



Employment Land Availability Assessment

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1 INTRODUCTION

- 1.1 This study was commissioned by Dacorum Borough Council ('the Council') in April 2016 to inform the preparation of the new Local Plan, which will cover the period up to 2036.
- 1.2 The brief provided by the Council requires that the Employment Land Availability Assessment (ELAA) should 'consider the quantity, mix and geographical spread of employment land' in Dacorum. In the context of the South West Herts Economic Study's (SWHES) conclusions on forecast long-term demand for new employment space in the borough, the ELAA considers whether any new land should be identified for employment uses or whether any existing sites should be released from employment use.
- 1.3 Specifically, the brief states that:
- 'The ELAA should provide recommendations on the amount, type and distribution of employment land required 2013-2036 for the following scenarios:*
- *Scenario 1: OAN i.e. based on meeting the Borough's objectively assessed needs (OAN), as identified in the SW Herts Economic Study.*
 - *Scenario 2: OAN plus i.e. higher land requirements, based on the potential for the other SW Herts authorities (Hertsmere, St Albans, Three Rivers and Watford) to ask Dacorum to accommodate some of their projected jobs growth.*
 - *Scenario 3: OAN minus i.e. lower land requirements, taking account of factors which may limit the amount of employment development that Dacorum can accommodate sustainably. Such factors include the Green Belt and environmental constraints.*
- 1.4 To respond to this brief, the study is structured as follows:
- Section 2 take stock of the current situation in Dacorum with regard to policy context for the borough, as well providing a brief review of the position in adjoining local authorities in south west Hertfordshire.
 - Section 3 draws out the relevant elements of the existing evidence base insofar as it relates to this study.
 - Section 4 provides a profile of the commercial property market as it relates to Dacorum.
 - Sections 5 and 6 consider the future in terms of supply and market balance with regard to both quantitative and qualitative factors.
 - Section 7 provides the conclusions and recommendations to this report in the context of the three scenarios.
- 1.5 For the avoidance of doubt, this study has not considered land needs other than for employment i.e. Use Classes B1 (offices), B2 (manufacturing) and B8 (storage and

distribution). Our recommendations are made from an economic perspective and based on economic objectives, both strategic and local.

- 1.6 The research informing this study was carried out in summer 2016. Since then, the Hertfordshire Enviro-Tech Enterprise Zone designation went live on 1 April 2017. This designation, at the east of Hemel Hempstead on land to the south and east of the Maylands area, covers some 86.2 ha of land within Dacorum (36.6ha) and neighbouring St Albans borough (49.6ha).

2 PLANNING POLICY CONTEXT

2.1 This section provides an overview of current policy, setting out the national framework to which Dacorum's future policies must conform, in preparing and progressing the authority's employment land policies towards adoption. We first address the national planning context before considering the local level policies, both in Dacorum and its neighbouring authorities.

National policy

2.2 For economic development, as for housing and other land uses, the guiding principle of national planning policy is the presumption in favour of sustainable development. As set out at paragraph 14 of the National Planning Policy Framework (NPPF), this says that local plans should positively seek opportunities to meet the development needs of their area, and those needs should be met in full unless the adverse impact of doing so would significantly and demonstrably outweigh the benefits, or specific policies in the NPPF indicates that development should be restricted.

2.3 Other parts of the NPPF reinforce this central principle and expand on its practical implications. Provisions which bear specifically on this study include:

- Planning should do all it can positively to support sustainable economic growth. It should not act as an impediment to such growth. Significant weight should be placed on this objective throughout the planning system (paragraph 19).
- This principle applies equally to rural areas. In these areas planning should support sustainable development for all types of business activity, both through well-designed new build and conversion of existing buildings. Activities specifically mentioned are development and diversification of agricultural/land-based businesses, tourism and leisure, and the retention of local services and community facilities in villages (paragraph 28).
- Local Plans should (paragraph 21):
 - Set out a clear economic vision and strategy for their area
 - Identify strategic sites, or set criteria to help identify other sites, for development in line with that strategy
 - Support existing business sectors and where possible plan for new or emerging sectors likely to locate in their area;
 - In particular, plan positively for clusters or networks of knowledge-driven, creative or high-technology industries
 - Identify priority areas for economic regeneration, infrastructure provision and environmental enhancement
 - Avoid the long-term protection of sites allocated for employment uses where there is no reasonable prospect of their being used for that purpose
 - Facilitate flexible working practices such as mixing business uses with housing.

- The plans should be supported by an evidence base that:
 - Assesses needs for land and floorspace, both quantitative and qualitative, for all foreseeable types of economic activity over the plan period (the NPPF particularly mentions the needs of the food production industry) (paragraph 161)
 - Reflects a clear understanding of business needs (paragraph 160)
 - Is based on close work with the business community to understand their needs and also identify and address barriers to investment, including lack of housing, infrastructure or viability (paragraph 160).
 - This evidence is the subject of the present advice note. The Planning Practice Guidance (PPG) provides more detailed guidance about it, which we summarise in the next section. Later we supplement this guidance with our own advice.
- Local authorities should work strategically across local boundaries, and in particular:
 - In building evidence bases, collaborate with neighbouring and county authorities and Local Enterprise Partnerships (paragraph 160)
 - In policy-making, co-ordinate strategic priorities across boundaries and accommodate the needs of neighbouring authorities that do not have enough sustainable capacity in their own areas (paragraphs 179-180).

Planning Practice Guidance

2.4 The PPG in its section on Housing and Economic Development Needs Assessments provides further detail on the needs assessment mentioned at paragraph 161 of the NPPF. This is found under three headings:

- *The approach to assessing need* (paragraphs 002-007) sets out general principles
- *Scope of assessments* (paragraphs 008-013) deals with the geographies that should the assessments should cover
- *Methodology: assessing [need for] economic and town centre uses* (paragraphs 031-034) describes the assessment process.

2.5 Below, we summarise these sections in turn.

The approach to assessing need

2.6 The first sub-section covers both housing and economic development. It makes three main points about the objective assessment of development needs:

- The assessment should take no account of constraints on development, such as the availability of land, viability of development, infrastructure or environmental impacts. These factors should be considered when setting policy targets but they have no bearing on need¹.

¹ Reference ID: 2a-004-20140306

- Local planning authorities are strongly recommended to use the standard method set out later in the Guidance. Any departures from that method should be justified in terms of specific local circumstances².
- Authorities should work with neighbours, in line with the Duty to Co-operate, so that assessments of development needs cover market areas that straddle local authority boundaries. *'This is because needs are rarely constrained precisely by ... administrative boundaries.'*
 - For employment (B-class) uses, these are functional economic market areas; the next sub-section adds that for town centre uses authorities should use trade draw areas.
 - Where joint assessments are not practical due to different plan-making timetables, single-authority assessments may be acceptable; in that case authorities should refer to neighbours' evidence bases; and future timetables should be co-ordinated so that assessments are undertaken jointly³.

2.7 For economic development, paragraph 007 suggests that the relevant area is the 'functional economic market area'.

Scope of assessments

2.8 The PPG introduces functional economic market areas (FEMAs) as follows:

'The geography of commercial property markets should be thought of in terms of the requirements of the market in terms of the location of premises and the spatial factors used in analysing demand and supply often referred to as the functional economic market areas.'

2.9 The above sentence conveys a broad suggestion that FEMAs are a way of analysing market geography, but does not tell us what a FEMA is or why it is useful. The PPG does not consider these questions further, but goes on to discuss how the boundaries of FEMAs should be drawn, noting that *'since patterns of economic activity vary from place to place there is no standard approach'*. It lists a series of factors which *'it is possible'* to take into account, comprising Local Economic Partnership (LEP) boundaries, travel-to-work areas, housing market areas, flows of goods, services and information, service market for consumers, catchment areas of social and cultural facilities and the transport network.

Methodology for assessing economic and town centre uses

2.10 The guidance on assessing needs is shorter and less specific for economic development than housing. Although the title of the section refers to the whole economy and town centre uses, the subtitles only cover 'employment' or 'business' uses – a term which is not officially defined, but by convention refers to the B Use Classes, comprising industry, warehousing, offices and research and development. The PPG lists requirements that the needs assessment should meet, including types of evidence, data sources and conclusions (outputs). But it does not provide a logical

² Reference ID: 2a-005-20140306

³ Reference ID: 2a-007-20150320

framework or step-by-step process to show how different streams of evidence should be analysed and combined to produce conclusions. The lists are set out under five headings, as summarised below.

- *How should the current situation be assessed?*

This section calls for a review of recent trends and the current situation, presumably to set the context for the analysis of future needs. There is a long list of factors that should be reviewed, covering demand (business requirements, recent take-up), supply (the existing stock of employment land, recent development, employment land lost to other uses, physical / ownership constraints) and the balance between the two (rental values, land values, evidence of oversupply and market failure).

