration and commuting, and commercial property markets. With regard to the latter, we find that the main cross-border relationship is in the industrial and storage & distribution property market. The need for this space in the capital has continued to grow, driven by a growing population and the growth of online shopping, but the supply of industrial land and floorspace has fallen due to pressure from other uses with higher land values, particularly residential. As a result, demand has been displaced to neighbouring areas with good connections to London, including South West Herts at locations such as Maylands Business Park. This is likely to continue to be a significant driver of demand in the FEMA.

### Economic and labour market performance

- 9.5 Analysis of economic and labour market performance in South West Herts is complicated by inaccuracies in the Business Register and Employment Survey, particularly relating to temporary employment agencies. These inaccuracies make it difficult to assess change in employment but also trends in GVA and labour productivity which also draw upon this dataset.
- 9.6 These caveats aside, the data shows that South West Herts has continued to perform well and that the FEMA has a number of significant strengths. The area continues to have a buoyant and high value economy, driven by strong performance in high skilled service sectors such as ICT and professional services which have continued to grow despite the Covid pandemic. The FEMA's population is higher skilled and more entrepreneurial than comparator areas, providing a solid foundation for continued growth in the future.
- 9.7 There are currently barriers to growth relating to the labour market. Low inactivity and unemployment rates are highlighted in the report and consultees report that some businesses

are struggling to recruit the workers and skills they need. This is affecting all sectors to some extent, but particularly health and care, hospitality and construction, with issues facing these sectors consistent with the picture across many areas of England currently. Recruiting people with digital skills such as programming also appears to be a cross-cutting issue affecting many sectors.

- 9.8 It is less clear whether labour supply will continue to be a challenge for businesses and employment in South West Herts. The most recent population projections, as is the case for many UK areas, suggest a declining working age population and significant growth in the number of people over 65. This could reduce the available supply of workers and increase demand (through replacement demand) leading to increased recruitment challenges.
- 9.9 However, in practice the change in population and demographics will be heavily influenced by the number of new homes delivered in South West Herts. There are ambitious plans for Hemel Garden Communities to deliver substantial new housing in Hemel Hempstead. Our analysis of the labour supply scenarios shows that, if South West Herts authorities met the target implied by the standard method, this would result in strong growth in the economically active population which would alleviate these labour market pressures and support continued growth in the FEMA.

## Requirements of priority sectors

- 9.10 This updated study has taken a closer look at the property requirements of some of Hertfordshire's priority sectors that could drive up productivity. This has included film and TV, agri-tech, life sciences and clean growth. Our conclusions for these sectors are as follows:
- **Film and TV:** this sector has seen significant growth in South West Herts and neighbouring areas in recent years, driven in part by favourable tax incentives from the UK Government and strengths of the area in terms of its established studios, its proximity and accessibility to London. Further growth in demand for film and TV space is possible, rebounding from a significant downturn in 2023 as a result of the writers' strike, but there is recognition that the industry globally is operating in challenging conditions and that there is some uncertainty about the outlook. The main challenge for this sector is accessing the ancillary space needed to support production, including offices, industrial and storage space. This is often needed at short notice and for short amounts of time which is a challenge for the planning system which imposes some costs on the sector. For reasons explained in Chapter 5, it is not possible to provide a robust estimate of the quantity and type of film and television studio or ancillary floorspace.
  - **Agri-tech:** South West Herts is home to a small but growing cluster of businesses in the agri-tech sector, with the main cluster being located at the Rothamsted Campus. This campus is only suitable for small businesses and is unable to provide the grow-on space needed by these businesses when they reach a certain size. This has resulted in some businesses leaving South West Herts as they are unable to find suitable space. Therefore there is a need for a specialist facility to meet the needs of this sector, providing laboratory, small scale production and ancillary office space in a science park environment. The East Hemel Hempstead Central site has been identified as a suitable location, although it would only take up a proportion of the site with other higher value business and R&D activity identified as a priority for the site.
  - **Life sciences:** while there are a number of life sciences businesses in South West Herts, particularly around Hemel Hempstead, the main cluster of research focused businesses

is elsewhere in Herts, particularly in Stevenage. This is likely to continue in future, with new developments planned which would increase the supply of laboratory space in Stevenage. However there may be demand in the wider South West Herts for HQ offices and storage & distribution space, with the industry recognised to be the type of science and knowledge driven sector that is the target for Herts IQ and a source of the type of employment and business activity that would align with the strategy for a proportion of the East Hemel Hempstead Central site to attract R&D and higher value business activity.

- **Clean growth:** this is a diverse sector with a wide range of property requirements. Although the LEP has undertaken some analysis of the sector, the locations of clusters and their specific property requirements and challenges are not well understood, meaning we have been unable to draw any clear conclusions for this sector. That said, the future delivering of housing in South West Hertfordshire, with a major initiative in the Hemel Garden Communities proposal, at a time when there is pressure to accelerate the transition towards net zero should provide a further stimulus to ‘smart’ construction and the decarbonisation of the construction sector and new build homes. This aligns well with the envirotech targeting of the Herts IQ enterprise zone, and with the presence of the Building Research Establishment (BRE) which is a nationally leading research institute with an expanding base of businesses on its Bricket Wood, St. Albans site.

## Office market trends

- 9.11 South West Herts’s office market, like those in many other parts of the UK, was severely affected by the Covid pandemic and the increase in working from home. Net absorption, which measures the net change in the quantity of leased office space, has fallen significantly. The fall has been greatest in large offices over 1,000 sq m as larger occupiers have rationalised their use of space in light of changing working patterns by their staff. This has resulted in a large increase in vacancy and availability rates for office space across South West Herts.
- 9.12 We find there is a high risk of further increases in vacancy and availability as there are still a large number of leases which have not been reviewed since the start of the pandemic. When these leases reach a break or expiry point, there is a high probability that tenants with large amounts of underutilised office space also choose to reduce their requirements. This means it may be a number of years before the office market reaches ‘a new normal’ at which point there will be sustained demand for office space.
- 9.13 To be clear, there is still expected to be demand for office space in the next few years but this is likely to be focused on smaller, high quality spaces in the FEMA’s main office markets (central Watford and St Albans).

## Industrial and storage & distribution market trends

- 9.14 Demand for industrial and storage & distribution space in the FEMA has remained very strong since the last study was undertaken, driven mainly by demand for large scale storage & distribution space which increased during the pandemic as a result of increased online shopping and concerns about supply chain resilience. Net absorption was greatest at Maylands Business Park which has been the main location for new development of large space warehousing. Despite significant new development (particularly in Dacorum and Hertsmere), availability rates for the FEMA have been consistently below 8% meaning there is an undersupply of space.

- 9.15 Although the market has been dominated by large scale storage and distribution, commercial agents also report there is a shortage of smaller industrial space to meet the needs of growing businesses in South West Herts.

## Future scenarios

- 9.16 The study has modelled a number of different scenarios to understand the future demand for employment space in South West Herts. These include scenarios based on employment forecasts, population projections, development rates and trends in net absorption.

- 9.17 Our preferred scenario is based on trends in net-absorption, with a number of modifications based on market intelligence. These include:

- a downward adjustment to the scenario for office space in the short term as more leases expire and the office market adjusts to new patterns of working brought about by the Covid pandemic (as outlined above).
- an upward adjustment to the net-absorption of industrial and storage & distribution space to account for latent demand which has been suppressed as a result of low availability rates in the FEMA.

- 9.18 Based on our preferred scenario, we conclude that South West Herts authorities should plan on the basis that there will be no net-increase in demand for office space from its 2021 level over the period 2021 to 2041. The preferred scenario points to demand for 32,000 sq m between 2041 and 2050, but we can be much less certain at this point in time about that longer term demand.

- 9.19 We also conclude that South West Herts authorities should plan for:

- 110,200 sq m of industrial space (27.6 Ha of land) for the period 2021-41 and 49,700 sq m (12.4 Ha) for the period 2041-2050.
- 413,400 sq m of storage & distribution space (103.4 Ha) for the period 2021-41 and 186,100 sq m (46.5 Ha) for the period 2041-50.

- 9.20 These figures include an allowance for a safety margin and vacancy rate.

- 9.21 The approach adopted in this study is to consider the need for land at the level of FEMA. This is consistent with national planning guidance and reflects patterns of demand and take-up of premises for industrial and storage/distribution that are not, for the most part, driven by the local authority boundaries in which businesses are located.

- 9.22 However, the implied needs identified in the preferred scenario are based on evidence on past, long-term net absorption.

## Conclusions on additional floorspace and land requirements

### Office

- 9.23 The study concludes that no new office space and the land associated with it is required over either the 2021-41 or 2041-50 periods. The report found 162,000 sq m of available office space in South West Herts, of which 124,000 sq m was identified as vacant. This includes a high level of availability in the locations in highest demand, including central Watford and St Albans. There is also a further 36,000 sq m of office space with planning permission in the form of commitments. We conclude there is not a need to identify additional sites for office development, but the study recognises that there will be demand for office space. This includes

the need for small-scale offices to meet localised needs, and floorspace geared to what is likely to be a small number of larger occupiers. Planning policy will need to determine how the existing supply, and particularly vacant and under-utilised premises, can be redeveloped and refurbished in response.

### ***Industrial, Storage and Distribution***

- 9.24 The study considered two scenarios for the supply of floorspace and land to meet the need from industrial, storage and distribution uses.
- In the first of these scenarios, South West Herts would not be required to identify additional employment sites over the 2021-41 period, largely driven by the contribution of Radlett Strategic Rail Freight Interchange. Taking account of completions and commitments (planning permissions not yet implemented) relative to need leaves a residual requirement for 141,700 sq m equating to 35.4 Ha.
  - In the second scenario, taking account of completions between 2021 and 2023 totalling 29,000 sq m and commitments amounting to 256,800 sq m with a smaller proportion of the Radlett site included leaves an additional requirement for 237,800 sq m, equating to 59.5 Ha.
- 9.25 The study has identified 67.4 Ha of land available for development on sites set out in Table 7.2 of this report. Of this total, around 17 ha is earmarked on the East Hemel Hempstead Central site for business and R&D use, with the implication that the supply of land for industrial, storage and distribution development is just over 50 Ha. A large number of the sites are suitable for a mix of uses, including office, industrial and storage & distribution development. However, given the market trends described in previous chapters, we would expect most of these sites to come forward for industrial or storage & distribution development. The sites are of good quality, are likely to be attractive to the market and have no significant barriers to delivery.
- 9.26 In the first of the two supply scenarios, the 50.4 Ha available for development is more than sufficient to meet the 35.4 Ha requirement remaining once completions and commitments are accounted for. However, in the second scenario, South West Herts would not have a sufficient supply of allocated land, with the requirement for 59.5 Ha resulting in a small shortfall of 9.5 Ha.
- 9.27 If the South West Herts local authorities determine that the more cautious Scenario 2 is preferred, the question of how to address the shortfall will need to be resolved through planning policies. Particular consideration will need to be given to identifying good quality sites which are well-located in terms of connectivity to both the strategic road network and public transport, with proximity to motorways and junctions a particular consideration for larger scale logistics and distribution uses.
- 9.28 A range of evidence for how the distribution of an accepted shortfall might be approached is considered in Chapter 8, with none of the options identified standing in its own right as an appropriate approach. In most cases, this would see a significant proportion of the need for industrial and storage & distribution space for the FEMA being met in St Albans, with Dacorum and Hertsmere contributing a substantial majority of the remainder. This would mean St. Albans, and to a lesser extent Dacorum and Hertsmere, will be meeting the need of other areas with land constraints (particularly Three Rivers and Watford). If this apportionment was not agreed or was considered to be inappropriate, additional sites would need to be identified in other local authority areas.
- 9.29 The concentration of both industrial need and supply (commitments + available land for future development) in Dacorum, Hertsmere and St. Albans also presents South West Herts local



authorities with a challenge in ensuring that employment land policies meet the NPPF's requirements for positive plan-making which encourages economic growth. At face value, the implication of the assessment for Three Rivers which in the preferred net absorption scenario has a low level of identified need, a small quantity of commitments and no identified supply, and Watford with a negative need figure, is not consistent with the NPPF's requirements. Alternative need scenarios presented in Chapter 6 generally point to lower levels of need compared with the preferred scenario, but to individual need figures for Three Rivers or Watford which are higher than those of the preferred scenario.

- 9.30 The study identifies need and supply for the FEMA as a whole, with the preferred scenario selected for providing the most appropriate indicator of industrial, storage and distribution need for the area. It does not recommend treating the need figures for individual districts as the level of demand which should be planned for.
- 9.31 However, the issue, described in detail in Chapter 8, is that the preferred scenario reflects a pattern of past demand which is dominated by Dacorum. The district saw substantial new industrial, storage and distribution development and take-up over the reference period (2008-21) and this is reflected in the projected need figures in which Dacorum accounts for the substantial majority of need.
- 9.32 This issue is also reflected in the conclusions on supply, with St Albans dominating future supply as a result of both Radlett SRFI and East Hemel Hempstead Central sites.
- 9.33 The risk is that in responding to these district-level figures, it is assumed for planning policy purposes that other districts, particularly Three Rivers and Watford, do not need to provide additional sites and premises for industrial, storage and distribution uses. Whilst such demand is not fixed by local authority boundaries, the risk is that the needs of existing businesses looking to relocate or grow close to their current site, or inward investments seeking specific localities within a local authority area, cannot be met without some flexibility in planning policies for employment land. This report provides specific recommendations (see especially paragraph 9.43) for how such flexibility might be addressed in policy, with particular reference to meeting the needs of SMEs whose growth needs may be combined with commitments or requirements to remain in or close to their current business locations.
- 9.34 As Chapter 8 and particularly Table 8.7 shows, the reasons for this issue vary between local authority areas:
- Dacorum: For Dacorum, the preferred scenario suggests substantially higher need than all other scenarios for industrial, storage and distribution uses, and a supply (commitments and available land) does not match that need.
  - Hertsmere: The evidence suggests that Hertsmere has sufficient supply to meet the need identified in the preferred scenario.
  - St. Albans: Its supply far exceeds the need identified in the preferred scenario.
  - Three Rivers: The district's supply falls short of the level implied to meet need, but by a small amount (3,100 sq m or less than 1.0 Ha).
  - Watford: The preferred scenario suggest that Watford would see a reduction in demand, and that it would see a combination of more space and sites becoming available, in addition to modest additional supply through commitments and available sites.
- 9.35 To further illustrate the point, the range of land needs implied by the scenarios presented in the study are set out below.

## Industrial

- 9.36 As Table 9.1 shows the preferred scenario (net absorption trend-based) results in overall land need (27.6 Ha) which is higher than that of the employment led scenario, lower than the labour supply scenario by 5 Ha. For reasons set out in the study we do not attach weight to the gross development rate scenarios, which are not an appropriate indicator of demand trends and produce figures which far exceed those of the other scenarios.
- 9.37 However, as Chapter 8 showed, past net absorption in Dacorum results in the substantial majority of need being attached to the district in the preferred scenario and figures for Three Rivers and Watford in particular which are lower than those implied by the employment and labour supply scenarios.

Table 9.1 Land Need by Scenario Industrial, 2021-41

	Employment Led	Labour Supply (Standard Method)	Gross Development Rate (Scenario A)	Gross Development Rate (Scenario A)	Net Absorption + Latent Demand
Dacorum	4.3	7.9	6.4	8.3	23.3
Hertsmere	3.1	5.6	8.7	13.8	3.6
St. Albans	4.1	6.7	9.7	3.7	0.7
Three Rivers	3.2	5.5	35	13.1	2.6
Watford	3.3	6.9	16.1	12.5	-2.6
<b>SW Herts</b>	<b>18</b>	<b>32.6</b>	<b>75.9</b>	<b>51.4</b>	<b>27.6</b>

- 9.38 As Table 9.2 shows, for storage and distribution, the overall need figures for South West Herts are well aligned with the exception of the employment led scenario. However, as is the case with industrial need, there are significant differences between the figures for individual local authorities. For this use class, the scenarios driven by employment are evenly distributed, whereas those driven by market evidence of demand and take-up are concentrated in Dacorum and Hertsmere.

Table 9.2 Land Need by Scenario Storage and Distribution, 2021-41

	Employment Led	Labour Supply (Standard Method)	Gross Development Rate (Scenario A)	Gross Development Rate (Scenario A)	Net Absorption + Latent Demand
Dacorum	18.1	37.2	84.9	109.6	95.3
Hertsmere	10.3	20.5	10.9	17.3	11.1
St. Albans	10.9	22	5.4	2	0.8
Three Rivers	9.3	18.8	2.9	1.1	3
Watford	8.4	22.4	6.4	5	6.8
<b>SW Herts</b>	<b>57</b>	<b>120.9</b>	<b>110.5</b>	<b>135</b>	<b>117</b>

- 9.39 The study recognises that demand for storage and distribution is driven by markets that extend well beyond any individual local authority boundary, and beyond those of South West Herts for larger scale operations. However, with future supply concentrated in Dacorum, Hertsmere and St. Albans the issue is that smaller localised needs in Three Rivers and Watford may not be aligned with commitments and available land.

- 9.40 In responding to the conclusion of this study, the South West Herts local authorities will therefore need to consider further how future provision to meet industrial, storage and distribution need is distributed and whether the final figures taken forward into planning policies should be adjusted to ensure that Three Rivers and Watford have a land supply which provides the capacity to accommodate demand for industrial uses, and particularly those which relate to smaller and localised needs which are difficult to predict, but which would contribute to sustaining and growing local businesses.

## Other Recommendations

- 9.41 Other recommendations arising from this study which the South West Herts authorities and Hertfordshire LEP may wish to consider are as follows:

- 9.42 **Office space conversions:** At the time of the report's preparation there is currently 124,000 sq m of vacant office space in South West Herts and a risk that this could increase further in the next few years. A significant proportion of this space is likely to be outdated and poor quality space which is unlikely to be required by the market, even after demand recovers. Therefore the South West Herts authorities may consider removing any Article 4 directions in these areas, identifying redundant buildings in their area and work with landowners and developers to identify opportunities for redevelopment where those buildings are of poor quality and cannot be made fit for purpose as office accommodation either for lower value uses or for prime occupiers, ensuring that higher quality space is retained. This should consider the potential to repurpose buildings as light industrial workspaces as well as residential, retail and leisure spaces. However this should focus only on buildings outside the main office market areas of central Watford and St Albans. A range of stakeholders, including commercial agents, noted that office space in these areas should be protected as far as possible and any Article 4 directions should remain in place.

- 9.43 **Meeting the needs of SMEs:** Throughout the report the locational requirements and the types of space required for businesses of different sizes and different sectors are identified where there is evidence of specific needs. SMEs and micro-businesses account for most of the businesses operating in South West Herts, and the report points to several requirements which should be considered in setting planning policies to sustain and grow the economic contribution they make:

- **Grow-on space:** The need for grow-on space generally is recognised in the report, and also as a specific need linked to the agritech sector where Rothamsted has pointed to requirements for space for growing businesses that it may not be able to accommodate on its site. Typically office grow-on space is considered to be in the 100-300 sq m range, whilst industrial is in the 300-500 sq m range although in practice it is driven by the requirements of individual businesses. This is not a need specific to one area only of South West Herts, and could be met through Councils working with landowners and developers to deliver new accommodation as part of schemes on new sites (East Hemel Hempstead Central may be one such location suitable) or through the redevelopment of buildings where they are no longer in demand from established SMEs and large businesses.
- **Encouraging flexibility in leasing terms:** Although this is a challenging issue which cannot easily be addressed in policy, evidence in the report points to small businesses finding difficulties (currently) with the cost of leasing and the inflexibility of leasing terms. Where Councils are the landlord of commercial properties options should be

explored to introduce short-term and more flexible leases, although this is difficult at a time when local authorities face significant financial pressures. Councils should also continue to work with private sector landlords to encourage a supply of lower cost and more flexible premises for lease.

- **Support the retention or delivery of small office accommodation in urban centres and on larger scale new housing sites:** The report points to demand for smaller scale offices having held up more strongly than that of larger-scale floorspace, with the shift to home and hybrid working affecting larger occupiers more than small businesses. The sustainability imperative and place-making priorities for some South West Herts urban areas (for example, Hemel Hempstead Town Centre Vision) could be supported through ensuring that centres which are well-connected in terms of transport infrastructure and which need to manage diversification from traditional town centre retail retain a supply of small office space, including through the conversion of buildings. Opportunities on larger scale and masterplanned housing sites to deliver small and flexible workspaces may arise and should be considered in setting policies for those sites.
- **Coordinating the identification and promotion of SME business space:** Although the report has not considered this issue specifically, there may be potential for local authorities to strengthen their approaches to identifying and promoting small business space when it becomes available. The Councils should explore whether their intelligence on both needs and supply of such space is sufficiently extensive and up-to-date, working with agents and landlords.
- **Consider future allocation of sites explicitly targeting local SME needs:** The study has not generated specific conclusions on the scale, type and location of such small scale and localised needs, and has factored in an allowance for flexibility (safety margin). However, it is recognised that the area's supply of sites with commitments and its strategic sites could be absorbed by larger-scale industrial uses, including storage and distribution uses, which may limit opportunities to meet localised SME needs. Dacorum's 2017 Employment Land Availability Assessment, for example, recommended identifying the borough's A41 corridor as a potential location for future allocations of land explicitly geared to providing 'local quality sites'.<sup>62</sup> Given the apparently limited supply of industrial land available in Three Rivers and Watford in particular, this is a step which those local planning authorities might also consider, and it would require dialogue with counterpart local authorities in South West Herts to ensure consistency in approaches to policy.

9.44 **Supporting the film and TV sector:** consultees representing the film and TV sector noted that the main property-related challenges for the sector relate to the speed and flexibility of the planning system rather than a lack of sites. Local authorities may wish to consider how they could adopt more active and specific policies such as:

- supporting applications for studio space up to a maximum size
- supporting new industrial developments or changes of use where they are linked to film and TV production, and
- a commitment to look favourably and act quickly on applications for new set-builds

9.45 **Supporting the agri-tech sector:** the study has identified a specific opportunity to support the agri-tech sector by providing new specialised workspace at the East Hemel Hempstead Central

<sup>62</sup> Dacorum Borough Council (2017) Employment Land Availability Assessment, para. 7.18

site, part of the Herts IQ EZ, to provide grow-on space for businesses at Rothamsted and attract more businesses to this growing cluster. However this type of specialised facility is unlikely to be delivered by the market and may require significant public intervention. The LEP and relevant local authorities may therefore wish to consider the actions needed to unlock opportunities at this site. This could include

- engaging and convening key stakeholders, including representatives from Rothamsted, universities, agri-tech businesses and the Crown Estate (the landowners) to discuss needs and opportunities with the aim of facilitating a public-private partnership.
- carrying out a market demand assessment (to mitigate the risk of development)
- developing a strategy and delivery plan for the site
- identifying potential funding opportunities to support delivery such as grant funding

9.46 **Encouraging higher density industrial development:** The delivery of new industrial and storage space across South West Hertfordshire may provide opportunities to achieve higher densities of development and the more efficient use of land available to accommodate future jobs and businesses. In this report, for example, it is assumed for assessment purposes that industrial, storage and distribution floorspace occupies on average 40% of a site. Some uses will continue to operate at lower densities, particularly larger scale logistics and distribution uses, larger manufacturing activity and business operations that require significant space for employee parking and the movement of goods and materials into and out of premises. However, there are a number of factors that justify a strategy to encourage higher density employment development:

- Sustainability and particularly the need for (and ambitions for) reducing private car use to travel to and from work, and which may lead to lower levels of space required for parking;
- Building costs, building design and energy efficiency requirements. Steep increases in materials, construction and energy costs post-pandemic and the priority which must be given to reducing Carbon Dioxide emissions reinforce the need for building designs which are material and energy efficient, and which may also support higher density development.
- Technological changes, including automation, robotics and supply chain and inventory management, may also enable industrial businesses to operate at higher densities if less space is required for both production processes and storage.
- Whilst industrial sectors have not been subject to the same forces for home and remote working as that evident for office-based activity, there has been growth in such working practices. This may also be a factor in businesses reducing the scale of building and therefore land necessary to support their operations.
- The potential for multi-storey industrial developments, particularly storage and distribution as a solution to sites which lack the capacity for larger scale storage and distribution developments. This strategy has been identified in the London Plan as a measure to maximise the delivery capacity of the tight supply of industrial sites in Greater London, and the developable area constraints on available land. Whilst there are examples of planned developments moving forward in London, there have been very few to date and it is understood that the additional cost of what are more complex developments to deliver compared with standard units has presented challenges to viability.

- 9.47 **Responding to demand from hyperscale data centres:** Although outside the scope of this study to address specialist nature of emerging demand for hyperscale data centres, evidence in the study points to South West Herts (and Hertfordshire generally) becoming established as an attractive location for such centres. These are substantial developments, with a recent application to Hertsmeire Borough Council proposing 2 million sq ft (185,800 sq m), and a 900,000 sq ft (84,000 sq m) proposal at Abbots Langley (Three Rivers) called in by the Secretary of State after planning consent was refused. The development of data centres is now established as critical national infrastructure, and evidence reviewed in this study suggests that demand for large scale centres should be expected to continue to increase.
- 9.48 If South West Herts sees future planning applications for such developments, the key question is whether they should be considered as meeting the area's need for industrial floorspace and land. The conclusion of this study is that the specialist nature of these facilities, together with their role in meeting demand for large scale data storage, back up storage and networking infrastructure which is regional or national means that they should not be seen as contributing to the broader need for industrial, storage and distribution space. South West Herts authorities will need to closely monitor activity both within the area and national developments given the likelihood that further such investments will be proposed.
- 9.49 **Monitoring employment demand linked to future housing growth:** Chapter 6 shows that, if South West Herts set planned housing policies on the basis of the PPG's standard method, this would generate growth in the resident working age and working population, implying a boost to the labour supply. The evidence suggests that forecast employment growth needs would be met on this basis. However, housing growth drivers including Hemel Garden Communities and continuing strong demand for housing in the area could see the resident labour force boosted further over local plan periods. Combined with pressure to reduce distances travelled to work for sustainability reasons and strategic objectives for more and higher quality jobs in the area, this could be a source of additional demand for employment floorspace in future years. It is difficult to predict whether, where and when this could occur, but the impacts of future housing growth on labour supply and demand within South West Hertfordshire should be monitored by the local authorities.
- 9.50 **Supporting local recruitment and skills development:** Future employment development in South West Herts will create new opportunities for current and future residents of the area to secure work. There are also priorities in Hertfordshire and in individual local authority areas to generate higher skilled and higher paid jobs, reflected in the targeting of knowledge-intensive, R&D-led sectors including agritech and life sciences. The local planning authorities should retain or develop their commitments to employment and skills strategies to be negotiated with applicants through the planning application process.

## Appendix A - Total Employment by Sector 2021

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Agriculture, forestry & fishing	690	510	570	450	320
Mining & quarrying	0	0	20	0	0
Food, drink & tobacco	930	260	370	200	280
Textiles etc	120	120	130	70	150
Wood & paper	160	130	60	60	60
Printing & recording	80	40	190	80	260
Coke & petroleum	0	0	0	0	0
Chemicals	40	130	170	40	150
Pharmaceuticals	30	1040	40	10	10
Non-metallic mineral products	380	70	70	100	70
Metals & metal products	300	340	260	170	260
Electronics	470	210	60	80	40
Electrical equipment	100	10	120	30	240
Machinery	270	140	140	80	70
Motor vehicles	10	20	30	10	10
Other transport equipment	60	10	10	10	60
Other manufacturing & repair	700	460	350	310	310
Electricity & gas	420	150	60	200	30
Water, sewerage & waste	100	200	290	500	100
Construction	5700	6100	5800	3760	5170
Motor vehicles trade	1120	1150	890	830	880
Wholesale trade	6140	3040	3240	3310	3160
Retail trade	7120	5180	7260	2670	6880
Land transport	1500	1660	1070	1120	810
Water transport	10	10	0	0	0
Air transport	10	10	10	0	0
Warehousing & postal	5330	820	1130	440	1040
Accommodation	610	710	550	900	780
Food & beverage services	4110	3530	4780	2330	2910
Media	1170	1040	810	2180	2600
IT services	6080	3700	3790	1880	3240
Financial & insurance	960	2220	1510	1580	1370
Real estate	1190	1840	1360	1150	1350
Legal & accounting	1030	3410	1840	3220	1810
Head offices & management consultancies	3990	2010	4060	1140	4990
Architectural & engineering services	1880	850	2600	1100	870
Other professional services	1520	1270	2170	1270	1950
Business support services	6300	4160	3470	4260	8240

Public Administration & Defence	1800	490	790	760	890
Education	7190	5390	7490	4740	4080
Health	3500	3850	3100	1230	6120
Residential & social	3730	3730	3940	1880	2450
Arts	630	520	480	410	350
Recreational services	1520	1600	1660	1850	1070
Other services	2860	2350	2790	1700	1710
<b>Total</b>	<b>81860</b>	<b>63750</b>	<b>69530</b>	<b>48110</b>	<b>67140</b>

Source: Cambridge Econometrics, adjusted by Hatch



## Appendix B - Key Points from Consultations with Commercial Agents

- B.1 BE Group undertook one-on-one conversations with a sample of commercial agents that are active in the SW Hertfordshire market to help inform the analysis and findings of the SW Hertfordshire Economic Study Review. These consultations were undertaken in mid-2023 and discussed the supply and demand dynamics of the employment land and premises market in the area. The following table summarises the feedback of the agents and represents the opinions of the respondents at the time of the consultations.
- B.2 Individual responses have been anonymised to ensure that frank and open discussions were undertaken.

Agent Type	Comments
Industrial agent	<p>Founded on main arterial road links, which is never going to change as businesses need to be close to those road links.</p> <p>Low supply, high levels of demand</p> <p>Demand driven by onshoring of manufacturing as well as online shopping driving B8 demand</p> <p>Deals include letting 116,000 sqft on ventura park in Radlett</p> <p>Prime rents, depends where you are, Stevenage £15/sqft</p> <p>Luton £14/15/sqft</p> <p>St Albans £20/sqft</p> <p>Watford - £30/sqft</p> <p>Lack of supply as there is only nine to 12 months supply. This is due to there being only so many readily available sites</p> <p>Also, there has been a slowdown in construction as yields have been pushing out.due to the interest rate, Build costs are rising</p> <p>Developers have cooled off.</p> <p>Problem is you have no stock as you're waiting for new builds.</p> <p>This causes a construction time lag as seen in 20/21 as nothing was built, producing pent up demand. With developers waiting for the right time, this could cause a repeat of 20/21.</p> <p>The lack of supply is due to both the readily available sites (as the planning process is slow) and the reducing developer appetite.</p> <p>If planning was easier, developers would still be happy to landbank sites and build at the right time.</p>

Agent Type	Comments
	<p>Demand is mainly for leasehold as freehold is too expensive</p> <p>Some like to purchase sites, but there is not a lot available as not a lot of people sell.</p> <p>Hertfordshire is better than other areas of the south east in terms of demand. In East London there is lots of supply but demand is tailing off. Here, coming out of the pandemic developers ploughed a lot of money into building industrial units due to lower land values and sites being more readily available. Developers went too far and now there is an oversupply as demand has cooled due to the economic situation</p> <p>Radlett Strategic Freight Interchange – Not involved in the site but knows it is a larger employment site, will constitute the next 10 years worth of supply</p> <p>Segro have got planning permission and recently acquired the full site. Construction was earmarked for summer 2023. This site will target the cream of the crop, big box manufacturing and logistics occupiers such Amazon.</p> <p>Having a freight terminal attracts further interest.</p>
Office agent	<p>Planning authorities are working on old stats</p> <p>Takeup at 50 percent of pre-pandemic at Hemel Hempstead</p> <p>2/3 way through the year take-up is at 40,000 sqft net in Hemel Hempstead, in comparison to:</p> <p>2022 55,000 sqft</p> <p>2021 38,790 sqft</p> <p>2020 51000 sqft</p> <p>2019 65000 sqft</p> <p>2018 – 96000 sqft</p> <p>2017 – 119000 sqft</p> <p>Therefore, there is a downwards trend of office space take-up.</p> <p>Hybrid units are here to stay</p> <p>Office buildings quiet Monday and Friday because of hybrid homeworking</p> <p>Overarching flight to quality:</p> <p>Need a good working environment, wellbeing, breakout areas, collaborative areas rather than banks of desks</p> <p>Quiet room, yoga room, everything they can possibly do</p> <p>Larger office, Epson occupied 50k sqft now want 40k</p>