- *How should employment land be analysed?*

This section suggests a broad logical structure for the assessment of future need. It suggests that the study should estimate the future demand for land and floorspace, based on projections and forecasts, and compare it with supply. It adds that demand and supply should be broken down into market segments, which may relate to geographical sub-areas and /or types of property and occupier (offices, general business, warehousing, and 'specialist economic uses').

- *How should future trends be analysed?*

- What type of employment land is needed?*

In these sections the Guidance expands on the requirements summarised above. It specifies that forecasts of need should be both quantitative (floorspace and numbers of units) and qualitative (characteristics of sites), and it should be broken down by sectors. It also lists types of evidence that should be considered, comprising forecasts or projections of labour demand and labour supply, analysis of past take-up, consultations, studies of business trends and monitoring of statistics.

- *How should employment land requirements be derived?*

Finally the Guidance explains that to translate employment forecasts into land requirements involves four relationships: industrial sectors to land-use classes, industrial sectors to type of property, employment to floorspace (employment density) and floorspace to site area (plot ratio).

Permitted development rights

2.11 The Town and Country Planning (General Permitted Development) (England) Order 2015 (GPDO) came into force in April 2015 and included the following change of use provisions:

- from B8 to C3 (Residential) during a three-year period up to 15 April 2018 (Part 3 Class P) through prior approval process and limited to 500 sq m;
- from B1(a) to C3 during a three-year period up to 30 May 2016 (Part 3 Class O) through prior approval process. No floorspace limit;

- from uses including B1 to a state school or registered nursery (Part 3 Class T) through prior approval process;
 - from any A Class, B1 or D Class Use to a temporary flexible use (including A1, A2, A3 and B1) for a single continuous period of up to two years (Part 4 Class D), limited to 150 sq m.
- 2.12 A subsequent announcement in October 2015 confirmed the permanence of the right to convert Class B1(a) floorspace into C3 use. The GPDO includes an exemption which applies to areas within 17 local authorities, but the announcement has confirmed that this exemption will expire in May 2019. The onus is now placed on local authorities to consider making Article 4 directions to remove the rights and require a planning application for the change of use.
- 2.13 In an attempt to protect office space many planning authorities have regained planning control through Article 4 Directions that exempt parts of their areas from permitted development rights. However, no such exemptions are in place in Dacorum.

Local policy

Development plan

- 2.14 The main documents in the development plan comprise of the saved policies of the Dacorum Borough Local Plan 1991-2011 (2004) and the Dacorum Core Strategy (2013).

Core Strategy

- 2.15 The Core Strategy was adopted in September 2013 and sets out the vision for Dacorum by 2031. In setting out the strategy for the borough, a number of challenges are identified including achieving ‘a stronger role for Maylands Business Park’ and ‘the regeneration of Hemel Hempstead town centre’.
- 2.16 Hemel Hempstead is identified as the ‘main centre for development and change’ in the borough and, as the focus for new jobs, is expected to deliver ‘a significant proportion of the anticipated new employment floorspace’. Specifically Maylands Business Park is identified as the focus for growth⁴.
- 2.17 In relation to Maylands, the strategy identifies it as a ‘key regeneration area’ and sets out that:

‘Maylands Business Park will be promoted as a sub-regional business centre. It will be the focus for high quality, energy efficient development, with improved access to open space and local services and facilities. Approximately 1,000 new homes, a primary school and a significant amount of new office floorspace will be developed. The delivery of some facilities, perhaps Park and Ride and a new

⁴ Para. 1.10

*sports ground, may require extending into St Albans District, on land between the town and the M1*⁵.

2.18 Beyond Hemel Hempstead, Berkhamsted and Tring are identified as 'places of limited opportunity'. Employment growth in Tring is supported through the extension of a Local Plan-allocated employment site at Icknield Way. No growth is explicitly identified in Berkhamsted but existing land in employment use is expected to be retained.

2.19 Chapters 11 and 12 of the Core Strategy:

POLICY CS14: Economic Development

Sufficient land will be allocated to accommodate growth in the economy of approximately 10,000 jobs between 2006 and 2031.

Development that supports the knowledge-based economy, the transition to a low carbon economy, the rural economy and sustainable tourism, will be particularly encouraged.

Most employment generating development will be located in town and local centres and General Employment Areas in accordance with Policies CS1 and CS4. Hemel Hempstead will be the main focus for new economic development uses, which will be used to support the regeneration of the Maylands Business Park and Hemel Hempstead town centre. Employment levels elsewhere within the borough will be maintained to ensure a spread of job opportunities.

Initiatives that help the local workforce adjust to change and develop their skills will be supported.

POLICY CS15: Offices, Research, Industry, Storage and Distribution A minimum area of land will be identified and retained for B class uses. It comprises:

- General Employment Areas;*
- employment proposal sites;*
- land in town and local centres; and*
- employment areas in the Green Belt.*

The area will be managed so that between 2006 and 2031:

- a target of around 131,000 sq m (net) additional office floorspace can be met: and*
- the stock of floorspace for industry, storage and distribution remains broadly unchanged.*

Development proposals that include provision for small businesses will be encouraged. General Employment Areas will be protected for B-class uses. New B-

⁵ Para. 1.11

class development within General Employment Areas will be supported provided that it:

(a) is in accordance with the specific uses permissible in each General Employment Area; and

(b) contributes to environmental improvements within the General Employment Area.

New office uses will be directed to core office locations and Hemel Hempstead town centre.

Saved Local Plan policies

- 2.20 Saved Policies 31 and 32 include schedules of the defined General Employment Areas and Employment Areas in the Green Belt. It is these schedules that form the basis for the site allocations that are being taken forward in the Site Allocations Development Plan Document (discussed below).
- 2.21 Policy 31 sets out ‘business uses’ as the preferred form of development, with alternatives ‘not normally permitted’ other than in specific, limited circumstances. Policy 32 permits employment uses but any expansion of floorspace is subject to compliance with Green Belt policies. As summarised below, a proposed employment use is specified in the policies for each allocated site.

Table 2.1: Local Plan employment allocations summary

Sites	Business	Storage and distribution	Industry	Oil terminal
Berkhamsted				
Billet Lane	x	x	x	
Northbridge Road	x	x	x	
River Park	x		x	
Hemel Hempstead				
Breakspear Park	Core office location			
Buncefield		x		x
Maylands	x	x	x	
Maylands Avenue	Core office location			
Paradise	Core office location			
Swallowdale		x	x	
Two Waters & Apsley				
Apsley			x	
Apsley Mills	Core office location			
Corner Hall	Core office location			
Doolittle Meadow	Core office location			
Frogmore		x	x	
Nash Mills	x		x	
Two Waters	x	x	x	
Tring				

Sites	Business	Storage and distribution	Industry	Oil terminal
Icknield Way	x	x	x	
Akeman Street	x			
Brook Street			x	
Elsewhere				
Markyate		x	x	
Bourne End Mills		x	x	
Bovingdon Brickworks		X	x	

Site Allocations Development Plan Document

- 2.22 The Site Allocations Development Plan Document (SADPD) is providing more detailed site specific policies and proposals than contained in the Core Strategy. Once adopted, the SADPD will form part of the development plan and will supersede a number of the saved Local Plan policies.
- 2.23 All of Dacorum is covered in the SADPD, except for east Hemel Hempstead, including the Maylands Business Park. It was intended to deal with this area in the East Hemel Hempstead Area Action Plan, but it is now expected that it will be considered in the single Local Plan. The SADPD does include proposals for employment development elsewhere in Hemel Hempstead.
- 2.24 The examination of the SADPD took place in October 2016; this followed submission to the Secretary of State in February 2016. Since then, the Inspector has produced an interim note and the DBC has consulted on main modifications to the SADPD. Adoption is expected in summer 2017.
- 2.25 The strategic objectives of the economic chapters comply with those set out in the Core Strategy, and are intended on being delivered through Policy SA5 (General Employment Areas) and Policy SA6 (Employment areas in the Green Belt).
- 2.26 These policies seek to protect sites for B-Class employment uses. Of the sites identified in Table 2.1 above, Nash Mills has been deleted following redevelopment for non-B Class use; Paradise is designated as a mixed-use proposal for business use and housing; and the boundaries of a number of other sites have been revised. Also, revised guidance is given on which types of employment uses should be accepted on each General Employment Area.
- 2.27 Once the Site Allocations DPD is adopted, Table 2.1 above will be superseded by a new table showing the General Employment Areas listed in Site Allocations Policies SA5 and SA6, and also the areas on the Maylands Business Park (i.e. Breakspear Park, Buncefield, Maylands, Maylands Avenue and Swallowdale) listed in saved Local Plan Policy 31.