Agent Type	Comments
	<p>Maylands estate is not seen as an office location, Watford and St Albans superior</p> <p>People tend to come to Hemel for value</p> <p>Legacy, older buildings, people been in the town for a long time</p> <p>Maylands estate – recently won planning to knock a 55 Maylands Avenue office over and rebuild an industrial unit</p> <p>A lot of the offices were built in the 1990s office which when you scratch the surface you find old MNE and the cost of refurbishment and adding all amenity is unviable.</p> <p>In terms of changing from office to residential, the quick easy wins have happened. So there isn't much more happening on that front.</p> <p>Very little demand for offices</p> <p>There hasn't been any new builds</p> <p>There has been demand for under 5000 sqft units in the smaller office sector. 3 deals a year over 5000 sqft in Hemel Hempstead</p>
Industrial Agent	<p>The market has been supercharged in the past 10 years</p> <p>Biggest problem is the greenbelt. There is great protection on it from MPs. Too much protection</p> <p>Land pricing high</p> <p>Land is not being released</p> <p>East Hemel Hempstead (The Crown Estate) is the biggest plot of employment land. Here there has been liaison between Dacorum and St Albans about how it should be used. Crown believe they can bring it forward without infrastructure improvements but junction 8 needs improvement otherwise you will take away value from the existing stock.</p> <p>Radlett, all about infrastructure there</p> <p>Radlett residents are very vocal so need the infrastructure to be provided there</p> <p><b>Prime rents</b></p> <p>Difference between quoted and proven.</p> <p>Proven prime rents of up to £20/sqft on absolute prime but starting to forecast higher</p> <p>Quoted prime rents are higher than £20/sqft</p> <p>East London saw has excess supply but this is not east London. Not enough has been built.</p> <p>No enough across all size brackets</p>

Agent Type	Comments
	<p>Hemel Hempstead has all new builds because of the Buncefield fire</p> <p>Businesses are demanding good quality industrial premises.</p>
Office Agent	<p>Very much a drive towards Grade A, high quality spec but smaller units</p> <p>Tenants are looking at Clarendon Road in Watford and Grosvenor Road in St Albans</p> <p>St Albans and Watford are the dominant office markets</p> <p>Businesses are paying more for higher quality space</p> <p>Clarendon Rd has the amenity and transport links</p> <p>Bigger the occupier, the more the need for transport links</p> <p>Many businesses focused on trying to draw employees back to the office</p> <p>More funky type offices to try and tempt them back.</p> <p>The larger occupier taking 5-30,000 sqft, not much larger. Not any new lettings of HQ spaces</p> <p>Introduction of permitted development has seen offices taken out of the market</p> <p>Hemel Hempstead, no demand for grade A space</p> <p>Viability is the biggest problem at the minute</p> <p>Big buildings are now vacant, refurbishment not worth it - more viable to convert to resi which is the end goal in many cases</p> <p>Offices aren't being built, none have been built in recent years</p> <p>Rents haven't moved on</p> <p>Clarendon Road £30-40/sqft</p> <p>Seeing the lowest levels of takeup in many years now</p> <p>It is difficult for local authorities to incentivise office development as they are much more costly to build with the Grade A demands</p> <p>Incubation space will be the only viable model for local authorities</p> <p>Short term leases, high rents, high churn</p> <p>Clarendon Road - Regal 22 story tower block. Floorplates are too large and will likely need to split it off in some part to find tenants</p> <p>There is a surplus of office space at the moment</p> <p>There is not a need to provide new offices for 5-10 years time</p>

Agent Type	Comments
	<p>At some stage the lack of provision may become a problem and we will see the office market become a bit like the industrial market</p>
<p>Industrial Agent</p>	<p>Watford is an established location for industrial with strong road connections to central London and Midlands and beyond. It is an ideal last-mile logistics location given its proximity to central London. Occupational demand is strong, especially for Grade A stock as occupiers seek operational advantages from efficient, new build units from the perspective of reducing running costs/bills (more energy efficient) and meeting internal ESG targets. Existing tenants in Watford include Screwfix and Hermes, Toolstation etc. and demand is from a range of sectors incl. Food/drink, storage and online retail sectors.</p> <p>Demand is strong in these locations for units of all sizes. Summer was slightly quieter but as is typical, interest has picked up in September and expecting a busy Q4.</p> <p>Prime rents are dependent on unit size and specification, but broadly I'd say Watford prime rent is approximately mid-twenties and Hemel prime rent is slightly lower at low- to mid-twenties.</p> <p>Hemel 161 is under offer, Borehamwood 141 let to Sky last August at £23.75 psf on 15-year lease. We are instructed to assign/sub-let on behalf of Sky and are in conversations with a few occupiers.</p> <p>There is a lack of good quality stock in the market.</p>
<p>Industrial Agent</p>	<p>Pretty good, south-east demand has fallen, driven by the economy, inflation and businesses not wanting to spend if they don't have to. Uncertainty</p> <p>Two big boxes under offer in the region currently</p> <p>One is 140,000 sqft Borehamwood 141 under offer by Sky for £23.75/sqft,</p> <p>Big box prime rent £23.75</p> <p>Hemel Hempstead prime is £17/18/sqft</p> <p>In terms of supply, there could always be more, it's the prime spot in the country for industrial</p>
<p>Office Agent</p>	<p>LSH South East Office Market Report</p> <p>Active instructions in the region</p> <p>The office market is a challenging market</p> <p>The trend is that businesses are requiring less space but far better quality</p> <p>Far better quality needed to attract and retain staff</p> <p>Good occupier demand for best in class space, good amenity space</p>

Agent Type	Comments
	<p>Rental growth on those buildings is growing</p> <p>There are alot of buildings reaching obsolescence</p> <p>Investment in office market by developers has disappeared</p> <p>Refurbishments aren't viable</p> <p>Only the best office parks will remain</p> <p>More of a draw into town centres</p> <p>Size requirements are reducing. More demand in the less than 5000 sqft range</p> <p>Office buildings are being repurposed for alternative uses as not viable to refurbish</p> <p>Overall supply is a lot less than the global financial crisis</p> <p>Permitted Development did a good job of allowing buildings to be repurposed but didn't go all the way</p> <p>St Albans and Watford office space has high premiums</p> <p>Hemel Hempstead is emptying</p> <p>Clarendon Road, Watford is a far more sustainable office market</p> <p>Can see the Government coming back in and going over the heads of local authorities with more permitted development rights</p> <p>Vacancy rate is gradually ticking up. There are sleeping giants around with underutilised space that could break their leases but have not exercised yet.</p> <p>That will lead to businesses with 30,000 sqft, moving to buildings 10,000 sqft in size</p>
Office Agent	<p>The office market is an interesting place</p> <p>Covid changed the landscape considerably</p> <p>Not a lot of takeup</p> <p>Last year 70-80,000 sqft was taken up in Watford</p> <p>Used to be 250,000 sqft a year</p> <p>St Albans probably down as well</p> <p>Businesses are demanding Grade A, EPC, all the modcons. Office occupiers are trying to attract back their employees.</p> <p>Most established companies aren't looking for anything less than Grade A</p>

Agent Type	Comments
	<p>Medivet moved into Clarendon Road Watford £37.50/sqft, HIVE building 17-20k sqft</p> <p>Takeup is low</p> <p>There are a couple Headquarter requirements out there but there aren't masses to give them</p> <p>Watford 37-39 was built 150,000 sqft HQ building, speculatively by Regal.</p> <p>Not got masses of good quality offices on the market</p> <p>Demand good for much smaller space such as 100-1,000 sqft.</p> <p>2-5,000 sqft tend to slightly struggle letting</p> <p>Always going to be a need for those size</p> <p>Occupiers in buildings of 15,000 sqft are moving the most, they are either swapping to better space or downsizing</p>
Industrial Agent	<p>Thin market, awful year, prospect</p> <p>Demand down drastically , take-up down but there is enough for the business to survive</p> <p>Prime rents –</p> <p>Circa £14.5 in Welwyn Garden City</p> <p>£16.50 – St Albans</p> <p>£22.50 – Borehamwood</p> <p>There are not sufficient premises</p> <p>Planning is always a problem with this but at the minute the major issues is build costs, construction employment making costs prohibitive</p>

# Appendix C - Commercial Property Market Data

## Office Market Data

C.1 See tables overleaf. Data drawn from CoStar commercial database.



Table C.1 Office market data for South West Herts

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	125,000	9.0%	191,200	13.7%	24,300	67,500	£20.52
2006	139,500	10.0%	181,000	12.8%	(8,300)	61,800	£18.77
2007	136,500	9.7%	153,300	10.6%	10,500	80,200	£18.70
2008	129,300	9.0%	183,100	12.6%	40,200	58,100	£19.41
2009	147,500	10.1%	189,200	13.0%	(2,200)	45,100	£19.48
2010	161,000	11.0%	210,500	14.4%	(11,200)	43,300	£18.49
2011	157,400	10.8%	201,800	13.8%	4,000	49,800	£17.94
2012	161,200	11.2%	196,800	13.6%	(22,100)	38,800	£17.09
2013	114,800	8.0%	163,000	11.4%	33,800	91,900	£17.21
2014	86,000	6.1%	111,100	7.8%	16,600	48,900	£17.14
2015	80,100	5.7%	104,200	7.3%	4,000	51,500	£18.28
2016	84,200	6.0%	106,100	7.5%	(6,000)	41,900	£20.05
2017	73,100	5.2%	93,200	6.6%	3,100	42,000	£22.83
2018	57,600	4.1%	65,700	4.6%	23,800	58,500	£24.26
2019	45,600	3.3%	88,700	6.2%	(7,300)	20,900	£26.06
2020	70,400	5.1%	112,900	7.9%	(24,600)	22,400	£26.94
2021	76,800	5.4%	128,900	9.0%	10,200	22,600	£27.28
2022	104,700	7.4%	140,100	9.7%	(24,700)	33,400	£28.57
2023 YTD	123,900	8.8%	161,500	11.2%	(20,700)	30,300	£31.39

Table C.2 Office market data for Dacorum							
	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	25,000	8.1%	38,300	12.4%	(3,500)	6,600	£12.46
2006	32,600	10.6%	42,300	13.7%	(7,600)	10,100	£15.42
2007	46,500	15.1%	43,300	13.3%	(13,900)	8,900	£17.93
2008	37,700	11.5%	53,400	15.9%	27,300	16,700	£19.09
2009	40,900	12.2%	44,700	13.3%	6,100	9,800	£18.41
2010	39,400	11.7%	50,100	14.9%	2,200	15,300	£16.92
2011	33,100	9.8%	44,700	13.3%	6,300	16,300	£16.20
2012	42,100	12.5%	44,300	13.2%	(9,000)	14,100	£15.52
2013	19,500	6.0%	32,100	9.7%	13,600	30,800	£14.38
2014	16,400	5.2%	20,300	6.4%	(8,900)	12,400	£13.91
2015	34,100	10.9%	36,000	11.5%	(19,500)	10,500	£16.81
2016	37,200	12.0%	39,800	12.8%	(6,600)	11,700	£20.19
2017	36,000	11.7%	36,400	11.8%	(300)	4,400	£23.02
2018	26,800	8.7%	29,000	9.4%	9,700	19,500	£21.61
2019	15,400	5.1%	25,300	8.3%	7,200	11,900	£22.88
2020	14,500	4.8%	32,100	10.5%	900	7,100	£22.03
2021	13,700	4.5%	23,500	7.7%	800	5,500	£21.74
2022	25,200	8.3%	29,400	9.6%	(11,500)	7,900	£21.87
2023 YTD	31,300	10.3%	32,900	10.8%	(6,100)	6,000	£22.04

Table C.3 Office market data for Hertsmere

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	38,400	16.4%	50,300	21.0%	8,500	17,300	£26.70
2006	36,400	15.2%	45,100	18.4%	6,800	18,400	£22.06
2007	34,100	14.1%	36,600	14.3%	4,700	15,100	£20.37
2008	40,800	16.2%	46,900	18.4%	3,100	15,700	£20.65
2009	48,100	18.9%	53,200	20.7%	(4,200)	9,400	£20.44
2010	50,500	19.6%	60,300	23.4%	0	12,100	£20.03
2011	53,600	20.8%	59,700	23.2%	(2,700)	10,200	£17.33
2012	28,300	12.0%	38,000	16.2%	2,100	6,900	£17.41
2013	23,900	10.3%	34,800	14.9%	2,700	14,100	£17.51
2014	17,600	7.5%	27,800	11.9%	6,400	8,000	£17.95
2015	11,700	5.0%	18,900	8.1%	5,900	12,000	£18.23
2016	15,000	6.4%	18,200	7.7%	(800)	3,400	£19.82
2017	14,000	6.0%	13,600	5.8%	(1,700)	5,600	£20.73
2018	3,000	1.3%	5,500	2.4%	10,900	13,700	£21.92
2019	7,600	3.3%	9,300	4.0%	(4,700)	3,100	£26.29
2020	11,900	5.1%	15,500	6.6%	(4,100)	1,200	£27.56
2021	16,900	7.3%	17,200	7.5%	(7,500)	1,900	£26.10
2022	22,800	9.9%	18,300	7.9%	(5,900)	7,300	£27.01
2023 YTD	20,100	8.7%	20,300	8.8%	2,700	11,000	£28.46

Table C.4 Office market data for St Albans							
	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	12,900	4.8%	23,300	8.6%	3,800	8,300	£19.47
2006	28,400	10.4%	32,900	11.9%	(14,100)	8,600	£20.89
2007	25,100	9.1%	30,000	10.8%	7,900	17,500	£20.50
2008	19,600	7.0%	25,800	9.3%	7,100	12,100	£20.73
2009	21,400	7.7%	33,900	12.2%	(1,800)	4,300	£20.16
2010	27,500	9.9%	37,800	13.7%	(7,200)	6,300	£19.44
2011	23,800	8.6%	33,400	12.0%	3,700	11,000	£19.12
2012	28,500	10.3%	33,800	12.1%	(5,100)	4,600	£18.89
2013	21,700	7.9%	26,900	9.8%	5,200	16,200	£19.37
2014	18,400	6.7%	20,600	7.5%	2,900	7,700	£19.73
2015	11,900	4.4%	14,600	5.4%	2,800	8,700	£19.94
2016	8,900	3.3%	9,900	3.6%	4,000	9,700	£20.81
2017	4,600	1.7%	7,300	2.7%	500	7,300	£22.05
2018	9,400	3.5%	6,500	2.4%	(4,800)	4,100	£24.51
2019	1,400	0.6%	10,300	4.0%	400	1,400	£29.98
2020	6,600	2.5%	15,200	5.8%	(5,100)	2,100	£30.23
2021	7,800	3.0%	17,900	6.8%	(2,200)	1,200	£30.05
2022	13,000	4.9%	23,900	8.9%	(1,300)	4,300	£31.03
2023 YTD	18,100	6.9%	26,500	9.9%	(6,600)	7,000	£31.17

Table C.5 Office market data for Three Rivers

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	26,600	9.5%	31,400	11.2%	14,400	17,200	£17.16
2006	27,100	9.6%	33,000	11.7%	(500)	7,700	£18.25
2007	14,400	5.1%	15,400	5.4%	13,200	27,700	£18.87
2008	18,700	6.6%	31,000	10.8%	(1,200)	6,200	£21.29
2009	21,600	7.6%	29,700	10.4%	(1,300)	10,600	£20.62
2010	23,200	8.1%	24,700	8.7%	(1,400)	5,100	£19.94
2011	19,700	6.9%	28,600	9.8%	3,500	6,300	£20.25
2012	28,900	9.9%	38,600	13.3%	(4,300)	1,700	£19.21
2013	25,000	8.6%	33,400	11.5%	3,900	11,100	£18.50
2014	15,400	5.3%	21,800	7.4%	9,600	10,800	£18.01
2015	14,600	5.0%	20,100	6.7%	5,200	8,200	£18.39
2016	14,100	4.8%	28,100	9.4%	(1,300)	9,200	£20.08
2017	12,200	4.2%	23,800	7.9%	2,000	12,800	£24.73
2018	7,100	2.4%	10,300	3.4%	11,200	13,800	£28.51
2019	7,900	2.7%	25,300	8.3%	(4,700)	1,900	£28.09
2020	8,100	2.7%	26,300	8.4%	(200)	4,400	£27.82
2021	15,800	5.0%	21,900	7.0%	10,900	6,900	£29.99
2022	15,400	4.9%	18,900	6.0%	(500)	7,800	£31.27
2023 YTD	17,600	5.6%	18,200	5.8%	(2,200)	1,800	£31.75