Neighbouring authorities

Hertsmere

- 2.28 The main documents in the Hertsmere Local Plan are the Hertsmere Core Strategy (HCS) (2013) and the Site Allocations and Development Management Policies Plan (SADMPP) (2016).
- 2.29 Core Strategy Policy CS8 (Scale and distribution of employment land) requires the provision of 110 ha of designated employment land, with the boundaries of five Employment Areas and one Key Employment Site being confirmed in the SADMPP. It also safeguards two sites, which adjoin two of the current Employment Areas, for future employment use.
- 2.30 Policy CS9 identifies 'a supply of smaller business units' within seven Local Significant Employment Sites. Policy CS10 limits the use within the designated Employment Areas to B-class uses; it also provides that office development in excess of 2,500 sqm should be confined to the Elstree Way allocation.
- 2.31 In broad alignment with the HCS, the SADMPP identifies five Employment Areas (Policy SADM5), one Key Employment Site (Policy SADM6) and seven Locally Significant Employment Sites (Policy SADM7). These sites are all subject to protection under a further policy, SADM8, which seeks to resist change of use to residential; the policy also includes any offices which exceed 500 sqm unless effective marketing can be demonstrated.
- 2.32 Policy SADM9 sets out the release of the two safeguarded sites identified in Policy CS8 from the green belt and confirms their allocation for employment development.

St Albans

- 2.33 The saved policies of the District Local Plan Review, which was adopted in 1994, represent the only development plan policy in place in St Albans. Given the age of the document, it is not reviewed in detail here. St Albans City and District Council (SADC) submitted their draft Strategic Local Plan (SLP) to the Secretary of State in August 2016 and an initial hearing session to consider Duty to Co-operate issues was held in October 2016. The Inspector has concluded that the duty has not been met. He has advised SADC either to receive his report (which would recommend non-adoption) or withdraw the SLP. SADC has now served notice of its intention to make a claim for judicial review of this decision.
- 2.34 The submitted SLP does not contain any targets for job growth or employment land provision. Draft Policy SLP15 (Economic Prosperity and Employment) refers to the provision of new employment development 'within the East Hemel Hempstead Broad Locations'. In addition, it seeks to retain existing employment sites but also identifies criteria for their release but supports employment redevelopment/intensification of such sites. Policies SLP16 and 17 designate two special employment locations: the Building Research Establishment in Bricket Wood and Rothamsted Research in Harpenden, both research and development (R&D) facilities of beyond local significance.

- 2.35 The East Hemel Hempstead Broad Location, which adjoins the boundary with Dacorum, is outlined in draft Policy SLP13b as providing ‘a major urban extension of Hemel Hempstead to meet the needs of the St Albans housing market area and sub-regional economic development objectives for growth in the M1 corridor’. The objective goes on to say that there is ‘potential for inclusion of non-housing land uses as required to support Dacorum’s Plan and the development of Hemel Hempstead’. In relation to infrastructure. The Crown Estate, a landowner within the East Hemel Hempstead Broad Location, is currently preparing a master plan for the East Hemel Hempstead Area, in close consultation with St Albans and Dacorum Councils.
- 2.36 In relation to employment provision on the site, the draft policy sets out that ‘sufficient variety of employment uses must be provided over time to offer in the order of up to 8,000 jobs. Over-concentration of low employment generating logistics uses will not be permitted’.
- 2.37 The draft SLP also includes provision through Policy SLP14 for review of the green belt if the permitted strategic rail freight interchange on the former Radlett Aerodrome site is built.
- 2.38 In November 2016, SADC published the Consultation Draft Detailed Local Plan. Draft Policy DLP13 (Broad location masterplanning) states that development on the broad locations (including East Hemel Hempstead) should be in accordance with masterplans for these areas. The East Hemel Hempstead diagram within this policy shows a 55 ha site for employment development between Green Lane and the M1.

Three Rivers

- 2.39 The Core Strategy (2011), the Site Allocations DPD (2014) and the Development Management Policies DPD (2013) all form part of the Three Rivers development plan. The relevant policies are considered below.
- 2.40 Core Strategy Policy CP6 (Employment and economic development) focuses employment uses towards seven key areas: Leavesden Aerodrome, Croxley Business Park, Tolpits Lane, Maple Cross/Maple Lodge, Kings Langley Employment Areas, Carpenders Park West, Rickmansworth Town Centre. The policy allows for some release of office space in line with the then-identified surplus; it seeks to retain general industrial and warehousing but also allows a case to be made for sustainable relocations or mixed-use redevelopment.
- 2.41 Site Allocations Policy SA2 provides that the allocated employment sites will be safeguarded for B-Class uses, unless identified as having potential for mixed-use development. The oversupply of office floorspace is largely as a result of land at Leavesden; provision is therefore made for the introduction of residential at Leavesden Aerodrome, as well as Kings Langley and Delta Gain.

Watford

- 2.42 The Watford development plan is made up of the Local Plan 2006-2031 Part 1 Core Strategy (WCS) and the saved policies of the Watford Local Plan 2000. WBC are also progressing their Local Plan Part 2 which focuses on development management

policies and site allocations; the pre-submission version was published in August 2016.

- 2.43 The WCS was adopted in 2013. Policy EMP1 (Economic Development) sets out that Watford will provide a minimum of 7,000 net additional jobs. The majority (3,300-4,200) are to be focused in the wider Watford town centre; the rest are anticipated to be provided at the Health Campus, Watford Junction and Western Gateway, with the final 500 jobs expected to be accommodated through reoccupation of vacant floorspace in allocated employment areas outside the special policy areas (SPAs). In addition to the three employment-focused SPAs, a number of existing employment areas which were allocated in the Watford Local Plan are reconfigured by either inclusion into the SPAs or town centre, or redrawing the boundaries to reflect current land uses.
- 2.44 EMP1 identifies a number of sectors which are currently or may in the future be strong in Watford, including: knowledge intensive sectors; service sector, finance and other business; hi tech manufacturing (including medical, precision and optical instruments); creative and media industries; green and low carbon industries; and pharmaceuticals and other health related business.
- 2.45 Policy EMP2 seeks to protect allocated employment areas for primarily B-Class use but acknowledges that other employment-generating uses may be beneficial in the SPAs. It also includes a number of potential criteria against which applications for alternative uses might be considered including the existence of surplus employment land supply, replacement provision, lack of viability and the proposed alternative use also generating significant employment. Policy EMP4 of the pre-submission Local Plan Part 2 (August 2016) draws on these criteria for applications for change of use away from B Classes outside designated employment areas.

Summary

- 2.46 The NPPF and PPG set the context for planning for economic development needs. At the heart of this is deliverability. Local authorities must make provision to meet their needs and co-operate where necessary with their neighbours. However, in making these plans, there is a clear onus on local authorities to ensure that sites are not safeguarded where there is no prospect of delivery. In circumstances where employment development needs are competing with demands for space to accommodate other uses, particularly residential, this presents a challenge for local authorities.
- 2.47 The development plan for Dacorum establishes a portfolio of employment sites that the Council is seeking to retain. These sites were last considered in detail as part of the evidence base that informed the Core Strategy (although some changes are proposed in the SADPD); the following chapter provides an overview of this evidence base, as well as considering new evidence prepared in support of the single Dacorum Local Plan.

3 EVIDENCE BASE AND MONITORING

- 3.1 This section considers relevant evidence base and monitoring information for Dacorum and its neighbouring local authorities. As identified in the brief and referred to in Section 1, the SWHES represents the key piece of recent employment evidence for Dacorum and its functional economic market area (FEMA), which that study defines as Dacorum, Hertsmere, Three Rivers, Watford and St Albans.

South West Hertfordshire Economic Study

- 3.2 The SWHES, published in February 2016, was commissioned jointly by Dacorum, Hertsmere, Three Rivers and Watford Councils. The brief for the SWHES specified that its purpose was to ‘provide an objective assessment of the role and function of the local economy in South West Herts and identify the functional economic market area operating in and across the area’ and that it would ‘provide recommendations to inform long-term land use planning for employment’⁶. It is intended to form a key evidence base document for the forthcoming single Dacorum Local Plan, as well as evidence base documents for the other south west Hertfordshire authorities’ plans.
- 3.3 The FEMA geography is identified as including the four client authorities, as well as St Albans. This coincides with the housing market area boundaries.
- 3.4 In considering the economic baseline, the SWHES notes that while the area has performed relatively well as a business location, this ‘has not been allied with substantial commercial land and floorspace development in recent years’⁷ and in fact the quantum of employment land has reduced. This is judged in large part to be because rising residential values in the area substantially outstrip commercial land values; that, combined with huge demand for housing in the area have meant that commercial development has faced significant pressure.
- 3.5 The SWHES also provides a broad assessment of the market. In this, it is concluded that Maylands Business Park dominates the sub-regional office and industrial market. While Maylands is noted to perform well in relation to industrial space, in relation to offices, the study notes that:
- Demand for office floorspace, and particularly for high spec Grade A accommodation, at Maylands is limited compared to other locations in the FEMA, reflected in the amount of vacant office floorspace in the area, and the number of plots allocated for office development which have remained undeveloped for some time*⁸.
- 3.6 This is contrasted with strong demand for office space in Watford and St Albans town centres but a notable lack of supply of such space.

⁶ Para. 1.1

⁷ Para. xiii.

⁸ Para. xv.

- 3.7 The SWHES then sets out the long-term job demand for the FEMA. Three main growth scenarios are considered: employment-led scenario, labour supply scenario, and higher growth scenario. It is the employment-led scenario that is adopted as the preferred scenario.
- 3.8 Under this preferred scenario, Table 6.1 of the SWHES sets out total full-time equivalent jobs growth of 60,700 across the FEMA over the period 2013-36. Of this 10,900 are forecast in Dacorum; with 58% of those jobs coming forward in the B-Class sectors i.e. 6,300 additional jobs. The table below converts these jobs into floorspace requirements for Dacorum.

Figure 3.1 Forecast floorspace requirements in Dacorum

Table A.1 Employment Led Scenario								
	FTEs				Floorspace			
	2013-31		2013-36		2013-31		2013-36	
	Total	Average	Total	Average	Total	Average	Total	Average
B1a + B1b	5,600	310	6,700	290	86,600	4,800	103,000	4,500
B2 + B1c	-700	-40	-900	-40	-32,700	-1,800	-42,200	-1,800
B8	500	30	500	20	47,900	2,700	44,300	1,900

Source: SWHES Appendix A

- 3.9 The FEMA-wide floorspace requirements are identified in Table 6.2 of the SWHES as totalling some 472,600 sqm between 2013-36, comprising an additional 461,300 sqm of B1a and B1b; a loss of 122,300 sqm B2 and B1c; and 133,600 sqm of B8. Using 'typical' plot ratios, these are converted into 52 ha of land for office development and 30 ha of land for warehousing, with 30 ha of manufacturing space being released.
- 3.10 The SWHES includes a high-level review of the supply of employment land. The assessment focuses on the larger/strategic sites, and those assessed were 'either existing significant sites or [were] put forward as potential locations for future employment development'⁹. A total of 32 sites across the five FEMA authorities were assessed.
- 3.11 For Dacorum only two sites are reviewed: Maylands and Maylands Gateway; and Bourne End Mills. In relation to each the study recommends the following:
- Maylands and Maylands Gateway: *'Strategically important employment area of regional significance. The area provides a considerable amount of large floorplate units in all B-Class uses. Demand for office accommodation at Maylands is not as strong as for other B-Class uses and there is a considerable amount of land allocated for offices uses which have been available for some time. Demand for industrial and warehouse and distribution uses is strong and this is the premier location for such uses in the sub-region. There is considerable room for expansion of employment uses at the Gateway site, which we would recommend should be supported for future expansion of the industrial area. The*

⁹ Para. 8.1

*site would be suitable for a variety of employment uses and any development of the site should be employment-led*¹⁰.

- Bourne End Mills: *'Poor quality out of town industrial estate with poor quality accommodation and built environment. Occupancy rates are poor with a number of vacant plots which could provide additional employment land. However, due to the scale of the site, we recommend that policy support continued use of this site for employment provision with support for improvements to the site'*¹¹

3.12 A key part of these assessments was identifying vacant land for employment development which totalled some 298 ha, with over half of this (168 ha) on a single site in St Albans (Radlett Aerodrome). Both the Dacorum sites are identified as having capacity: 32 ha at Maylands and 0.8 ha at Bourne End Mills, with the former considered to be subject to strong demand for warehouse and distribution uses¹².

3.13 In drawing together demand and supply for employment land in the FEMA, the SWHES considers Maylands in some detail. While there is significant capacity on the site, there has been some success in attracting office occupiers and improvements in terms of services are planned, the attractiveness of the site will be curtailed by its relatively poor transport access from London. That said, the study reaches the following conclusion:

*'Over the longer term, we would see Maylands Business Park and the Maylands Gateway Site as representing an attractive office location which would address a significant proportion of the demand for office floorspace identified for Dacorum. The site would also be attractive to those footloose office occupiers with a car based workforce and widely dispersed client base, who are unable to find space in other office locations. However there is a danger in relying too extensively on this site to address shortfalls in other parts of the FEMA, such as St Albans and Watford, where access to London and public transport connections are particularly valued by potential occupiers. In particular, there would be a risk that many of the HQ functions and large professional service occupiers may look outside the FEMA and the investment would be lost to South West Herts.'*¹³

3.14 Although ostensibly in relation to distribution and warehousing, further consideration is given to the status of Maylands as a future employment site. The SWHES notes that demand for B8 uses has been higher at Maylands than elsewhere in the FEMA but even so, agents consider that demand is still outstripping supply because much of the land is safeguarded for office development¹⁴. The study considers that planning for solely office development at Maylands which could meet a huge proportion of the FEMA-wide need identified, would present risks for the wider sub-region which we

¹⁰ Para. 8.17

¹¹ Para. 8.23

¹² Table 8.2

¹³ Para. 9.32

¹⁴ Para. 9.37

refer to above. Furthermore, it is the market demand for B8 space at Maylands which is most dominant¹⁵.

- 3.15 The final conclusion of the report is that, even allowing for intensification and redevelopment, there is expected to be an overall undersupply of sites to meet the identified demand and suggest that the constituent authorities may need to consider Green Belt release to rectify this.

South West Hertfordshire Employment Land Update

- 3.16 The South West Hertfordshire Employment Land Update (SWHELU) (2010) was commissioned by Dacorum and Three Rivers Councils as an update on the London Arc Job Growth and Employment Land Study (2009) and the South West Hertfordshire Employment Space Study (2005). The client group for these preceding studies varied but always included Dacorum.
- 3.17 The SWHELU did not include new demand analysis but referred instead to the figures set out in the preceding studies. These are summarised below for the period 2006-31:

Table 3.1: Previous demand for employment space in Dacorum

Net floorspace change (sqm)	Industrial & warehousing	Office	Total
London Arc 2009	27,688	25,417	53,105
SWHESS 2005	73,944	39,720	113,664

Source: SWHELU Tables 5.6 & 5.7

- 3.18 With regard to supply, 62,500 sqm of industrial and warehousing and 124,300 sqm of office space was identified. In relation to office supply, Maylands Gateway was identified as the main component of this.
- 3.19 However, in summarising recommendations, the study specifically notes that development plan policy should adopt the '*suggestion for use of the backland at Maylands Gateway for a wider range of B-uses than B1*'¹⁶. Other recommendations included releasing land to the east of Buncefield for B2/B8 development; introducing measures to improve the attractiveness of the wider Maylands area and the town centre to office occupiers; and the potential of introducing office development to the Two Waters area, near to the station.

¹⁵ Para. 9.39

¹⁶ Para. 6.5

Neighbouring authorities

- 3.20 The adjoining authorities share, to an extent, some of the same evidence base as Dacorum. This section considers those other studies that have implications for this evidence.

Hertfordshire London Arc Jobs Growth and Employment Land Study

- 3.21 Roger Tym & Partners were jointly commissioned by Dacorum Borough Council and the six other partner authorities that make up the Hertfordshire London Arc namely Broxbourne, Hertsmere, St Albans, Three Rivers, Watford and Welwyn Hatfield to undertake the Hertfordshire London Arc Jobs Growth and Employment Land Study. The study was published in March 2009. The high level study advised on the future provision of employment land in the study area to 2026
- 3.22 In summary, the study found the London Arc economy to be highly productive and competitive, with a highly skilled workforce. The study established that demand for 'big sheds' was high and that developers would continue to provide these as long as there was suitable land to do so. In this regard, the study recommended that existing industrial and warehouse sites should be safeguarded with exceptions made for sites that are no longer viable or suitable.
- 3.23 In terms of office floorspace, the Hertfordshire London Arc was identified as a secondary office market to the Thames Valley. With demand for office space being relatively weak. The study advised that the Hertfordshire London Arc should provide at least one or two new business park sites in either St Albans and/or Welwyn Hatfield in order to maximise its office potential. The partner Authorities were also advised to provide high quality office sites within town centres. As with warehouse and industrial sites, the study recommended that only suitable and viable office sites should be safeguarded.

St Albans Economic Development and Employment Land Evidence Update (draft)

- 3.24 The St Albans Economic Development and Employment Land Evidence Update was published in draft in April 2016 and represents the most up-to-date evidence for St Albans. It informs the draft St Albans Strategic Local Plan (SLP) and the Consultation Draft Detailed Local Plan (DPL).
- 3.25 The study includes an assessment of sites adjoining the DBC boundary and the implications of the proposed East Hemel Hempstead site. An assessment of the Radlett Aerodrome site is also considered due to the implications it has on the sub-region.
- 3.26 In its assessment of potential and existing employment floorspace, the study includes site EMP 7- North of Buncefield, Hemel Hempstead (PBA assessed the site as site M3 as part of the ELAA). The site is located at the boundary of St Albans and DBC and is functionally part of Maylands. The site consists of two large warehouses

occupied by DHL and Wickes. The study assessed the site as being of average quality though suitable for warehouse and distribution uses.