Table C.6 Office market data for Watford							
	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2005	22,100	7.4%	48,000	16.0%	1,100	18,100	£20.38
2006	15,100	5.0%	27,600	9.2%	7,000	17,000	£17.13
2007	16,400	5.5%	28,100	9.4%	(1,300)	10,900	£16.54
2008	12,500	4.2%	25,900	8.6%	3,900	7,500	£16.87
2009	15,600	5.2%	27,700	9.2%	(1,000)	11,000	£18.58
2010	20,300	6.7%	37,600	12.5%	(4,800)	4,500	£17.82
2011	27,300	9.0%	35,300	11.7%	(6,900)	6,000	£17.22
2012	33,400	11.1%	42,100	14.0%	(5,900)	11,600	£15.59
2013	24,700	8.2%	35,800	11.9%	8,500	19,700	£16.55
2014	18,100	6.0%	20,600	6.8%	6,500	10,100	£17.03
2015	7,700	2.6%	14,700	4.9%	9,500	12,100	£18.49
2016	9,000	3.0%	10,100	3.3%	(1,400)	7,900	£18.88
2017	6,400	2.1%	12,100	4.0%	2,700	11,700	£21.73
2018	11,400	3.8%	14,400	4.5%	(3,200)	7,300	£26.80
2019	13,300	4.4%	18,500	5.8%	(5,400)	2,700	£25.68
2020	29,300	9.8%	23,800	7.5%	(16,000)	7,700	£28.58
2021	22,600	7.5%	48,400	15.0%	8,300	7,100	£28.19
2022	28,300	9.4%	49,600	15.3%	(5,400)	6,000	£30.78
2023 YTD	36,900	12.3%	63,500	19.4%	(8,600)	4,500	£35.73

## Industrial Market Data

Table C.7 Industrial market data for South West Herts

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	192,200	10.1%	263,300	13.8%	(11,400)	48,400	£7.53
2010	229,800	12.0%	300,900	15.7%	(32,800)	91,400	£7.26
2011	198,400	10.4%	208,900	10.9%	30,300	120,300	£7.25
2012	142,700	7.5%	195,600	10.3%	39,400	108,200	£7.17
2013	94,500	5.0%	125,800	6.7%	36,700	82,500	£7.63
2014	84,700	4.5%	125,100	6.6%	16,700	64,000	£7.79
2015	44,800	2.4%	71,100	3.7%	49,100	79,600	£7.94
2016	45,200	2.4%	91,500	4.7%	7,400	56,700	£8.68
2017	79,300	4.1%	106,800	5.4%	5,400	45,900	£10.23
2018	61,100	3.1%	106,300	5.3%	28,500	91,300	£9.95
2019	47,100	2.4%	97,000	4.9%	34,000	58,300	£10.75
2020	57,300	2.9%	121,500	6.1%	(10,000)	26,700	£10.88
2021	74,500	3.7%	144,200	7.2%	(12,200)	41,000	£11.25
2022	56,000	2.8%	87,100	4.3%	52,900	110,800	£13.04
2023 YTD	67,300	3.3%	127,300	6.3%	(14,500)	32,500	£16.35

Table C.8 Industrial market data for Dacorum

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	96,500	13.4%	123,100	17.0%	5,500	22,200	£7.55
2010	132,900	18.3%	158,700	21.9%	(33,700)	51,500	£7.19
2011	113,800	15.7%	83,000	11.4%	19,100	62,800	£7.12
2012	51,000	7.0%	65,900	9.1%	62,800	70,400	£7.24
2013	38,900	5.4%	33,500	4.6%	7,600	25,800	£7.28
2014	25,700	3.5%	32,300	4.4%	16,500	22,300	£7.29
2015	15,500	2.1%	16,800	2.3%	19,800	29,000	£7.42
2016	8,100	1.1%	17,600	2.3%	18,500	27,600	£8.34
2017	21,500	2.8%	27,500	3.5%	7,200	27,900	£9.89
2018	8,000	1.0%	29,600	3.7%	23,100	26,500	£9.37
2019	10,800	1.4%	20,900	2.6%	23,700	23,300	£12.11
2020	10,100	1.3%	18,900	2.4%	1,400	9,900	£12.05
2021	7,900	1.0%	34,900	4.2%	16,100	11,300	£12.57
2022	5,900	0.7%	8,400	1.0%	24,000	32,900	£12.84
2023 YTD	10,600	1.3%	55,500	6.6%	(4,700)	4,000	£13.63



Table C.9 Industrial market data for Hertsmere							
	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	22,900	6.9%	32,400	9.7%	(6,000)	1,400	£6.82
2010	21,100	6.3%	43,600	13.1%	1,700	11,700	£7.13
2011	28,100	8.4%	33,200	10.0%	(7,000)	21,700	£7.45
2012	26,800	8.5%	35,500	11.2%	(15,100)	9,900	£7.60
2013	12,700	4.0%	20,100	6.3%	17,900	20,100	£7.93
2014	20,400	6.4%	29,900	9.3%	(7,700)	4,900	£8.03
2015	8,900	2.8%	19,100	5.9%	11,500	16,700	£7.66
2016	700	0.2%	18,500	5.6%	8,300	10,100	£7.27
2017	1,000	0.3%	12,600	3.8%	11,000	700	£8.05
2018	6,900	2.1%	27,600	8.4%	(7,200)	1,800	£7.96
2019	100	0.0%	23,200	7.0%	6,800	8,100	£8.55
2020	8,300	2.5%	48,800	14.1%	(8,200)	2,800	£8.56
2021	28,000	8.1%	52,900	15.3%	(4,900)	19,400	£9.99
2022	15,600	4.3%	32,400	9.0%	25,200	36,800	£11.13
2023 YTD	18,400	5.1%	21,400	5.9%	(2,800)	3,200	£17.52

Table C.10 Industrial market data for St Albans

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	29,100	8.5%	44,600	12.9%	(6,000)	6,900	£7.63
2010	35,300	10.2%	43,000	12.5%	(4,100)	11,700	£7.60
2011	26,700	7.7%	38,200	11.1%	8,600	15,200	£7.30
2012	27,600	8.0%	35,600	10.3%	(900)	9,800	£7.52
2013	23,700	6.9%	37,600	10.9%	2,200	12,500	£7.63
2014	22,100	6.4%	38,400	11.1%	5,100	19,700	£7.69
2015	11,600	3.3%	21,100	6.1%	10,600	13,900	£8.00
2016	32,800	9.5%	41,700	12.0%	(21,300)	9,900	£8.73
2017	39,500	11.4%	41,900	12.1%	(6,600)	5,200	£9.74
2018	28,800	8.3%	37,100	10.7%	11,000	47,600	£9.72
2019	28,800	8.3%	38,100	11.0%	0	20,900	£10.97
2020	26,900	7.7%	39,600	11.4%	1,900	6,000	£11.72
2021	30,700	8.8%	40,000	11.5%	(3,800)	2,600	£11.37
2022	25,000	7.2%	31,200	9.0%	5,800	29,200	£14.50
2023 YTD	29,200	8.4%	30,400	8.8%	(4,300)	14,600	£16.27

Table C.11 Industrial market data for Three Rivers

	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	10,200	8.5%	13,200	11.1%	600	6,800	£7.79
2010	11,800	9.9%	16,200	13.5%	(1,700)	1,800	£7.11
2011	6,700	5.7%	14,200	12.0%	4,000	6,900	£7.06
2012	4,800	4.1%	12,000	10.2%	1,900	4,300	£7.91
2013	4,300	3.6%	7,600	6.4%	500	4,800	£7.70
2014	3,100	2.6%	6,700	5.6%	1,200	2,600	£8.73
2015	700	0.6%	3,900	3.3%	2,400	3,300	£9.19
2016	1,100	0.9%	4,600	3.9%	(400)	500	£16.44
2017	3,700	3.1%	8,300	7.0%	(2,600)	1,300	£11.94
2018	1,600	1.4%	1,000	0.8%	3,800	6,000	£11.14
2019	3,100	2.6%	4,800	4.0%	(1,500)	1,200	£12.24
2020	1,000	0.8%	3,600	3.0%	2,100	4,100	£11.83
2021	1,700	1.4%	10,200	8.5%	(700)	1,800	£13.81
2022	1,600	1.3%	3,000	2.5%	200	3,000	£15.72
2023 YTD	2,800	2.3%	2,700	2.2%	(1,200)	2,200	£17.54

Table C.12 Industrial market data for Watford							
	Vacant space sq m	Vacancy rate %	Available space sq m	Availability rate %	Net absorption sq m	Gross absorption sq m	Average rent (£ per sq ft)
2009	33,600	8.6%	50,000	12.8%	(5,600)	11,100	£7.90
2010	28,700	7.3%	39,300	10.1%	4,900	14,800	£7.50
2011	23,100	5.9%	40,300	10.3%	5,600	13,700	£7.56
2012	32,500	8.3%	46,500	11.9%	(9,400)	13,900	£6.43
2013	15,000	3.9%	27,000	7.1%	8,500	19,400	£7.91
2014	13,400	3.5%	17,800	4.7%	1,600	14,500	£8.26
2015	8,200	2.1%	10,200	2.7%	4,800	16,500	£8.93
2016	2,500	0.7%	9,100	2.3%	2,300	8,700	£10.45
2017	13,600	3.5%	16,500	4.3%	(3,600)	10,800	£12.22
2018	15,800	4.1%	11,000	2.8%	(2,200)	9,400	£13.26
2019	4,200	1.1%	10,000	2.6%	4,900	4,900	£14.35
2020	11,000	2.9%	10,600	2.8%	(7,200)	4,000	£14.13
2021	6,200	1.7%	6,200	1.7%	(18,900)	5,900	£11.89
2022	8,000	2.3%	12,100	3.3%	(2,400)	8,900	£14.62
2023 YTD	6,300	1.8%	17,200	4.7%	(1,400)	8,600	£17.69

## Appendix D - Employment densities table from HCA Employment Density Guide

Use Class	Sub-Category	Sub-Sector	Density (sqm)	Notes
<b>B1a Offices</b>	General Office	Corporate	13	NIA
		Professional Services	12	NIA
		Public Sector	12	NIA
		TMT	11	NIA
		Finance & Insurance	10	NIA
	Call Centres		8	NIA
<b>B1b</b>	R&D Space		40-60	NIA lower densities will be achieved in units with higher provision of shared or communal spaces
<b>B1c</b>	Light Industrial		47	NIA
<b>B2</b>	Industrial & Manufacturing		36	GIA
<b>B8</b>	Storage & Distribution	National Distribution Centre	95	GEA
		Regional Distribution Centre	77	GEA
		'Final Mile' Distribution Centre	70	GEA
<b>Mixed B Class</b>	Small Business Workspace	Incubator	30-60	B1a, B1b – the density will relate to balance between spaces, as the share of B1a increases so too will employment densities.
		Maker Spaces	15-40	B1c, B2, B8 - Difference between 'planned space' density and utilisation due to membership model
		Studio	20-40	B1c, B8
		Co-Working	10-15	B1a - Difference between 'planned space' density and utilisation due to membership model
		Managed Workspace	12-47	B1a, b, c
<b>B8 / Sui Generis</b>	Data Centres	Wholesale	200-950	
		Wholesale Dark Site	440-1,400	
		Co-location Facility	180-540	

## Appendix E - Full-Time Equivalent Ratios

	FTE ratio
Agriculture, forestry & fishing	0.90
Mining & quarrying	0.95
Food, drink & tobacco	1.02
Textiles etc	0.92
Wood & paper	0.92
Printing & recording	0.92
Coke & petroleum	0.92
Chemicals	0.92
Pharmaceuticals	0.95
Non-metallic mineral products	0.92
Metals & metal products	0.82
Electronics	0.99
Electrical equipment	0.99
Machinery	0.92
Motor vehicles	0.95
Other transport equipment	0.95
Other manufacturing & repair	0.92
Electricity & gas	0.87
Water, sewerage & waste	0.97
Construction	0.90
Motor vehicles trade	0.95
Wholesale trade	0.95
Retail trade	0.72
Land transport	0.88
Water transport	0.92
Air transport	0.92
Warehousing & postal	0.88
Accommodation	0.73
Food & beverage services	0.73
Media	0.91
IT services	0.91
Financial & insurance	0.88
Real estate	0.85
Legal & accounting	0.91
Head offices & management consultancies	0.91
Architectural & engineering services	0.91
Other professional services	0.91
Business support services	0.90
Public Administration & Defence	0.89
Education	0.78
Health	0.81
Residential & social	0.81

Arts	0.80
Recreational services	0.75
Other services	0.75

## Appendix F - Assumptions for allocating FTEs to use classes

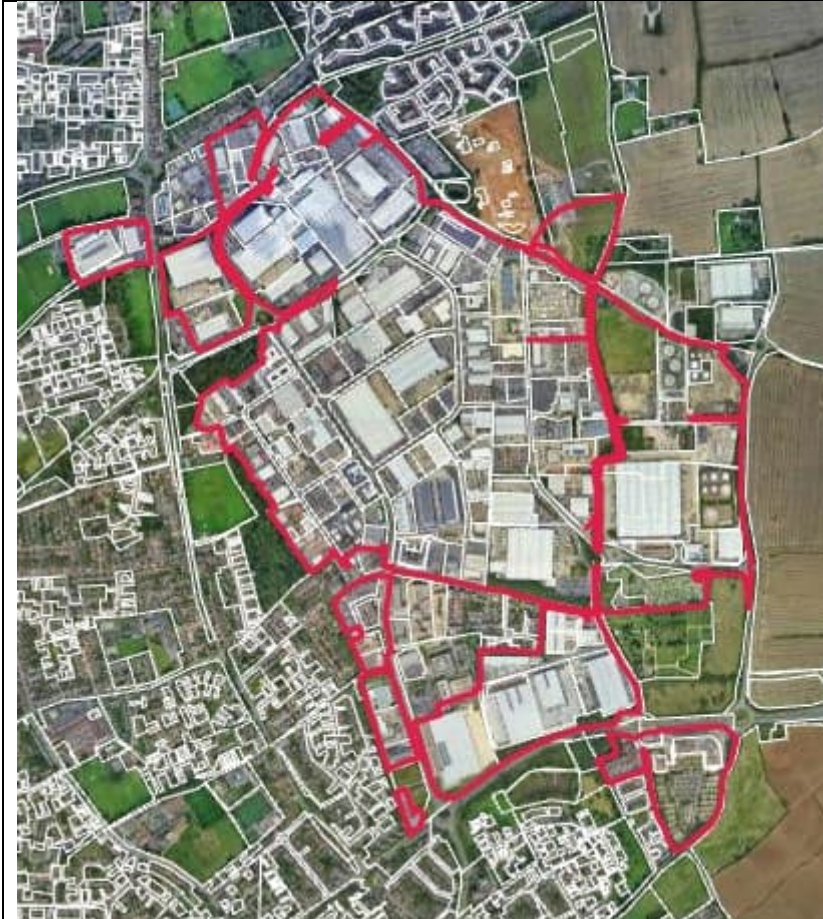
	Office	Industrial	Storage & distribution space	Other employment space
Accommodation	37%	1%	8%	54%
Agriculture, forestry & fishing	39%	19%	7%	34%
Air transport	17%	0%	0%	83%
Architectural & engineering services	64%	6%	16%	13%
Arts	59%	4%	5%	33%
Business support services	33%	6%	8%	52%
Chemicals	11%	82%	5%	2%
Construction	21%	12%	14%	54%
Education	11%	2%	3%	84%
Electrical equipment	31%	53%	15%	1%
Electricity & gas	65%	0%	11%	24%
Electronics	40%	27%	13%	20%
Financial & insurance	74%	4%	2%	19%
Food & beverage services	20%	2%	2%	76%
Food, drink & tobacco	18%	43%	19%	20%
Head offices & management consultancies	40%	15%	4%	41%
Health	7%	2%	0%	91%
IT services	67%	16%	8%	10%
Land transport	25%	5%	29%	41%
Legal & accounting	73%	2%	6%	19%
Machinery	29%	23%	16%	31%
Manufacturing - transport equipment	1%	0%	13%	85%
Media	39%	2%	18%	42%
Metals & metal products	35%	29%	18%	17%
Mining & quarrying	7%	27%	67%	0%
Motor vehicles	76%	9%	3%	12%
Motor vehicles trade	28%	13%	15%	44%
Non-metallic mineral products	52%	24%	14%	10%
Other manufacturing & repair	27%	14%	31%	28%
Other professional services	55%	6%	7%	31%
Other services	20%	6%	6%	68%
Other transport equipment	13%	33%	46%	8%
Pharmaceuticals	96%	1%	2%	0%
Printing & recording	14%	60%	15%	10%
Public Administration & Defence	74%	1%	0%	25%
Real estate	42%	2%	1%	56%
Recreational services	22%	3%	1%	73%



Residential & social	33%	3%	5%	59%
Retail trade	14%	6%	36%	45%
Textiles etc	35%	13%	36%	16%
Warehousing & postal	16%	3%	68%	12%
Water transport	100%	0%	0%	0%
Water, sewerage & waste	27%	54%	12%	7%
Wholesale trade	6%	13%	61%	21%
Wood & paper	60%	18%	6%	16%

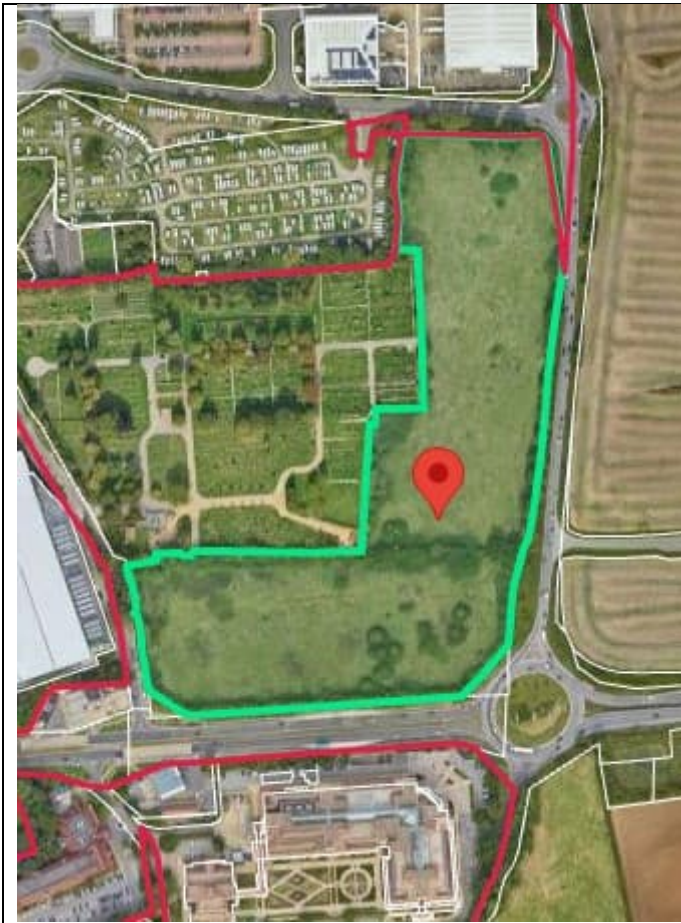
# Appendix G - Site pro-formas

## Dacorum



Site Reference Number	HH20
Name	Maylands Business Park
Owner(s)	Multiple
Vacant Land Available	Homes England owned Spencer's Park site in north, includes area within General Employment Area boundary and outside. Site has planning permission for mixed use development including 7,500sqm of employment floorspace (1.77ha).
Market Availability	Developed site
Planning Designation	Local Plan (current) – General Employment Area Local Plan (emerging) – General Employment Area
Planning Applications	Planning permission – 4/02539/16/MOA – Spencer's Park (HE site). Employment uses are B1/B2/B8 up to 7,500sqm.
Constraints	Buncefield Oil Depot (within east part of Business Park)
Comments	Some cross-boundary considerations to the east (St Albans District), with a safeguarded site to the east of Green Ln. This provides a greenfield expansion opportunity for Maylands Business Park in a high-profile location.

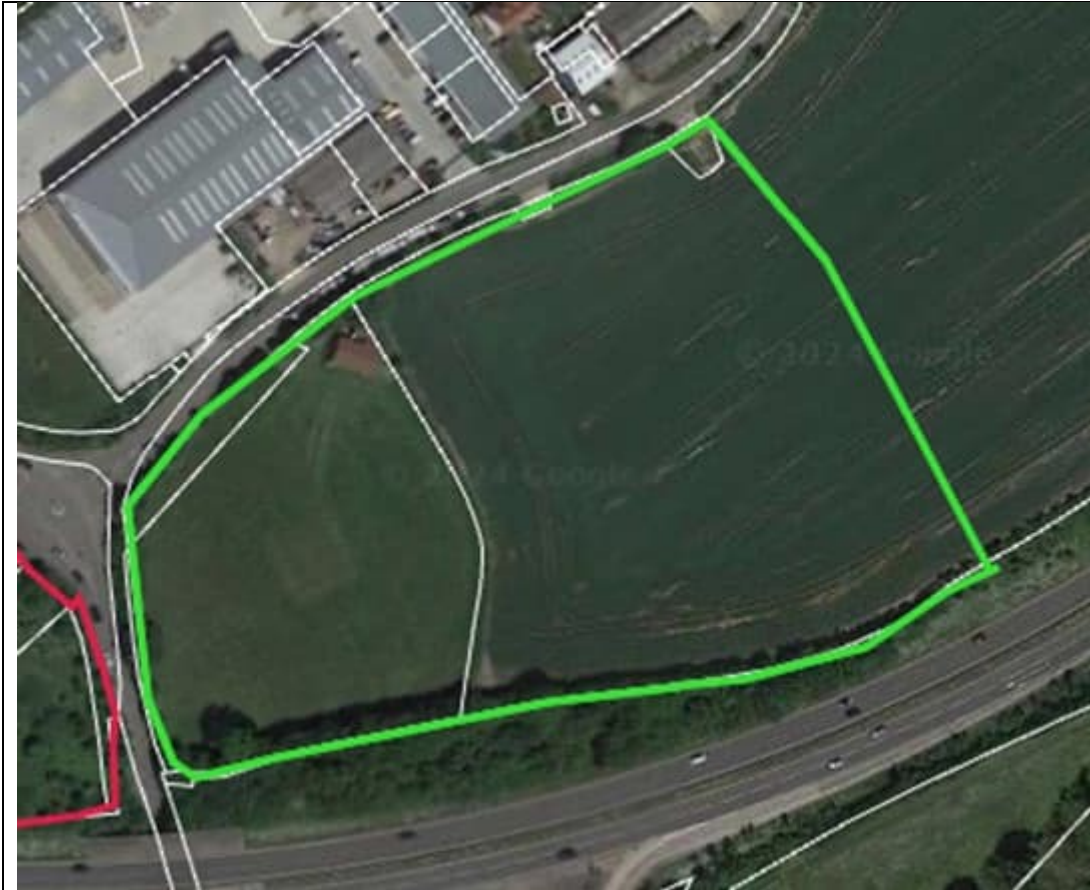
Likely development potential	<p>Some renewal/refurbishment of stock is likely over time, though core uses to remain for employment. This should be supported.</p> <p>Some areas on Maylands Ave and Wood Lane End are proposed for exclusion from the GEA in the emerging Local Plan as they are not developed for employment uses and include retail and residential units. Further encroachment of non-employment uses with the GEA land should be discouraged, recognising its strategic employment role and need for 24/7 operations of several occupiers.</p>
Serviced	Yes
Recommendations	Identify as strategic employment location for SW Herts



Site Reference Number	HH20
Name	Breakspear Way/Green Lane/Boundary Way, Maylands Gateway
Owner(s)	Prologis UK
Vacant Land Available	6.6 ha
Market Availability	Available site within ownership of commercial developer
Planning Designation	Local Plan (current) – Open Land Local Plan (emerging) – Growth Area (Maylands Gateway)
Planning Applications	Planning Permission – 21/03793/MOA – 4 plots to provide up to 26,640 sqm of commercial floorspace
Constraints	-
Comments	High profile site with potential to provide for expansion of Maylands Business Park. Very good access to strategic road network. Appropriate for a range of employment uses.
Likely development potential	In line with planning permission. Could proceed within short term
Serviced	To be delivered as part of planning permission
Recommendations	Form part of Maylands Business Park strategic employment location for SW Herts



Site Reference Number	CY01
Name	Bourne End Mills Extension
Owner(s)	Margram Service Stations Ltd Affinity Water Ltd Jogesh Kansal
Vacant Land Available	1.16 ha
Market Availability	Site in multiple ownership, including owner of adjacent commercial areas. Not currently being marketed.
Planning Designation	Local Plan (current) – Employment site in the Green Belt Local Plan (emerging) – General Employment Area; Employment Growth Proposal. Employment uses for around 4,400 sqm of GIA
Planning Applications	-
Constraints	Green Belt Partly vegetated land
Comments	Site is located adjacent to A41, including a junction, as well as highway services (service station, hotel, takeaway outlet). Appropriate for commercial uses.
Likely development potential	Appropriate for smaller employment uses, such as low-impact workshops or office space. Main features that would attract it to the market are its high-profile position and being alongside highway services.
Serviced	No
Recommendations	Develop for small scale employment uses.



Site Reference Number	
Name	Land between Upper Bourne End Land and A41
Owner(s)	Akira Eesa Developments Ltd
Vacant Land Available	2.9 ha
Market Availability	Site in single ownership with landholder looking to promote for employment uses.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Green Belt
Planning Applications	Nil  However, landholder has made submissions putting forward this site for employment uses.
Constraints	Green Belt
Comments	Predominantly flat site formerly used as cricket field (western part) and cropping (eastern part). Now in ownership of a developer looking to take forward as an employment site. Commercial uses are to the north and west and site is near a junction of the A41.
Likely development potential	Suitable and appropriate for employment uses, including small to mid size industrial units. Scale of units and occupier types would be similar to Bourne End Mills Industrial Estate to the north.
Serviced	No
Recommendations	Develop for employment units



Site Reference Number	HH16
Name	Two Waters Road/A41 Junction
Owner(s)	Felden Park Farms Ltd
Vacant Land Available	5.6 ha
Market Availability	Site is in single ownership but not currently being marketed.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Employment Growth Proposal. Employment uses for around 20,000 sqm of GIA
Planning Applications	-
Constraints	Green Belt Nature Conservation – proximity to Roughdown Common SSSI Access to be determined
Comments	Large site in single ownership, at a junction of the A41 and a gateway site for Hemel Hempstead. Close to service, including retail and commercial. Sloping is significant on site and access point is unclear. Significant viability concerns due to clapping and access constraints, though high profile location suggests that if viable, a development would be attractive.
Likely development potential	Long-term prospect for a range of employment uses.
Serviced	No
Recommendations	Long-term employment prospect. Work with owner to determine viability potential and any means of overcoming any viability gaps.



Site Reference Number	
Name	Adjacent to Shendish Manor
Owner(s)	Planned Holdings Ltd
Vacant Land Available	Full site - 39.4 ha
Market Availability	Not available to market.
Planning Designation	Local Plan (current) - Green Belt Local Plan (emerging) - Green Belt
Planning Applications	-
Constraints	Green Belt Heritage impact on Shendish Manor Access
Comments	Employment development would consist of removing part of the site from its current golf course and manor use to redevelop for office space, most likely near to Apsley Rail Station. However, viability concerns, access improvements and demand for office space suggest that this would be unlikely within the planning timeframe.
Likely development potential	Some potential for high-quality office space in a high amenity environment
Serviced	No
Recommendations	Do not develop for employment use.





Site Reference Number	TR01
Name	Dunsley Farm
Owner(s)	Hertfordshire County Council
Vacant Land Available	5.4 ha (part of larger site of 37.25 ha)
Market Availability	Single ownership site, owned by HCC. Yet to be brought to market but no obvious constraints to do so.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Employment Growth Proposal. Employment uses for around 20,000 sqm of GIA
Planning Applications	-
Constraints	Green Belt
Comments	Proposed as a mixed use scheme, with the employment area to be within the western portion of the site, fronting London Rd. Site is opposite Tesco supermarket. Close to junction with A41.
Likely development potential	Good potential for employment as part of broader development of site. Could accommodate a range of employment uses and unit sizes. Suitable to meet Tring’s local needs, which would be for smaller mixed E(g)/B2/B8 units, but also for wider Dacorum’s needs, given its position close to the A41. Wider needs would be for mid-size B2/B8 uses. Scale of development would need to consider scale of Tring’s settlement and traffic flows at junction of A41.

Serviced	No
Recommendations	Suitable for employment as part of a mixed use development.

## Hertsmere



Site Reference Number	
Name	Land Adjacent to Lismirrane Industrial Estate
Owner(s)	London Underground Ltd (freeholder) Lowerland (2004) Ltd (leaseholders)
Vacant Land Available	Land Adjacent to Lismirrane Industrial Estate is 5.94 ha
Market Availability	Site currently being promoted for employment through a planning application.
Planning Designation	Local Plan (current) – Key Employment Site Local Plan (emerging) – Key Employment Site
Planning Applications	23/0439/FUL - Demolition and redevelopment comprising of E(g)(iii) (Industrial Processes), B2 (General Industry) and B8 (Storage and Distribution) uses with ancillary offices and associated access, car parking, servicing areas and landscaping. Proposal for 13 units of 18,700 sqm (201,285 sqft) Agent – Lichfields, Applicant Lowerland (2004) Ltd Decision – Awaiting

Constraints	Green Belt Policy SADM28 Watling Chase Community Forest Area to the East of This Line Elstree Aerodrome 3km Buffer – emerging policy
Comments	Flat site to the east of Lismirrane Business Park and Centennial Park industrial estate. Adjacent to junction of A41 and reasonable links to M1 (via A41).
Likely development potential	Opportunity for mix of employment uses including small and medium units. Current planning application is consistent with this.
Serviced	To be provided as part of development in accordance with planning application.
Recommendations	Suitable for employment use



Site Reference Number	Not allocated
Name	Land Lying To The North Of Centennial Park/Land South of Aldenham Reservoir
Owner(s)	Liberty Aldenham
Vacant Land Available	1.4 ha
Market Availability	Proponent is taking forward application for commercial development
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Green Belt
Planning Applications	22/2147/OUT - The indicative development will result in the provision of up to 20,732 sqm of gross internal floorspace comprising a 2,323 sqm co-working, wellness and innovation hub alongside 18,409 sqm of industrial / distribution floorspace (use class e/ B2 / B8). New vehicular access, associated car and cycle parking and landscaping will be provided. Awaiting decision on application.

Constraints	<p>Green Belt                  Policy SADM28 Watling Chase Community Forest Area to the East of This Line                  Policy ENV13 Mineral Consultation Area (Barren Area) – emerging policy                  Adjacent to sites under Policy SADM10 Biodiversity and Habitats Local Wildlife Sites                  Elstree Aerodrome 3km Buffer – emerging policy</p>
Comments	<p>Site to the north of Centennial Park industrial estate, though access likely to be via Watford Rd to the north. Predominantly flat site, partly covered in trees. High amenity area, though lower profile than surrounding employment areas.</p>
Likely development potential	<p>Suitable for a mix of employment in high quality units, if appropriate within environmental considerations.</p>
Serviced	<p>No</p>
Recommendations	<p>Suitable for a mix of employment uses, though scale of development proposed in planning application appears too large for positioning, prominence and environmental considerations of site.</p>



Site Reference Number	
Name	Caspian and Tasman House
Owner(s)	Zurich Assurance
Vacant Land Available	Total site is 1.90 ha. Planning for 1.39 ha of the site.
Market Availability	Proponent has brought forward application for commercial uses.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Employment land
Planning Applications	23/0547/FUL - Caspian and Tasman House - Demolition of all existing buildings; Enabling works and site clearance; Construction of buildings (Use Class B2/B8 including ancillary office provision); associated highway, access, parking, landscaping and other ancillary works. Demolish The Waterfront and Caspian House in order to build 5,701 sqm of B2/B8 space. Agent – Lichfields Applicant – Zurich Assurance Ltd Status – Awaiting Decision
Constraints	Green Belt Policy ADM28 Watling Chase Community Forest Area to the East of This Line Elstree Aerodrome 3km Buffer – emerging policy
Comments	Existing employment units in the Green Belt. Applicant proposing to demolish existing units and redevelop for industrial units. Near to junction of A41.
Likely development potential	Suitable for employment uses of a scale similar to current uses.