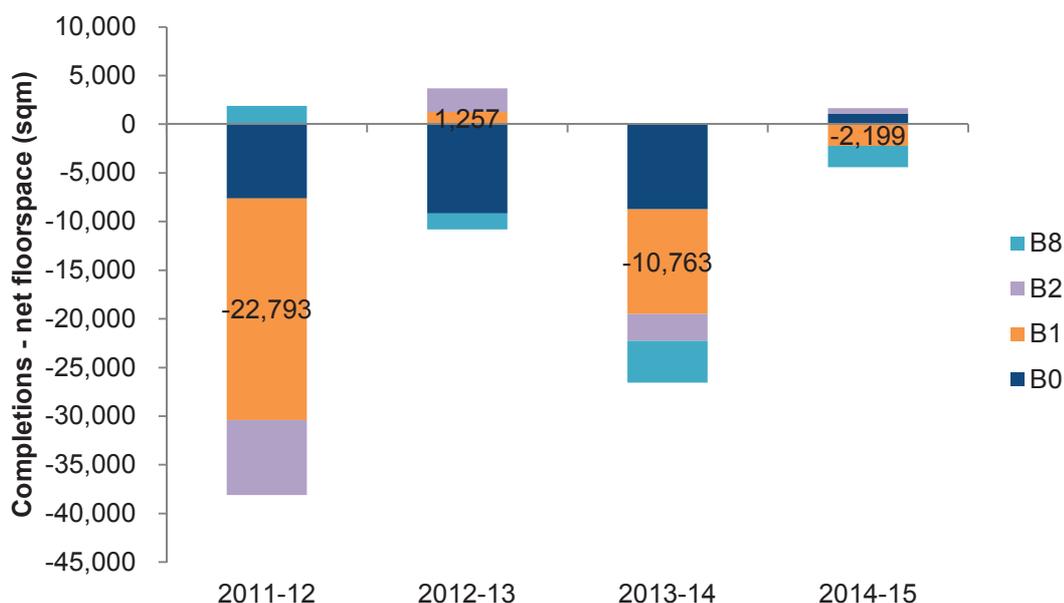
- 3.27 The study identifies that for large, strategic warehouses, there are two major proposals with the potential to attract footloose, regional demand. These are developments in Maylands and the redevelopment of the former Radlett Aerodrome.
- 3.28 The Radlett Strategic Freight Rail Interchange at the former Radlett Aerodrome is a significant development proposal in St Albans. The site's planning history is complex and includes legal challenges in both the High Court and the Court of Appeal by both the developer and the Council. After the initial application being submitted by developer Helioslough for the redevelopment of the site in 2006, permission for the scheme was only granted in 2014.
- 3.29 The scheme includes 331,665 sq.m of B8 warehouse floorspace, ancillary B1 and B2 and associated road and rail infrastructure. The proposal was specifically designed to help meet the need for Strategic Freight Rail Interchanges for London and the South East. If developed, the proposed warehouse units would make up a substantial part of the floorspace need for the sub-region.
- 3.30 In terms of policy considerations, considerable weight is placed on the East Hemel Hempstead Urban Expansion. Draft SLP Policy 13a (East Hemel Hempstead (North) Broad Location) and Draft SLP Policy 13b (East Hemel Hempstead (South) Broad Location) identifies East Hemel Hempstead broad location as site for strategic employment uses.
- 3.31 For the 55 ha East Hemel Hempstead employment site, the study identifies two development scenarios. The first scenario assumes that all land is available for shed development and would result in 220,000 sq.m of gross storage and distribution floorspace. Approximately 2,600 jobs would be generated from this scenario. The second scenario looks to a mix of employment uses (50% warehousing, 30% business park and 20% offices) resulting in 11,581 jobs on site. Averaged out, the study identifies a job target of about 8,000 jobs on the site over a 20-year period.

Monitoring

- 3.32 The Authority Monitoring Report (AMR for Dacorum (published January 2016, covering the year April 2014 to March 2015) confirms that, since 2006, there has been a net loss of 94,000 sqm of B-Class floorspace (59,000 sqm of office space and 35,000 sqm of industry, storage and distribution space)¹⁷.
- 3.33 Figure 3.2 below summarises what has happened over the last four monitoring years, with every year recording a net loss of floorspace.

¹⁷ Para. 6.11

Figure 3.2 Completed B Class floorspace in Dacorum 2011-15



Source: DBC Employment Land Position Statements¹⁸

3.34 Analysis of Valuation Office Agency (VOA) data confirms that this trend has been in place for some time. As shown in the table below, while the region (and to a lesser extent the county) experienced growth between 2000 and 2012, the quantum of office space in south west Herts declined. This decline was particularly pronounced in Dacorum.

Table 3.2 Office floorspace across the region 2000-12

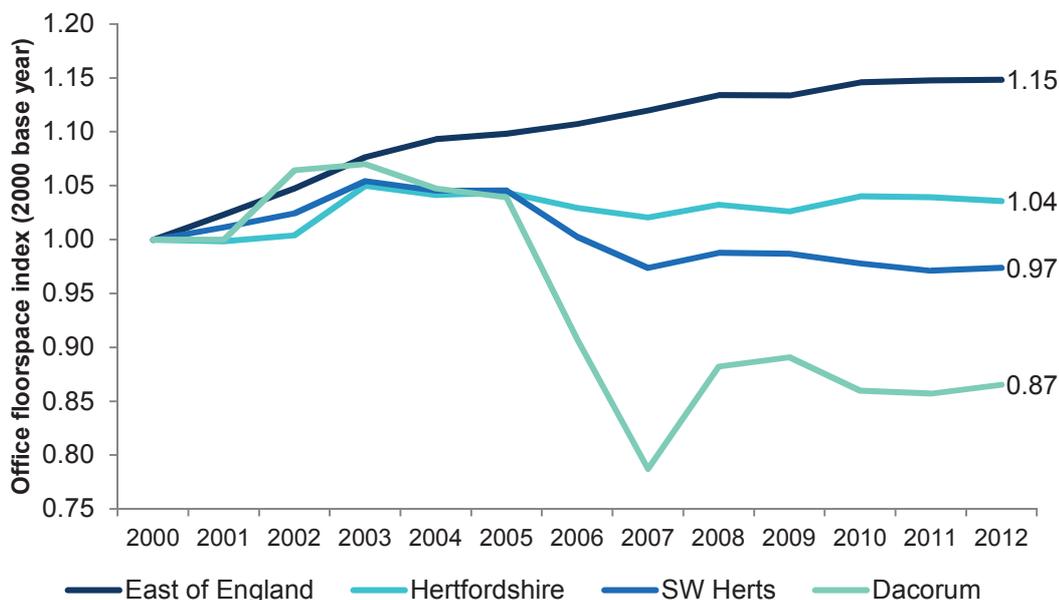
Area	2000 (000 sqm)	2012 (000 sqm)	Change (000 sqm)	% change 2000-12
East of England	6,797	7,805	1,008	15%
Hertfordshire	1,939	2,008	69	4%
SW Herts	1,141	1,111	-30	-3%
Dacorum	357	309	-48	-13%

Source: VOA Business Floorspace (Experimental Statistics) Table 3.3

3.35 The impacts of the Buncefield explosion in 2005 on the stock of office space is clearly shown in Figure 3.3 and while there was some recovery, the quantum of office stock in the borough has never recovered to pre-Buncefield levels.

¹⁸ B0 refers to flexible B Class space i.e. it could be used for either B1, B2 or B8 purposes

Figure 3.3 Office floorspace 2000-12



Source: VOA Business Floorspace (Experimental Statistics) Table 3.3

- 3.36 Drawing these two data sources together suggests that in April 2015 there was in the order of 265,000 sqm of office space in the borough.
- 3.37 In relation to industrial space, the table below shows the VOA data for the region. Dacorum shows the greatest relative losses which appear to have been exacerbated by Buncefield.

Table 3.3 Industrial floorspace across the region 2000-12

Area	2000 (000 sqm)	2012 (000 sqm)	Change (000 sqm)	% change 2000-12
East of England	32,021	33,299	1,278	4%
Hertfordshire	5,329	5,282	-47	-1%
SW Herts	2,240	2,041	-199	-9%
Dacorum	710	633	-77	-11%

Source: VOA Business Floorspace (Experimental Statistics) Table 4.3

Prior approvals

- 3.38 As of March 2016, there have been 45 applications for prior approval for office to residential permitted development in the borough since the rights were introduced in 2013. The number of prior approvals for office to residential permitted development is unevenly distributed across the borough with 35 notifications being submitted in Hemel Hempstead. Prominent examples in the town centre include Bryanston Court and Hempstead House on Selden Hill which comprised 6,274 sqm of B1(a) office space.