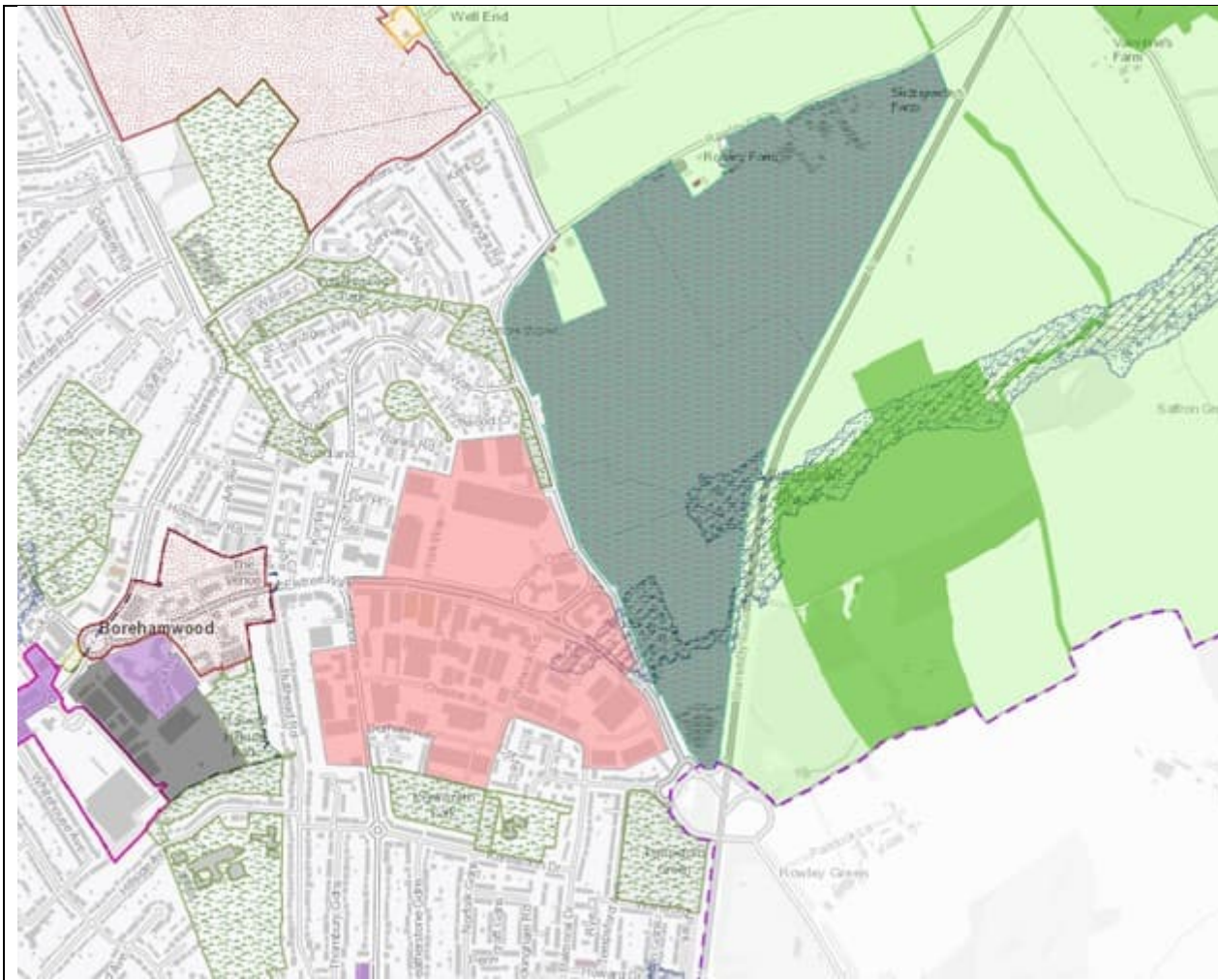
Serviced	Yes
Recommendations	Suitable for employment uses.





Site Reference Number	
Name	Tylers Way, Bushey (Mercure Hotel) – Key Green Belt Site
Owner(s)	Regen Properties
Vacant Land Available	6.74 ha
Market Availability	Proponent has planning permission for commercial development and bringing site forward.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Employment Site; Green Belt
Planning Applications	22/1117/OUT - Demolition and redevelopment to comprise B8 (Storage and Distribution) Use of up to 30,000 sqm gross external, including ancillary offices. Status – Granted Agent – Barton Willmore
Constraints	Green Belt Policy SADM28 Watling Chase Community Forest Area to the East of This Line Policy ENV13 Mineral Consultation Area (Barren Area) – emerging policy Adjacent to sites under Policy SADM10 Biodiversity and Habitats Local Wildlife Sites Flood Zone 2 and 3. Medium and High Risk of Flooding Elstree Aerodrome 3km Buffer – emerging policy

Comments	Poor quality buildings on part of site, with remainder green and partly tree covered. Site near M1 corridor, though not near a junction. Regeneration site.
Likely development potential	Suitable for a mix of employment uses, taking advantage of proximity to M1 and population areas.
Serviced	yes
Recommendation	To be developed in line with planning permission



Site Reference Number	
Name	Elstree Way
Owner(s)	Multiple Owners
Vacant Land Available	Current local plan approx. 38.66 ha allocated Emerging local plan approx. 37.0169 ha allocated
Market Availability	Some new build warehouses currently being marketed.
Planning Designation	Local Plan (current) – Employment Area Local Plan (emerging) – Key Employment Area
Planning Applications	19/0401/OUT - Demolition of existing buildings and erection of new employment units for flexible use within Use Classes B1 (c) (light industry), B2 (general industrial) and B8 (storage and distribution), including ancillary offices Masterplan layouts show 5 industrial units with floorspace totalling c30,000 sqm Status – Granted Agent – Panattoni UK Owner – LU UK V S.A.R.L Google images show one unit constructed and occupied and the other two under construction.
Constraints	Roadside waste between Well End and the Barnet Bypass

	Policy SADM28 Watling Chase Community Forest Area to the East of This Line
Comments	Large site in multiple ownerships in Borehamwood. Mix of new build and older employment uses, studios, retail and other commercial uses. Potential regeneration opportunities of older buildings. Focus should be to enhance studio/film provision and complementary services. Recent development includes large warehousing uses, now on the market (north of Elstree Way). Older stock generally in the south of the site.
Likely development potential	Continued opportunities for refurbishment or regeneration of older stock
Serviced	Yes
Recommendations	Continue to be key employment area for Hertsmere, having a regional and national profile.



Site Reference Number	
Name	Land off Stephenson Way
Owner(s)	Extension site owned by Affinity Water, whose ownership stretches across the road.
Vacant Land Available	Full site – 13.8 ha Net site for employment – 3.1 ha
Market Availability	Not currently being marketed
Planning Designation	Not designated. Affinity Water put site forward as part of call for sites process, including proposed masterplan for mixed-use development
Planning Applications	No Planning Applications
Constraints	Elstree Aerodrome 3km Buffer Policy SADM28 Watling Chase Community Forest Area Green Belt Flood Zone 2/Medium Risk of Flooding Footpath Access

Comments	Vacant site to the west of the existing employment area at Otterspool. Some moderate sloping. Key location, near to a junction for the M1 and the A41. Good potential for employment uses, including small to large units. Site is in single ownership. Has been put forward in call for sites process for 21,544 sqm of employment floorspace and 135 dwellings.
Likely development potential	Suitable for a range of employment uses, including range of sizes. Likely to be light industrial led.
Serviced	No
Recommendations	Develop for employment uses. Look to maximise employment opportunities on site given its strategic location, though recognise interest of landholder for mixed-use development.

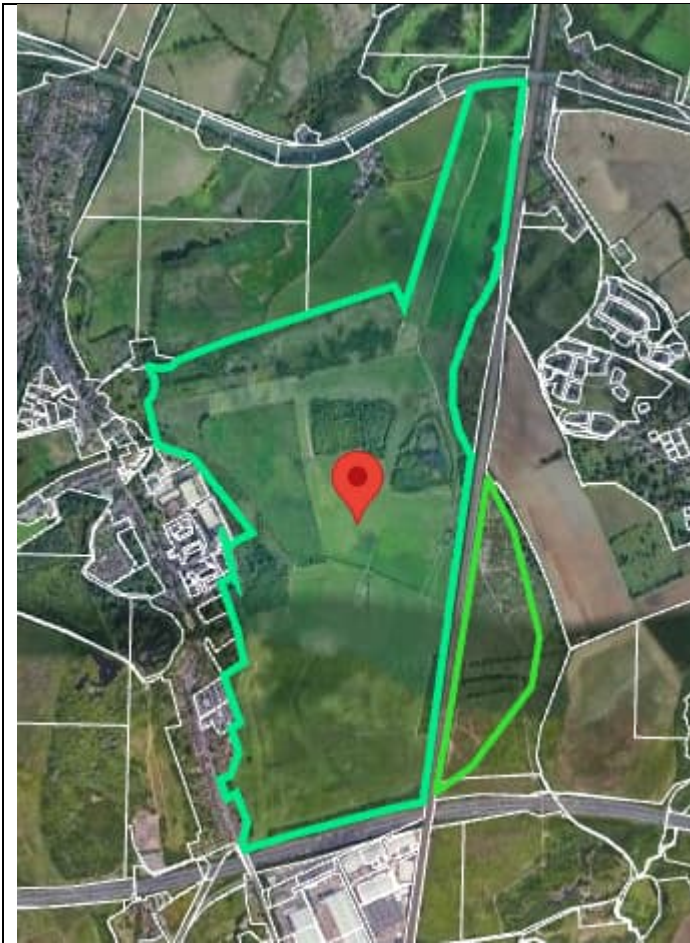
## St Albans



Site Reference Number	EMP4
Name	East Hemel Hempstead Central
Owner(s)	The Crown
Vacant Land Available	52.7 ha
Market Availability	Not currently being marketed
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Hertfordshire Innovation Quarter (Herts IQ) East Hemel Hempstead (Central). Strategic Policy SP5 states that this site will provide for a range of uses including offices, research and development, light industrial and distribution, with 10% of any new development or redevelopment required to contain units for Small Medium Enterprises and expansion/ Grow-On units.
Planning Applications	-
Constraints	Green Belt
Comments	Very large site in the west of the local authority area, alongside Maylands Business Park (Hemel Hempstead, Dacorum). Positioned close to M1 junction. Relatively flat site.
Likely development potential	Potential for significant growth solution for the Maylands Business Park area and to take region-wide demand. Planning intent within Draft Local Plan for innovation uses, with a strong emphasis on offices and research and

	development uses. Given its strategic location, this site would be suitable for a broad range of employment types and unit sizes, including very large strategic units.
Serviced	No
Recommendations	Strategic employment site for SW Herts





Site Reference Number	EMP2
Name	Strategic Rail Freight Interchange, Radlett
Owner(s)	SEGRO Radlett Ltd
Vacant Land Available	96.7 ha (gross employment area)
Market Availability	Proponent currently undertaking initial works, with likely first occupations in early 2027.
Planning Designation	Local Plan (current) – Green Belt Local Plan (emerging) – Strategic Rail Freight Interchange
Planning Applications	Planning permission for Strategic Rail Freight Interchange (SRFI) and units up to 331,665 sqm of B8 units with ancillary B1/B2.
Constraints	Green Belt
Comments	Very large site to the north of the M25 and on the rail corridor. Currently greenfield, it is well positioned for large-scale, strategic logistics and warehousing uses. Majority of site is to the west of the rail corridor, though some 13 ha is to the east. SEGRO looking to have occupation from 2027 and deliver about 500,000 sqm per year. SRFI to be delivered as first stage.
Likely development potential	Likely to be very attractive to the market, given its strategic position. Would have a regional and national role.

Serviced	No
Recommendations	Develop in accordance with planning permissions. Identify as a strategic employment site.

## Three Rivers



Site Reference Number	
Name	Croxley Park
Owner(s)	Croxley 1 Ltd
Vacant Land Available	0
Market Availability	Existing business park with some units available
Planning Designation	Local Plan (current) – Employment Allocation
Planning Applications	-
Constraints	Flood Zone (part) Adjacent to SSSI and Nature Reserve
Comments	High quality office park within urban settlement of Watford. Significant off-street parking for office buildings. Offices are mid to large floorplate buildings, generally 2-3 storeys. Significant tree bordering office buildings. Communal facilities central within the site at The Hive.
Likely development potential	Fully built out for office uses
Serviced	Yes
Recommendations	Retain as employment use. Undertaking strategic office role



Site Reference Number	
Name	Tolpits Lane
Owner(s)	Multiple
Vacant Land Available	0
Market Availability	Existing industrial and office areas, with some units available to the market
Planning Designation	Local Plan (current) – Employment Allocation Local Plan (emerging) –
Planning Applications	-
Constraints	-
Comments	Large employment area comprising three distinct areas along Tolpits Lane. Wolsley Business Park is an office park with mid to large floorplates, with buildings of a moderate quality. A high level of vacancies was observed. Units along Dwight Lane are a mix of small industrial and hybrid units, which had a more moderate level of vacancies and generally comprised of moderate to good quality units. The employment uses along Olds Approach and Moor Lane comprise a typical industrial estate.
Likely development potential	Unlikely to see significant change in mix of uses
Serviced	Yes
Recommendations	Remain as an existing employment area



Site Reference Number	
Name	Maple Cross/Maple Lodge
Owner(s)	Mastcraft Maple Cross Ltd BCL (Maple Cross) LLP Dover RE Ltd Maple Cross Property Investments Ltd Kier Ltd
Vacant Land Available	2.17 ha (brownfield and undeveloped area)
Market Availability	Not currently being marketed
Planning Designation	Local Plan (current) – Employment Allocation
Planning Applications	Planning Permission for demolition of existing office block and MSCP and redevelopment to provide six warehouses and ancillary offices (E(g)(ii), B2, B8)
Constraints	Flood Zone (part) Adjacent to wildlife site Potential viability constraint due to demolition and contamination costs
Comments	Units along Denham Way (A412), comprising a large office complex occupied by Renault and Nissan, a high quality office building occupied by Skanska and a derelict commercial building with MSCP at the rear.
Likely development potential	Redevelopment of brownfield site in accordance with planning permission appears appropriate to reflect demand.
Serviced	Yes
Recommendations	Retain as employment site



Site Reference Number	
Name	Kings Langley
Owner(s)	Multiple
Vacant Land Available	0
Market Availability	Developed sites, some units available to the market
Planning Designation	Local Plan (current) – Mixed Use site
Planning Applications	-
Constraints	-
Comments	Multi-site mixed-use allocation along Station Rd/Primrose Hill/Railway Terrace corridor. Nodes operate independently, rather than a coordinated

	<p>scheme. Generally functioning as industrial estates, newer, high quality employment stock is located at Kingsley Park (long narrow node fourth from the top of picture), with older industrial units in the three northern nodes. The second node is also partially covered by residential, with the area immediately to the south of the lake being redeveloped for housing (Lakeside Avenue).The southern area is home to some high quality, modern office development with Imagination, semi-conductor and software designer, being a key occupier. However, the area has also seen some conversions from office uses to residential uses, with further office stock in this node potentially vulnerable to such reuses.'</p>
Likely development potential	<p>Some refurbishment of older industrial stock and potential for further conversions of office buildings to residential uses in south.</p>
Serviced	<p>Yes</p>
Recommendations	<p>Retain as employment allocation. Resist redevelopment of industrial areas for non-employment uses.</p>



Site Reference Number	
Name	Lynsters Farm
Owner(s)	Guy's and St Thomas' Foundation
Vacant Land Available	10.7
Market Availability	Not currently being marketed
Planning Designation	None
Planning Applications	None
Constraints	<p>Flood Zone 3b</p> <p>Groundwater Source Protection Zone 1</p> <p>Potential for contamination given proximity to sewage works</p> <p>Grade II listed building</p> <p>Heritage impact assessment and an archaeological assessment required</p> <p>Part of a broader north south corridor of green space meaning assessment would need to be undertaken</p>
Comments	<p>Large site comprising flat fields surrounding the Grade II listed Lynsters Farm House and Cottages. Currently, it is occupied by the Catholic Worker Farm Community. As well as farm usage, some of the site appears in use for outdoor storage. The site is near Junction 17 of the M25 and is accessed via the A412 then a narrow country road. To the rear of the site is Maple Lodge Sewage Works.</p>
Likely development potential	<p>The site sits in a good position for employment, being in close proximity to the M25 Junction 17, the Maple Cross</p>



	employment area and the HS2 south portal works meaning good employment demand would likely be present.
Serviced	Yes, though likely further needs for employment uses
Recommendations	Depending on flood and ecology constraints solutions, the site is of a good size and suitable for industrial or warehousing uses.



Site Reference Number	
Name	Leavesden Park Employment Area
Owner(s)	SEO Watford Warner Bros Studios Leavesden Private
Vacant Land Available	-
Market Availability	Existing business park with some office floorplates available
Planning Designation	Proposed for allocation in the Reg 19 version of the local plan Article 4 area
Planning Applications	-
Constraints	No constraints
Comments	The site comprises Leavesden Studios, now owned by Warner Brothers, together with MEPC's Leavesden Park office development. The site supports strategic activities relating to the creative industries sector and the planned investment will enable an enhanced role.
Likely development potential	Fully built out other than one serviced plot that is developable on site. However, this site is under the ownership of the Warner Brothers and will likely accommodate their expansion plans. For now, this plot is helping to service the high demand for car parking spaces in this employment area.
Serviced	Yes
Recommendations	Retain as employment use

## Watford



Site Reference Number	
Name	Wiggenhall Road; Fishers and Trade City Estates
Owner(s)	Multiple
Vacant Land Available	0.61 ha
Market Availability	Largely built out site, with some individual units available.
Planning Designation	Designated Industrial Area Transport Improvement Area Core Development Area Colne Valley Strategic Development Area Allocated Employment Site (part)
Planning Applications	Current application on part of vacant land for B8 storage use – undecided.
Constraints	Flood zone (part) Crowded and congested estates
Comments	Moderately small, crowded industrial node, split into two separate estates. The northern Fishers Industrial Estate comprises moderate quality, small industrial units. Units are clustered around an internal circular road. There is a relatively high level of vacancies and some crowding due to limited car-parking. The southern half is the Wiggenhall Industrial Estate, which is a crowded collection of auto servicing and other workshops on a linear road. The

	amenity is poor and the site suffers from significant congestion. There would be a potential for regeneration of the Wiggshall Industrial Estate over the coming Local Plan period, either for modern employment uses or non-employment uses. Some potential for further small units on narrow strip of land in south, fronting Thomas Sawyer Rd, in WBC ownership
Likely development potential	Potential for regeneration of older uses, though should be for further employment uses.
Serviced	Yes
Recommendations	Retain for employment uses and refurbish/regenerate site where appropriate for more modern units.



Site Reference Number	
Name	Shakespeare Street Industrial Estate
Owner(s)	Shakespeare Industrial Estate (Watford) Ltd + multiple units held on freehold basis by occupiers
Vacant Land Available	0
Market Availability	Fully developed site with moderate level of vacant units being marketed
Planning Designation	Designated Industrial Area
Planning Applications	-
Constraints	Crowded and congested estate Narrow approach through residential areas
Comments	Tight, crowded industrial and office estate surrounded by residential terraced housing. Shakespeare St is a narrow approach street with residential cars parked on the street. Units are of a moderate quality, with some vacancies observed. There are likely to be pressures to regenerate the site in the fullness of time for non-employment uses.
Likely development potential	Redevelopment potential for non-employment uses, likely to be residential
Serviced	Yes
Recommendations	Consider for regeneration for non-employment uses.



Site Reference Number	
Name	Greycaine Road; Odhams and Sandown Road Industrial Estates
Owner(s)	Multiple
Vacant Land Available	0
Market Availability	Fully developed area.
Planning Designation	Designated Industrial Area Allocated Mixed Use Site (part) Transport Improvement Area (part) Watford Gateway Strategic Development Area
Planning Applications	Some planning applications for change of use, though remaining employment.
Constraints	-
Comments	Large industrial estate with units generally of a moderate to good quality, though some older units with potential for regeneration, including older office building at front of site. Some internal congestion due to parked cars and access is via residential areas.
Likely development potential	Potential for some incremental refurbishment of older stock, though should be for further employment uses.
Serviced	Yes
Recommendations	Retain for employment uses and refurbish/regenerate site where appropriate for more modern units.



Site Reference Number	
Name	Watford Business Park
Owner(s)	Multiple
Vacant Land Available	0
Market Availability	Fully developed site with moderate level of vacant units being marketed
Planning Designation	Designated Industrial Area Transport Improvement Area Allocated Employment Site (part)
Planning Applications	Some planning applications for change of use, though remaining employment. A withdrawn application in 2019 for residential uses in NE of site, suggesting some market pressures for reuses of site, though this should continue to be resisted.
Constraints	-
Comments	Large industrial estate comprising broad range of unit sizes. Units generally of moderate to good quality. Main spine road has some on-street parking but traffic

	appears generally unimpeded. Some significant vacancies. Alongside Croxley Business Park (Three Rivers), which is positioned for good quality office market.
Likely development potential	Potential for some incremental refurbishment of older stock, though should be for further employment uses.
Serviced	Yes
Recommendations	Retain for employment uses and refurbish/regenerate site where appropriate for more modern units.





Site Reference Number	
Name	Imperial Way; Colonial Way; and Holly Industrial Estates
Owner(s)	Multiple
Vacant Land Available	0.8 ha
Market Availability	Redevelopment site currently being marketed for B8 units.
Planning Designation	Designated Industrial Area Allocated Mixed Use Site (part) Core Development Area Watford Gateway Strategic Development Area Safeguarded Rail Aggregates Depot Transport Improvement Area
Planning Applications	-
Constraints	-
Comments	Significant industrial estate centrally located within Watford. Imperial Way is a densely developed industrial area with some trade services and offices supporting industrial uses. Colonial Way has a higher proportion of office buildings and hybrid units. Colonial Way connects well to Stephenson Way, which links to the A41 and M1 Site near the intersection of Imperial Way and Colonial Way has been cleared and is currently being redeveloped

	for industrial units (Watford Logistics Hub, units 1,000-4,500 sqm)
Likely development potential	Some refurbishment and regeneration potential along Imperial Way and Colonial Way (west)
Serviced	Yes
Recommendations	Retain for employment uses and refurbish/regenerate site where appropriate for more modern units.



Site Reference Number	
Name	Clarendon Road Primary Office Location
Owner(s)	Multiple
Vacant Land Available	0
Market Availability	Some built office space available to let.
Planning Designation	Transport Improvement Area Clarendon Road Primary Office Location Core Development Area Watford Gateway Strategic Development Area
Planning Applications	-
Constraints	-
Comments	High quality office node along Clarendon Road, near to Town Centre. Buildings are 3-5 storeys with some national occupiers (e.g. KPMG, PWC). Clarendon Road has good streetscaping and area has key services for workers.
Likely development potential	Unlikely for intensification in medium term, though with significantly improved market conditions may support larger office buildings.
Serviced	Yes
Recommendations	Retain for strategic office employment location

## Appendix H - Review of Existing Non-Strategic Sites

H.1 The following provides a review of other existing employment sites within South West Hertfordshire. This complements the key review of the strategic (or potentially strategic) sites in the main document and does not include strategic sites, such as Maylands Business Park, reviewed elsewhere in Appendix G. In summary, this review identifies the following quanta of developable employment sites in these locations.

Local Authority Area	Developable Area (ha)
Dacorum	1.6
Hertsmere	2.5
St Albans	0.0
Three Rivers	0.0
Watford	1.9

## Dacorum Existing Employment Areas

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
Berkhamsted	Billet Lane	E(g),B2,B8	Small site comprising a Jewsons and Majestic Wine. On the A4251 frontage is a vacant grass plot owned by Lidl who have planning permission to build a store on the land as part of a mixed-use development also comprising 30 residential units (4/01317/14/MFA)	1.6	0 (0.6ha Lidl site already committed)	Release the land owned by Lidl as well as the Majestic Wine store. Retain the unit currently occupied by Jewsons for employment
Berkhamsted	Northbridge Road	E(g),B2,B8	Located just off the A4251, accessed via Billet Lane, this estate mainly comprises small industrial units however office buildings are present. Generally units are of basic to moderate quality. On-street parking gives a perception of congestion; however overall the estate has good occupancy levels and is performing a key local function.	6.7	0	Retain as an employment area as it is currently performing a local function.
Berkhamsted	River Park	E(g), B2	Located just off the A4251, accessed via Billet Lane and to the east of Northbridge Road estate. This site mainly comprises light industrial and office premises of a moderate quality. Narrow access and some on-street parking reduce perceptions of access. Moderate occupancy.	1.1	0	Retain as an employment area as it is currently performing a local function.

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
Two Waters & Apsley, Hemel Hempstead	Apsley	B2	Small site located amidst a residential estate accessed via the A4251. The site comprises several small workshop units, MOT uses and with a strong presence of motor trade occupiers. Basic quality units. Rail corridor to the south. Potential pressures to redevelop as residential, though currently performing local function and should be retained for employment at this stage.	0.6	0	Retain as an employment area as it is currently performing a local function.
Two Waters & Apsley, Hemel Hempstead	Apsley Mills	E(g)	Much of this area has been redeveloped for residential uses. Only a Mercedes Benz garage and Apsley Mills Cottage remaining in employment use. Apsley Mills Cottage provides flexible office and boardroom rentals. Near to Apsley Station.	0.9	0	Retain the Mercedes Benz garage and Apsley Mills Cottage for employment. Deallocate the surrounding areas.
Two Waters & Apsley, Hemel Hempstead	Corner Hall	E(g)	Located at the intersection of the A4146 and A414, this site comprises car showrooms and trade counters. In between these uses several three and four storey former office buildings are present. In 2013 these offices received permission to be converted to residential (4/01306/13/OPA). Eckoh PLC remain owner occupiers of Telford House,	2.8	0	Deallocate the residential elements of the site. Retain remaining employment uses as they are occupied and sit in a prominent location on the A414 making it attractive for employment.

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
			however it is unclear how much of the building they utilise.			
Two Waters & Apsley, Hemel Hempstead	Doolittle Meadows	E(g)	Located on the A4251, this site currently contains three large office buildings. The recently refurbished Westside building, provides large, Grade-A floorplates to multiple occupiers. To the north, Hertfordshire County Council's Apsley One and Network House share access while also providing large floorplates. Network House is currently vacant and has received permission (22/02333/MFA) to provide one four storey Grade-A office building alongside two five storey residential buildings providing 65 extra care units and 69 apartments.	6.5	0 Potential for extension to employment area to the south on land including the Red Lion Pub (1.62 ha), though would require planning permission.	Retain employment area. This is an attractive office location with high quality and well occupied stock. Consider extension onto land to the south in longer term.
Two Waters & Apsley, Hemel Hempstead	Frogmore	B2,B8	This site comprises the Grade II listed Frogmore Paper Mill which offers office space available for lease. To the rear, Bellway Homes have constructed two large apartment buildings on part of Frogmore Industrial Estate leaving two older office buildings in operation at the end of the estate.	3.6	0	Employment floorspace here is of low quality within a predominantly residential area. Retain employment while still occupied, though monitor for potential deallocation in longer term.
Two Waters & Apsley, Hemel Hempstead	Two Waters (east of Two Waters Road)	E(g),B2,B8	Located on the A414 with very good access onto the A41, this estate comprises older trade counter, motor	2.04	0	Deallocate the McDonald's section of the site. Retain the remainder as an

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
			trades and self-storage facilities with McDonald's on the frontage.			employment area as it is in an attractive location and is currently performing a strong local function. Encourage renovation of units to better quality employment units as appropriate.
Two Waters & Apsley, Hemel Hempstead	Two Waters (west of Two Waters Road)	E(g),B2,B8	Located on the A414 with very good access onto the A41, this estate comprises several good quality light industrial and trade counter units. To the east of this is an Aldi supermarket while to the north are residential properties. The north-west of the site is a demolished gasworks which is subject to a planning application (23/03028/MFA) which would involve the erection of 483 residential dwellings.	5.8	1.1 (dependent on outcome of application)	Deallocate the Aldi and residential elements of the site. Retain the employment uses as they are of good quality within an attractive location. The former gasworks sites would be attractive to industrial occupiers but outcome dependent on decision of planning application.
Tring	Icknield Way	E(g),B2,B8	This site comprises a mixture of warehousing, light industrial and office premises that are of varying ages. All units are in a reasonable state of repair. Immediately to the west is a recently constructed housing estate while to the east is a motor repair facility, to the rear of which is a vacant field that has	7.1	0	This employment area is attractive given its proximity to the A41. Retain the employment elements of the site as this is performing an important local function. There is potential for an intensification of



Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
			planning permission (21/04769/MFA) for the construction of a residential care home.			development on the land of the motor repair facility.
Tring	Akeman Street	E(g)	This site formerly comprised Akeman Business Park however this area has now largely being redeveloped for residential uses.	0.6	0	Deallocate full site.
Tring	Brook Street	B2	Silk Mill Business Park comprises the Grade II listed Silk Mill, providing small office suites alongside smaller workshop units. Immediately to the north permission (4/01977/17/FUL) has been granted for the construction of four new dwellings.	0.6	0	Retain the area for employment as it is currently performing a strong local function. Deallocate the small area that has permission for residential development.
Markyate	Markyate	B2,B8	Site located just off Markyate High Street within a predominantly residential area. The remaining employment uses comprise a motor repair premises and two rows of small industrial units as well as associated office uses. Units are mainly older however Sharose Court saw a recent development of new units. The main concentration of employment uses in Markyate, where employment uses are very limited. The 3 London Road site had a previous application for care home which was withdrawn.	2.5	0	Retain the employment uses.  Monitor interest for London Rd site for care home and assess whether to deallocate.

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
Bourne End	Bourne End Mills	B2,B8	Bourne End Mills Industrial Estate comprises a collection of recently developed, good quality industrial units. On one side is a recently developed housing development while on the other is a flat field which presents a good extension opportunity for the industrial estate.	4.3	0.5	Deallocate the residential development. Retain the employment uses as the units are of good quality as well as the flat field as it presents a good opportunity to extend the industrial estate.
Bovingdon	Bovingdon Brickworks	B2,B8	Rural industrial estate comprising motor trade, car showroom and building merchant uses.	4.2	0	Retain as an employment area as it is performing a local function. There is an opportunity to extend the estate and intensify uses.
King's Langley	Sunderland's Yard	B2,B8	Narrow industrial estate just off Church Lane in Kings Langley. Units are a mix of ages and quality. Some congestion with on-street parking and narrow access. Surrounded by residential uses.	1.2	0	Consider deallocation in medium term.

## Hertsmere Existing Employment Areas

Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
Borehamwood	Stirling Way, Borehamwood	E(g), B2, B8	Mix of employment uses, including offices, trade counters, sui generis, warehousing and industrial uses. Site benefits from visibility from the A1 and good access via a roundabout. Some recent permissions to rejuvenate site for employment, with further regeneration likely.	6.8	0	Retain for employment uses
Potters Bar	Cranborne Road, Potters Bar	E(g), B2, B8	Mix of employment uses with basic to moderate quality units. Some laneways within the estate are narrow and awkward for vehicular access. Rail corridor to east limits expansion options. Potential for regeneration of southern areas of estate. Some expansion land in north-east of allocation, which is flat and appears developable.	15.6	2.5	Retain for employment uses
Potters Bar	Station Close, Potters Bar	B2, B8	Small estate close to retail/centre uses and rail station. Mix of small, basic to moderate quality workshops and warehouses. Some on-street parking causing congestion.	1.5	0	Retain for employment uses as performing solid local function. However, proximity to town centre may lead to pressure for alternative uses. Assessment should be undertaken to determine whether employment

						uses can be relocated elsewhere in Potters Bar.
Barnet	Wrotham Business Park	E(g)	Small, good quality office and studio spaces within the Wrotham Park estate. Buildings are converted estate buildings.	1.0	0	Retain for employment uses.
Borehamwood	Borehamwood Enterprise Centre and adjoining sites	E(g), B2, B8	Predominantly an office node straddling Theobald St. Eastern side comprises moderate quality office space and some industrial spaces in a haphazard development pattern, with some units to the rear and some narrow access points. Offices are 2-storey brick units. To the western side is Kinetic Business Centre, which is a large, good quality business centre.	1.8	0	Retain for employment uses.
Borehamwood	Theobald Court and adjoining site, Borehamwood	E(g)	High quality three-storey office space in Borehamwood. Car parking at rear	0.2	0	Retain for employment uses.
Potters Bar	Hollies Way Business Park, Potters Bar	E(g), B2, B8	Mix of local uses. Hollies House is a five-storey office block comprising small units to let. It previously has had a planning application (now withdrawn) for conversion to residential. Small workshops to rear of basic quality.	2.3	0	Hollies House unlikely to be meeting office market expectations. Consider deallocating this part of site.
Radlett	Beaumont Gate, Radlett	E(g)	Narrow strip of units alongside Radlett Rail Station. Range of office units on individual lots. Adjacent uses are residential and narrow	0.7	0	Potential for conversion to residential in longer term.

			access point via Shenley Hill. Some underutilised land, used as parking or hardstand areas.			
Shenley	Farm Close sites, Shenley	E(g)	Semi-rural location to north of Shenley. Good quality, low-rise offices. Alongside a school, which appears to create parking issues at certain times. Providing local office space that appears to be well occupied.	1.0	0	Retain for employment uses.

## St. Albans City and District Existing Employment Areas

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
PEA 1	St Albans	St Albans City Core	E(g) and range of other non-office/industrial use classes	St Albans City Centre. Primarily retail and services node. A good access for cars and pedestrians, some traffic congestion evident at peak times. Some significant office uses, which should be supported where possible, though risk for losses to non-office uses through permitted development rights. Generally more market interest in business park and out of town offices rather than this location.		0	Look to retain significant office role within the City Centre.
PEA 2	St Albans	St Albans City Station	E(g)	Good quality office and retail cluster around the rail station at eastern edge of city centre. Office space is 3-4 storey buildings with mid to large floorplates. Retail servicing rail patrons and convenience needs.		0	Retain for employment uses. Support range of uses around station, including further office uses where possible.
PEA 3	St Albans	St Albans Abbey Station	E(g)	Office cluster around rail station, comprising range of 3-4 storey buildings of a good quality. Retail uses located to east.		0	Retain for employment uses.