- 3.39 The permitted development rights have had a large impact on the Borough's office floorspace especially in Hemel Hempstead where an underperforming office market has resulted in vacant office floorspace within the centre. At the same time, Hemel Hempstead represents a relatively affordable residential area within south west Hertfordshire; this has meant demand for residential space has been high. Furthermore, the permitted development rights mean that schemes which would previously have been subject to additional costs in terms of affordable housing and social infrastructure contributions can be brought forward without the need for these.
- 3.40 In some cases, the prior approval has not been implemented but instead it has been used as a mechanism for extinguishing the established employment use before an application for more extensive redevelopment is made. Symbio House, to the south of the town centre in the Two Waters area, is an example of such a tactic: the prior approval notice established the loss of 1,465 sqm of B1(a) office space; however, a subsequent permission for comprehensive redevelopment for housing is likely to be implemented.
- 3.41 While the intention behind the introduction of the rights was to allow redundant office floorspace to be released for residential use, in areas of high residential pressure or values, this has meant that more than just redundant stock has been released. Evidence derived from conversations with local agents indicates that the introduction of these rights has meant that previously occupied office space within the town centre has been vacated to enable conversion.
- 3.42 Against this, there is one example within Hemel Hempstead at Corner Hall (a designated GEA) where partial employment use has remained despite a prior approval in place. In this instance, one of the four buildings has been retained for offices while the other three converted to residential. This is far from typical in Dacorum though.
- 3.43 Losses in office floorspace have been more limited in Tring, Berkhamsted and Maylands. For Tring and Berkhamsted, this is in part a function of the lower quantum of office space in these locations. In relation to Maylands, the lower number of applications is likely to be because of its more industrial nature which is likely to be more challenging in terms of residential values. However, prior approval was granted on Viking House (1,902 sqm) which is located on the western edge of Maylands and therefore closer to some existing residential uses. Also, a recent application at Vantage House, Mark Road was submitted but subsequently withdrawn. In circumstances where the improvements in amenities in the area at the Heart of Maylands will make the area more attractive in residential terms, Maylands cannot be considered to be immune to such future applications.

Summary

- 3.44 The NPPF and PPG set the context for planning for economic development needs. At the heart of this is deliverability. Local authorities must make provision to meet their needs and co-operate where necessary with their neighbours. However, in making these plans, there is a clear onus on local authorities to ensure that sites are not safeguarded where there is no prospect of delivery. In circumstances where

employment development needs are competing with demands for space to accommodate other uses, particularly residential, this presents a challenge for local authorities. This is particularly relevant to Dacorum, specifically in Hemel Hempstead.

4 PROPERTY MARKET PROFILE

Introduction

- 4.1 In this chapter of the report we analyse the current property market, considering the demand for floorspace and land from business occupiers, the supply provided by landowners, developers, and site allocations through the Local Plan and then balance between the two. This market balance drives the need for additional employment land. Where effective demand exceeds the land currently in employment use, there will be scope for new development and a resulting demand for additional land.
- 4.2 We deal separately with two types of employment space:
- Offices (B1a)
 - Industrial space, which covers light industry (B1c), general industry (B2), and warehousing (B8) uses.
- 4.3 Our assessment is based on analysis of market transactions and discussions with property agents and stakeholders experienced in the local market. To estimate floorspace take-up and availability we use the property market database EGi. Analysis of this data allows us to identify market trends. Qualitative research involved telephone consultations with a number of local agents. We also conducted a stakeholder workshop, where commercial property developers, investors and agents contributed their opinions and knowledge of the market.
- 4.4 As main indicators we use rental values, recent take-up, total stock, floorspace availability (vacancy), and occupier profile. In a property market context, ‘take-up’ means the occupation of business floorspace¹⁹. Here, take-up includes the leasing of both new build and second-hand space²⁰ (second-hand space represents the larger share of the market). Similarly, ‘availability’ refers to properties currently being marketed. This includes both new and second-hand space immediately available. We provide separate commentary on the development pipeline.
- 4.5 In markets where take-up and rents are high and availability is low, there will likely be demand for more land. Conversely, if take-up is low, there is much floorspace available and rents are too low to support new development, or even the maintenance of existing buildings, then land may be surplus to requirements and should perhaps be released for other uses.
- 4.6 Total stock figures have been derived from analysis by the VOA data on business rate assessments. The VOA data is a ‘snapshot in time’ of those properties (hereditaments i.e. rateable unit) on the rating list at the time assessment. The list is amended from time to time to reflect new properties being developed and properties being redeveloped/demolished for alternative use i.e. delisted. We have cross-referenced the VOA data with the EGi data to provide an indication of vacancy rates.

¹⁹ By contrast, in a planning context ‘take-up’ means the land developed to provide new floorspace

²⁰ Second-hand stock comprises all previously occupied floorspace, including refurbishments

Cross referencing the EGi and VOA data does have limitations as the sources are different therefore not guaranteeing the description on unit type or size being the same. The reason why there may be discrepancies with the unit type is that the VOA has 117 description codes which are used to classify the properties listed on their website, whilst EGi has five broad groups. Our analysis has focused on those VOA properties categorised as: offices and premises, office, factory and premises, warehouse, warehouse and premises, workshop and premises, and store and premises. Agents may list property on EGi for industrial or office purposes that do not fall in the VOA categories that we have used in our analysis. Part of the reason the size data may not correlate is that the EGi may provide a total floor area for a single building whereas the VOA data may list this into various suites and vice versa. Due to the volume of data it has not been possible to iron out these discrepancies.

- 4.7 All office floor areas stated are the Net Internal Areas and all Industrial and distribution space the Gross Internal Areas.
- 4.8 This report has been written following the UK's vote to leave the European Union. The full impact that this announcement will have on the commercial market is unclear. Since the vote to leave we have seen the pound sterling lose around 20% against the US Dollar and Euro, conversely, we have seen the share prices rise. The potential benefit of the weakening of the pound is that property prices will appear more affordable to overseas buyers which may help underpin the market in the short-term. But ultimately it will be buyers' opinion of job security, availability of credit and interest rates which will be the main factors on how this announcement will impact the commercial markets.

Background

- 4.9 Dacorum is located north west of Greater London on the M1 corridor, with the south of the borough touching the M25. Commuters are attracted to the borough due to the rails links into central London, the quality of accommodation and the relative affordability. The borough has a number of key industrial occupiers (e.g. Amazon and Next) and office occupiers (e.g. Britvic).
- 4.10 The remainder of this chapter considers the office and industrial markets in turn. The analysis has two purposes: firstly is to identify where there is potential demand for new development, and secondly where some of the existing property stock may become surplus to market requirement.

Offices

Overview

- 4.11 During the recession in the latter years of the 2000s, speculative office development in the UK came to a standstill. As the national economy has begun to improve (since around 2010), speculative office building has restarted. This occurred firstly in London and now more recently in a number of core regional cities such as Manchester and around the Thames Valley. Office development is only currently viable and

financeable in major towns and cities – typically with a pre-let in place to a blue-chip covenant on a long lease. This structure gives sufficient security to their investment to enable funding to be obtained. Demand in these centres is coming from professional services such as lawyers and accountancy firms.

- 4.12 The borough faces existing competition from the nearby centres of St Albans and Watford, and emerging competition from Luton.
- 4.13 St Albans and Watford office markets have good quality offices available, with good amenities, and some of which is in close proximity to the station – these factors make them an attractive location. Savills report that ‘Watford has remained largely undervalued compared to other surrounding M25 towns. Rents for refurbished Grade A space currently stand at circa £290 psm, whereas St Albans’ stand at £323 psm psm²¹. Watford’s office rents mean that it is relatively affordable in comparison to other M25 towns, and St Albans’ rents means that new development is likely to be viable.
- 4.14 In Luton, the Council is promoting a new mixed use development at Junction 10 M1 called Newlands Park. As part of the development a current planning application proposes 46,450 sq m of offices. The purpose of the development is to help cross subsidise a new town centre football stadium for Luton Town Football Club. The Council has had some previous success with new office development at the airport. The proposed quantity of space, although untested in the market, is likely to be attractive to some occupiers due to the quality of environment and the complementary uses of retail and leisure.

Demand

- 4.15 Dacorum is not a core regional centre for offices. Demand for offices in the borough is typically from small and medium enterprises (SMEs) with many larger occupiers found in the borough for historical reasons or needing to service the local/regional market.
- 4.16 National/international occupiers are found at Apsley (Epson and HSBC), Breakspear Park (Britvic), and Maylands (Sopra Steria). These occupiers are attracted to these locations due to:
- Access to rail station – ease of access for staff (especially graduates who typically don’t have cars) and clients
 - Quality of environment – not large-scale industrial
 - Access to good quality housing, especially for company executives
 - Availability of amenities
- 4.17 SMEs occupiers are more price-sensitive, resulting in them being more flexible in the type and location of accommodation they take. SMEs are found all across the borough (not necessary in defined employment areas) in a mixture of purpose built and converted accommodation.

²¹ Savills (23 May 2016) *Watford office market makes a come back*

- 4.18 As Table 4.1 and Table 4.2 show, in the last five years' annual office take-up averaged 18,000 sq m, across 273 transactions. Notable deals recorded on EGi during this period include The Dispute Service Limited taking 1,000 sq m at Progression Centre, and KCom Group taking 1,200 sq m on Boundary Way. Although these deals are sizeable for the local market they are not significant in national terms. Agents tell us that the 10-year annual take-up of office floorspace is around 10,200 sq m. Take-up figures were boosted by firms taking space post the Buncefield explosion. Agents are of the opinion once the 'Buncefield effect' is excluded from the analysis take-up is relatively poor.

Table 4.1: Annual office take-up, 2011-15

Year	No. of transactions	Annual take-up sq m
2011	50	38,885
2012	56	12,356
2013	77	20,442
2014	45	9,208
2015	45	9,540
Average (2011 - 2015)	55	18,086

Source: EGi, AVL

- 4.19 Table 4.2 highlights that the majority of transactions that have occurred in the borough over the last five years has been in smaller size ranges: nearly half of the transactions being up to 250 sq m, and around 85% of all transactions being up to 500 sq m.

Table 4.2: Office take-up 2011-15 by unit size

Unit size	No. of units	% of transactions
up to 100 sq m	127	47%
101 - 250 sq m	61	22%
251 - 500 sq m	46	17%
501 - 1,000 sq m	27	10%
1,001 - 2,000 sq m	7	3%
2,001 sq m plus	5	2%
Total	273	

Source: EGi, AVL

Supply and market balance

- 4.20 In our assessment of market supply we have considered the main office locations of Hemel Hempstead town centre, Maylands, Westside Apsley, Kings Langley and Breakspear Park.

Hemel Hempstead town centre

- 4.21 Hemel Hempstead is characterised by purpose built 1960/70s and older converted office stock. The main office core is around the Marlowes in buildings such as Hamilton House.
- 4.22 The town centre contains around 25,000 sq m of existing stock. Table 4.3 shows that the town centre offices are generally well occupied, given the type of space available. Although some of this space may not be suitable, in quality or configuration terms, it is occupied as there are no other options in the town centre. Overall vacancy is at 19% which is slightly higher than current market norms but when we look at the spread of vacancies against unit sizes the highest vacancies are for smaller units where there is greatest demand in the borough – therefore the vacancy level is not a concern.
- 4.23 The town centre market struggles to attract new occupiers to the borough due to poor public transport access (rail station not directly in the town centre), lack of car parking and lack of availability of good quality modern space.

Table 4.3 Hemel Hempstead town centre office stock & availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sq m	36	45%	4	11%
101 - 250 sq m	21	26%	7	33%
251 - 500 sq m	10	13%	1	10%
501 - 1,000 sq m	9	11%	1	11%
1,001 - 2,000 sq m	3	4%	1	33%
2,001 sq m plus	1	1%	1	100%
Total	80		15	19%

Source: EGi, VOA, AVL

Maylands

- 4.24 Maylands is the largest employment site in the borough, providing a mixture of purpose built office and industrial accommodation. Maylands is located approximately 2 miles east of Hemel Hempstead town centre. The estate is serviced mainly from Maylands Avenue, which provides access (via Breakspear Way) onto Junction 8 M1. Much of this space is purpose built, second-hand stock in multi-tenanted buildings.
- 4.25 Maylands contains around 95,000 sq m of existing office stock, with EGi reporting there is 19,600 sq m available – representing around one fifth of the total floorspace. Despite around one fifth the total floorspace currently being vacant, Table 4.5 shows that it represents less than 10% of the total number of units. This is because much of the available space is in a single building. e.g. The Maylands Building which has 13,600 sq m available in units from 700 – 3,300 sq m. Table 4.4 shows that around 80% of the total stock is units of 500 sq m or less.

Table 4.4 Maylands office stock and availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sq m	82	52%	1	1%
101 - 250 sq m	21	13%	1	5%
251 - 500 sq m	19	12%	2	11%
501 - 1,000 sq m	15	9%	7	47%
1,001 - 2,000 sq m	9	6%	0	0%
2,001 sq m plus	13	8%	1	8%
Total	159		12	8%

Source: EGi, VOA, AVL

- 4.26 We would consider an 8% vacancy in line with current market norms. However, there is only one unit available in the size band of under 100 sq m and nothing between 101 – 250 sq m i.e. the size bands where we see the bulk of letting activity occur in the town. The smaller units are in short supply whereas the market for the larger units seems more balanced.

Breakspear Park, Hemel Hempstead

- 4.27 Breakspear Park is located opposite to Maylands, adjacent to Junction 8 M1. Although it could be considered to be part of Maylands, it is marketed as a standalone office park. Regus has a serviced office here and Britvic is here because they have a distribution unit further up the M1. Agents report that take-up of space here over the last 10 years has been slow.
- 4.28 Breakspear Park has around 13,000 sq m of existing office stock with EGi reporting that there is currently 7,000 sq m available i.e. around half of total floorspace. This figure distorts the picture of Breakspear Park as Table 4.5 shows that the availability is contained in a single building of 7,000 sq m with individual suites available from 1,400 – 1,800 sq m. Breakspear Park has no availability of units under 500 sq m, despite this representing nearly 90% of the total stock. We would consider the market undersupplied for smaller units at Breakspear Park and more in balance for larger units.

Table 4.5 Breakspear Park office stock & availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sq m	43	83%	0	0%
101 - 250 sq m	2	4%	0	0%
251 - 500 sq m	3	6%	0	0%
501 - 1,000 sq m	2	4%	0	0%
1,001 - 2,000 sq m	1	2%	0	0%
2,001 sq m plus	3	6%	1	33%
Total	52		1	2%

Source EGi, VOA, AVL

Apsley

- 4.29 Apsley is approximately two miles south of Hemel Hempstead town centre. Apsley also benefits from good quality existing stock, good quality housing, a railway station and local amenities which makes it attractive to occupiers. The railway station has regular trains into Euston, which has a journey time of around half an hour.
- 4.30 Office accommodation in Apsley is modern purpose built stock. Occupiers are attracted to Apsley due to accessibility to quality of stock available, ease of access to London, amenities (Sainsbury's, Holiday Inn Express etc.), quality of housing (attractive to company directors and staff), and public transport links (to attract staff). Occupiers in Apsley include Epson and HSBC.
- 4.31 Total office stock in Apsley is 9,400 sq m across 40 units making it the smallest office area as part of this analysis. EGi reports that there are just 2 units available resulting in a vacancy rate of 5%. We consider the vacancy rate low compared to current market norms, especially for smaller units where the majority of the Borough's letting activity occurs in an area we would consider well suited to capture demand from SMEs.

Table 4.6 Apsley office stock & availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sq m	31	0%	1	3%
101 - 250 sq m	4	0%	0	0%
251 - 500 sq m	3	0%	1	33%
501 - 1,000 sq m	0	0%	0	0%
1,001 - 2,000 sq m	1	0%	0	0%
2,001 sq m plus	1	0%	0	0%
Total	40		2	5%

Source EGi, VOA, AVL

Kings Langley

- 4.32 Kings Langley is a village located to the south of the borough, close to Junction 25 M25. The village has a rail station which provides regular trains into Euston station. The journey time is just under half an hour. Adjacent to the rail station is a business park which provides a mix of office and industrial premises.
- 4.33 Office accommodation in Kings Langley is modern, purpose-built stock and is located mainly in the part of the village within Three Rivers District. Commercial property markets work across administrative boundaries and we have not sought to distinguish the market between Dacorum and the Three Rivers. Occupiers are attracted to Kings Langley due to accessibility to quality of stock, ease of access to London, quality of housing (attractive to company directors and staff), and public transport links (to attract staff). Occupiers in Kings Langley include EMTEX and Imagination Technologies.

- 4.34 Total office stock in Kings Langley is 33,000 sq m, with EGi reporting that there is just 200 sq m currently available. Table 4.7 shows that all the current availability is for smaller units of less than 250 sq m. The overall availability equates to 11% of the total stock which is in line with current market norms. The majority of the vacancy is for smaller suites where most of the borough's letting activities occurs therefore we do not consider there to be an issue with oversupply. There does appear to be an undersupply of larger units with nothing currently available.

Table 4.7 Kings Langley office stock and availability

Size range	Total no. of units	% of units by size range	No. of units available	Units available as % of all units
up to 100 sq m	37	58%	7	19%
101 - 250 sq m	14	22%	0	0%
251 - 500 sq m	4	6%	0	0%
501 - 1,000 sq m	3	5%	0	0%
1,001 - 2,000 sq m	2	3%	0	0%
2,001 sq m plus	4	6%	0	0%
Total	64		7	11%

Source: EGi, VOA, AVL

- 4.35 The administrative geography is not likely to impact on the views of the market on King's Langley as a location, but much of the existing office space in our analysis is located within Three Rivers, rather than Dacorum. The boundary between the two councils follows the line of the canal so the station and the established office development around Station Road is within Three Rivers. This is likely to be for historical reasons i.e. land along the railway line being in historic rail or employment uses.