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
PEA 4 EMP.8	St Albans	Porters Wood/Soot House Spring	E(g), B2, B8	Mixed employment use estate comprising moderate to good quality office and industrial uses. Reasonable off-street parking for most plots. Some vacant units.		0	Retain for employment uses as providing broad economic function.
PEA 5 EMP.9	St Albans	Council Depot and adjoining land, St. Albans Road	E(g), B2, B8	Council recycling centre and industrial premises to the north and south. Industrial uses are of a moderate quality, with limited access. Limited prominence/visibility from St Albans Rd.		0	Retain for employment uses.
PEA 6 EMP.10	St Albans	Alban Park/Acrewood Way/Lyon Way, Hatfield Road	E(g), B2, B8	Large mixed employment use estate comprising moderate industrial uses. Significant on-street parking, including on double lines, creating congestion. Some units in need of refurbishment and some vacant units observed.	19.45	0	Retain for employment uses as providing broad economic function.
PEA 7 EMP.12	St Albans	Brick Knoll Park, Ashley Road	B2, B8	Moderate quality industrial estate comprising small to mid-sized units. Some on-street parking, which limits access. Occupiers include building suppliers, Royal Mail, trade counters, manufacturers.	8.96	0	Retain for employment uses.

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
PEA 8 EMP.13	St Albans	Executive Park and adjoining land, Hatfield Road	E(g), B2, B8	Small industrial and office node of a moderate quality. Narrow access to rear sites. Car rental unit at front of site, blocking view to remaining units and creating localised congestion. Neighbouring uses are residential and retail.	0.95	0	Retain for employment uses.
PEA 9 EMP.14	St Albans	Camp Road/Campfield Road	E(g), B2, B8	Mix of industrial and office uses of range of quality. Some office space has been converted to residential uses. Campfield Rd is used for on-street car-parking.	3.9	0	Deallocate areas converted to residential. Retain remaining areas for employment uses.
PEA 10 EMP.15	St Albans	North Orbital Commercial Park, Napsbury Road	B2, B8	Good quality buildings and site, in addition access to site is easy with links to North Orbital Rd. High occupancy.	4	0	Retain for employment uses.
PEA 11	Bricket Wood	Building Research Establishment (BRE), Bricket Wood	E(g), B2	Large, gated, high-tech research and innovation site surrounded by greenery and some residential area. Main access is from the south (Bucknalls Ln). Close to M1 corridor but not close to a junction.	12.16	0	Retain for employment uses.
PEA 13 EMP.1	Harpenden	Coldharbour Lane	E(g), B2, B8	Mix of employment uses along Coldharbour Lane, including 2-3 storey offices, industrial and small warehouses. Units are of a	6.08	0	Retain for employment uses, though monitor. May be pressure for



Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
				basic to good quality. Significant congestion due to narrow road and on-street parking. Access to this node is past residential areas.			conversions to non-employment uses in medium term.
PEA 14 EMP.2	Harpenden	Batford Mill Industrial Estate		Site has permission for demolition of industrial units and development of mixed-use scheme, including residential, retail and leisure.	0.8	0	Deallocate for employment.
PEA 15 EMP.3	Harpenden	Southdown Industrial Estate, Southdown Road	E(g), B2, B8	Basic to good quality of buildings, some localised congestion, particularly in areas of industrial uses. Office buildings are 2-3 storey mid-sized units. Rail corridor to west. Access via Southdown Rd and Marlborough Park is relatively narrow.	3.44	0	Retain for employment uses.
PEA 16 EMP.3A	Harpenden	Rothamsted Research	E(g), B2	Specialised agricultural research park with campus-style layout. Attractive setting and core buildings, though some buildings are more dated and likely to be subject to refurbishment. Important node for district with a wider, national profile.	8.36	0	Retain for employment uses and retain research specialism.

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
PEA 17 EMP.5	Redbourn	Redbourn Industrial Park	E(g), B2, B8	Average quality industrial units very close to Redbourn village centre with green space to the west. Performing local employment function, though likely to be pressures for residential uses given its proximity to village centre. Given lack of employment alternatives in Redbourn, recommend to retain for employment.	0.72	0	Retain for employment uses.
PEA 19 EMP.6A	Wheathampstead	Station Road Wheathampstead	E(g)	Good quality office space surrounded by residential uses. Not visible from Station Rd, access is via a residential street. Provides for small business units in Wheathampstead, but likely to be pressure for conversion to residential uses.	0.69	0	Retain for employment uses, but if alternative employment options are secured in Wheathampstead could allow for other uses on this site.
PEA 20 EMP.7	East Hemel Hempstead	North of Buncefield	B8	Majority of site has been developed for good quality warehouse uses. Part of site provides oil storage/supporting uses as part of wider Buncefield Oil Depot uses. Close to large	8.3 (approx.)	0	Retain for employment uses.

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
				Maylands Business Park node and M1			
PEA 22 EMP.16	London Colney	Wellington Road	E(g), B2, B8	Small node of mixed employment uses, accessed from High St. Range of quality of premises, from basic to good. Some on-street parking creating congestion. Some vacant premises observed. Plot at southern side of entrance to site has approval for demolition and redevelopment for residential.	1.35	0	Retain for employment uses, with adjusted allocation to reflect planning approvals.
PEA 23 EMP.17	London Colney	The Hertfordshire Business Centre, Alexander Road	E(g)	Good quality office and studio spaces for short-term rentals. Alongside residential uses, including new build. Potential for pressures to reallocate for residential uses.	0.97	0	Retain for employment uses.
PEA 24 EMP.18	London Colney	Riverside Industrial Estate	E(g), B2, B8	Primarily a logistics node, with direct access to A1081. Buildings of a moderate quality. Planning application for demolition of existing units on part of site for redevelopment of B8 units or data storage.		Vacant building to be demolished.	Retain for employment uses.
PEA 25 EMP.20	Frogmore	Watling Street, Frogmore	E(g), B2, B8	Mix of office and industrial units of a good quality. Access is via residential areas. Some	3.6	0	Redefine allocation boundary to reflect current provision.

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
				encroachment of residential development into former employment areas and potential for this to continue in coming years.			Retain remaining areas for employment.

## Three Rivers Existing Employment Areas

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
E(c)	Carpenders Park	Carpenders Park West/Delta Gain	E(g)	Located within Carpenders Park, this site is surrounded by residential uses. The site comprises several basic quality office premises including Carpenders Park Business Centre. To the rear of the residential area is Carpenders Park Community Hall and an associated car park. Just outside the boundary there is a vacant grass plot with 0.2 ha of developable land, however this is unlikely to attract interest from developers of employment premises.	0.9	0	Support ongoing employment uses

## Watford Existing Employment Areas

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
	West Watford	94 Rickmansworth Road	B2	Fleet Laboratories site comprising two factory buildings has permission (22/00958/FULM) for the construction of a five storey apartment building, providing 94 residence.	1.1	0	Deallocate as this site no longer has an economic function
	West Watford	126 Rickmansworth Road	E(g), B2, B8	Small site comprising a ground floor office premises at the frontage and a collection of industrial units to the rear	0.5	0	Retain as an employment area as it is performing a local function.
	Watford	Hille Business Centre	E(g), B2, B8	Small business centre comprising office premises on the St Albans Road frontage and a collection of industrial units to the rear. Surrounded by retail park uses.	0.9	0	Retain as an employment area as it is performing a local function. Deallocate the residential uses.
	Bushey	Pinner Road	B2, B8	Sandwiched between the railway on the west side residential on the east side, this narrow site mainly comprises low value uses including motor related and outdoor storage uses as well as parking for railway users. Poor access and visibility for the site limits market attractiveness, but unlikely to be readily developable for other uses.	1.2	0	Retain as the site continues to perform a local employment function.
	West Watford	Sydney Road Area	-	This whole area has been developed for residential uses	2.6	0	Deallocate as the site is no longer performing and economic function

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
	West Watford	176-200 Rickmansworth Road	B2	Small site with frontage onto the A412 that is dominated by car dealerships, therefore sui generis is primarily role rather than B2.	0.6	0	Retain as the site continues to perform a local employment function, though ensure allocation reflects current sui generis uses.
	Watford	96-100 Cecil Street	E(g), B2, B8	Site positioned on a narrow residential street that comprises multiple small office, storage and industrial premises. Half the site, along the Judge Street frontage, was developed to provide residential (17/00943/FUL).	0.2	0	Do not protect for employment uses.
	North Watford	Cherry Tree Road	E(g)	This site comprises a large building formerly in office use that has received permission to be converted into residential.	1.6	0	Deallocate as the site is no longer performing and economic function
	Holywell	Euston Avenue/Hagden Lane	E(g), B2	This site is in use as a vehicle repair premises. It sits between residential properties and a disused railway track on a busy intersection. Access to site is awkward given proximity to roundabout.	0.3	0	Retain as the site continues to perform a local employment function
	West Watford	Finway Court	B2, B8	Finway Court comprises two rows of average quality multi-let industrial units. Uses include trade counters and vehicle repairs.	0.6	0	Retain as the site continues to perform a local employment function

Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
	Watford	George Street	E(g)	This site comprises two good quality office buildings in 5 George Street and The Old Free School as well as a large former office building that is owned by Hertfordshire Police and has permission to be converted into a police station (21/01101/FUL).	0.2	0	Retain 5 George Street and The Old Free School for employment use. Deallocate 3 George Street as it is no longer B-class use.
	Leavesden Green	Handford Court		Located to the north of Watford, this site is accessed via the A412 however it has no direct frontage to the road. Set behind a parade of retail (Garston Park Parade) with a narrow access point, this site comprises two small warehouse buildings as well as a former office that has been converted to residential. To the north, outside the boundary, planning permission (21/00698/FULM) is in place to convert a former bus garage into 127 residential units.	0.3	0	Retain for employment uses.
	The Rookery	Local Board Road		Located just off Watford Lower High Street, this site stretches across both sides of Lower Board Road. The site comprises a large vacant office building, Jessa House, which is currently subject to an application (24/00312/CTR) for a change of use to residential. Across the road is 1A Brookside Works which provides several small, high quality office suites. Adjacent to this is a collection of residential houses as well as the Pump House Theatre.	0.4	0	Support continued employment uses at Brookside Works. Deallocate Jessa House the refurbishment required is likely not viable at this location.



Site Ref.	Settlement	Site Name	Market Sector	Description	Gross Area (ha)	Developable Area (ha)	Recommendations
	Watford	Merton Road		Located in central Watford, this site is a long, narrow strip of land that sits between two rows of residential houses. The site is in use as a vehicle rental service. To the east of the site there is a premises in office and light industrial use that was subject to application (24/00143/CTR) for a change of use to eight residential dwellings, though this was recently refused.	0.4	0	Retain for employment uses.
	Watford	Upton Street/Exchange Road	-	This site comprises two large former office buildings that have been subject to a change of use. Colne House is now a health centre (11/01064/COU) while Exchange House has been converted to residential (21/01186/OPD).	0.8	0	Deallocate as these buildings are no longer in employment use.
	North Watford	Waste Site, Colne Way	B8	This site sits in a prominent location on the A41. It is currently in operation as a waste management facility	1.6	1.6	Retain for waste management uses.
	Watford	Water Lane	B8	Small site sandwiched between the River Colne, the A41 and accessed via Water Lane. The site is visible from the A41. It is currently in use for outdoor storage	0.3	0.3	Support continued employment use. The site could accommodate a higher intensity of development; however the size and shape limits the scope of development.

## Appendix I - Hypothetical scenario showing office vacancy rates if South West Herts lost office space

I.1 This appendix is included to show what would happen to office vacancy rates if:

- 1) Demand for office space followed the trend in the net-absorption delayed recovery scenario. This sees demand for office space decrease by 11,700 sq m p.a. for the first three years of the forecast, then increase by 3,500 sq m p.a. in each remaining year of the forecast. This scenario is explained in more detail in Chapter 6 of this report.
- 2) Losses of office space continue in line with the trend over the period 2019/20 to 2022/23 (-23,800 sq m). In this scenario we assume there is no new development of office space

I.2 The scenario uses CoStar data on the total quantity of office space and how much of this is vacant. CoStar's database does not capture 100% of office space in South West Herts, so the true figures are likely to be higher.

Table I.1 Hypothetical scenario showing office vacancy rates if South West Herts lost office space in line with past trends

	Year	Total office space (sq m)	Vacant space (sq m)	Vacancy rate
Past trends	2017	1,403,900	73,100	5.2%
	2018	1,412,200	57,600	4.1%
	2019	1,392,900	45,600	3.3%
	2020	1,393,100	70,400	5.1%
	2021	1,409,700	76,800	5.4%
	2022	1,413,100	104,700	7.4%
	2023 YTD	1,411,600	123,900	8.8%
Forecast	2024	1,387,800	135,600	9.8%
	2025	1,364,000	147,300	10.8%
	2026	1,340,200	159,000	11.9%
	2027	1,316,400	155,500	11.8%
	2028	1,292,600	152,000	11.8%
	2029	1,268,800	148,500	11.7%
	2030	1,245,000	145,000	11.6%
	2031	1,221,200	141,500	11.6%
	2032	1,197,400	138,000	11.5%
	2033	1,173,600	134,500	11.5%
	2034	1,149,800	131,000	11.4%
	2035	1,126,000	127,500	11.3%
	2036	1,102,200	124,000	11.3%
	2037	1,078,400	120,500	11.2%
	2038	1,054,500	117,000	11.1%
	2039	1,030,700	113,500	11.0%

	2040	1,006,900	110,000	10.9%
	2041	983,100	106,500	10.8%

## DISCLAIMER AND LIMITATIONS OF USE

This Report was prepared for South West Hertfordshire Local Authorities (the “Client”) by Hatch Associates (“Hatch”) based in in part upon information believed to be accurate and reliable from data supplied by or on behalf of Client, which Hatch has not verified as to accuracy and completeness. Hatch has not made an analysis, verified or rendered an independent judgement as to the validity of the information provided by or on behalf of the Client. While it is believed that the information contained in this Report is reliable under the conditions and subject to the limitations set forth herein, Hatch does not and cannot warrant nor guarantee the accuracy thereof or any outcomes or results of any kind. Hatch takes no responsibility and accepts no liability whatsoever for any losses, claims, expenses or damages arising in whole or in part from any review, use of or reliance on this Report by parties other than Client.

This Report is intended to be read as a whole, and sections should not be read or relied upon out of context, and any person using or relying upon this Report agrees to be specifically bound by the terms of this Disclaimer and Limitations of Use. This Report contains the expression of the professional opinions of Hatch, based upon information available at the time of preparation. Unless specifically agreed otherwise in Hatch’s contract of engagement with the Client, Hatch retains intellectual property rights over the contents of this Report.

- The Report must be read in light of:
- the limited readership and purposes for which it was intended;
- its reliance upon information provided to Hatch by the Client and others which has not been verified by Hatch and over which it has no control;
- the limitations and assumptions referred to throughout the Report;
- the cost and other constraints imposed on the Report; and
- other relevant issues which are not within the scope of the Report.
- Subject to any contrary agreement between Hatch and the Client:
- Hatch makes no warranty or representation to the Client or third parties (express or implied) in respect of the Report, particularly with regard to any commercial investment decision made on the basis of the Report;
- use of the Report by the Client and third parties shall be at their own and sole risk, and
- extracts from the Report may only be published with permission of Hatch.

It is understood that Hatch does not warrant nor guarantee any specific outcomes or results, including project estimates or construction or operational costs, the return on investment if any, or the ability of any process, technology, equipment or facility to meet specific performance criteria, financing goals or objectives, or the accuracy, completeness or timeliness of any of the data contained herein. Hatch disclaims all responsibility and liability whatsoever to third parties for any direct, economic, special, indirect, punitive or consequential losses, claims, expenses or damages of any kind that may arise in whole or in part from the use, review of or reliance upon the Report or such data or information contained therein by any such third parties. The review, use or reliance upon the Report by any such third party shall constitute their acceptance of the terms of this Disclaimer and Limitations of Use and their agreement to waive and release Hatch and its Client from any such losses, claims, expenses or damages. This Report is not to be referred to or quoted in whole or in part, in any registration statement, prospectus, fairness opinion, public filing, loan agreement or other financing document.

Readers are cautioned that this is a preliminary Report, and that all results, opinions and commentary contained herein are based on limited and incomplete data. While the work, results, opinions and commentary herein may be considered to be generally indicative of the nature and quality of the subject of the Report, they are by nature preliminary only and are not definitive. No representations or predictions are intended as to the results of future work, nor can there be any promises that the results, opinions and commentary in this Report will be sustained in future work. This Disclaimer and Limitations of Use constitute an integral part of this Report and must be reproduced with every copy.

# HATCH



[www.hatch.co.uk](http://www.hatch.co.uk)

London: 0207 336 6188 Manchester: 0161 234 9910