Rents

- 4.36 Rents for Grade A offices in Dacorum range from £226 - £258 psm, typically achieved on the modern out of town stock. Rents in Hemel Hempstead town centre are typically lower. Rents here are around £161 psm, with some units letting for less than £108 psm. The lower rents achieved in the town centre are a reflection of relatively poorer stock available and the poorer connectivity.
- 4.37 Town centre rents would need to improve significantly (around double) from the relatively low base position to stimulate viable development. Rents achievable out of town mean the development to a strong covenant is likely to be viable although it is unlikely that space would be speculatively built on this basis in the current market. Especially as agents report that occupiers are not prepared to commit to institutional term leases which would help crystallise value.

Space surplus to requirements

- 4.38 Since the introduction of permitted development rights, the town centre has lost some office space to residential use. In other towns and cities this has resulted in supply for secondary stock becoming scarce and pushing rents up. As office rents have been

increasing in these locations developers have started to become interested in building again.

- 4.39 In Hemel Hempstead the position is different: the town has lost office space which has not been replaced. Rents have not increased to a level that would make development attractive; this is because the town is constrained, with poor access to the rail station, meaning it is not attractive to occupiers. With space unlikely to come forward in the town and vacancy rates in line with current industry norms, agents have expressed concerns that if space continues to be lost through permitted development rights, the market will become imbalanced with demand outstripping supply.
- 4.40 The out of town office market is more mixed. Maylands provides the most office stock in the borough but has also struggled to bring forward new development, despite land being available e.g. the HCA land. Stanhope only developed out one of their six permitted large office buildings on the Peoplebuilding site at Maylands Avenue/Breakspear Way due to poor occupier interest. The balance of the site is now being promoted largely for retail use, with outline permission being granted in 2016 and the Council has recently resolved to grant full permission.
- 4.41 Breakspear Park has performed better than Maylands as it has on-site facilities but take-up here still has been slow, again because of the poor public transport links that Maylands suffers from. Vacancy rates at Maylands and Breakspear Park are relatively low but agents do not anticipate new stock coming forward because of weak demand. That said, there are concerns that if office space is lost in these locations it will not be replaced.
- 4.42 In stronger demand locations such as Kings Langley and Apsley there are some vacant units which also need to be protected to capture existing demand.

Opportunities for development

- 4.43 Agents tell us that office occupiers are currently not attracted to Maylands because of its mixed industrial/office location, poor public transport links and poor amenities. Although the council's initiatives such as the Heart of Maylands will improve conditions for existing occupiers it may not be sufficient to attract significant new office occupiers unless further interventions are made. Further interventions will need to be improved public transport links and a shift in the stock from being mixed industrial/office location to solely offices. Creating the "step change" from a mixed industrial/office location to solely offices is likely to be difficult because the estate is not in single ownership.
- 4.44 Kings Langley, Apsley and Breakspear Park provide better opportunities for future development as they provide the correct environment to attract occupiers and current achieved rents and type of occupiers, development here is likely to be viable. There is more uncertainty regarding the delivery of new offices at Hemel Hempstead Gateway. Although the site has good public transport links with the train station. Rents at the Gateway site will need to be significantly higher than what is currently being achieved in the Hemel Hempstead market unless residential is used to cross-subsidise or a

significant pre-let is secured. The latter is unlikely because our market analysis has not shown that there is occupier interest in the current market for a significant pre-let.

The office market: conclusions

- 4.45 The growth of the office market in recent years has been in London, core regional cities and the Thames Valley. Even in these locations development is typically not viable or financeable without a pre-let in place. Other centres, outside these core areas are considered more marginal. The office market in Dacorum is not as strong as these core office centres and, at a more local level, centres such as Aylesbury and Watford appear to be performing better as office locations. Occupier need for public transport access, especially rail, cannot be underplayed to attract new occupiers along with access to amenities.
- 4.46 Hemel Hempstead is constrained due to the rail station not being in the town centre. Although vacancy rates are not a concern, this is as a result of stock being lost through permitted development rights and no new stock being provided. The combination of weak demand and low rents means that development here is unviable and we do not see this changing during the plan period.
- 4.47 Maylands is constrained through poor public transport, poor amenities and the largely industrial nature of the area. Significant public sector intervention would be required to turn the fortunes around of Maylands to make it more attractive to occupiers. We do not envisage this level of intervention occurring.
- 4.48 Due to low vacancy rates and low probability of new space coming forward in Hemel Hempstead and Maylands, the Council should seek to protect the existing supply. Breakspear Park has shown that even once the 'industrial stigma' is removed from Maylands area the limited amenities and poor public transport access restricts the appeal for occupiers.
- 4.49 Due to the constraints of large existing office locations in Dacorum, future growth is seen in locations with good rail access, amenities and higher rents i.e. Kings Langley and Apsley. Although typically we would not promote locations which appear more rural for offices, the pull of the rail stations, and their links into London and M25, makes Kings Langley and Apsley attractive for future office growth.
- 4.50 The Gateway site in Hemel Hempstead has good transport links but the delivery of this site is more uncertain due to uplift in rents required to make this viable, unless residential is used to cross-subsidise or a significant pre-let is secured.

Industrial and distribution space

Market overview

- 4.51 Growth in this sector has been through online retailers and distribution companies need for warehouse and distribution space. These companies tend to offer good covenants and are prepared to commit to institutional lease terms – therefore creating good capital values. These good capital values not only provide a signal for developers to bring forward units but also enables them to bid competitively for sites

- 4.52 The global economic crisis led to a shortage of speculative space coming forward to the market which led to a shortage of stock available (particularly in the South East) immediately available. Occupiers were forced to take either second-hand space or wait for build to suit opportunities. In recent years, speculative development has returned, helped by the easing of the financial markets. Property agents Lambert Smith Hampton report that ‘2015 was a fascinating year for the industrial and logistics sector. Speculative development came back in a big way, rental growth continued its onward march across the country and, while take-up was down on 2014’s high, it was ahead of its annual average.’²²
- 4.53 New build growth has been for large units where demand has been strong and the balance between capital value / land value / build costs / developer return is maximised. Agents are now reporting that there is more of an imbalance for mid-size and smaller units where there has been less development activity in recent years. Demand for these units is currently strong but developers have been slower to bring these units forward as build costs are higher and capital values can be lower meaning land and/or developer return cannot be maximised.
- 4.54 Demand for industrial space remains strong in the south east, especially for those locations that can easily access the London market. These locations have benefitted from the ‘squeezing’ of industrial land for higher alternative uses in the capital, resulting in occupiers seeking more affordable space in easy reach.

Dacorum overview

- 4.55 Table 4.8 shows that the five-year average annual take-up for industrial premises in Dacorum is 50,000 sq m.

Table 4.8 Annual industrial take-up (2011-15)

Year	No. of transactions	Total take-up sq m
2011	21	69,545
2012	18	11,987
2013	38	62,918
2014	40	83,381
2015	26	25,871
Average (2011 - 2015)	29	50,741

Source: EGi, AVL

- 4.56 For the purpose of analysis, we split the industrial / distribution sector into three size ranges:
- Small-size - up to 1,858 sq m
 - Mid-size – 1,859-9,290 sq m
 - Large-scale 9,291 sq m plus.

²² Lambert Smith Hampton (2016) *Industrial & Logistics Market*

- 4.57 As shown in Table 4.9 the first of these categories accounts for nearly one in 10 of the units taken up in the last five years, but only 20% of the floorspace taken up in that period. The five-year average for smaller units is around 10,000 sq m.

Table 4.9 Industrial take-up 2011-2015, by size range

Size range	No. of transactions	% of transactions	Floorspace transacted	% of floorspace transacted
Total 2011-15				
up to 1,858 sq m	126	88%	50,777	20%
1,859-9,290 sq m	9	6%	35,229	14%
9,291 sq m plus	8	6%	167,697	66%
Five-year average per annum				
up to 1,858 sq m	25	88%	10,155	23%
1,859-9,290 sq m	2	6%	7,046	16%
9,291 sq m plus	2	5%	27,229	61%

Source: EGi, AVL

- 4.58 Our analysis of the Dacorum market has focused on the main industrial area of Maylands along with Apsley, Kings Langley (mainly within Three Rivers District) and Breakspear Park. Industrial properties are also dotted around the borough on smaller estates which are well occupied by SMEs.

Large-scale - 9,300 sq m plus

Demand

- 4.59 Large-scale units are typically strategic warehouses, occupied by national or global companies who use them to deliver to national or multi-region markets. The growth in the online retail sector has resulted in strong demand from retailers and third party logistic (3PLs) companies for large-scale distribution units. Agents tell us that they still see future growth in this sector, and do not believe it is at saturation point yet.
- 4.60 Occupiers seeking space in locations such as Dacorum require units to service London and the nearby areas rather than the UK wide market. Occupiers are not seeking the 'super-sheds' (say over 46,000 sq m) in these locations but are more satisfied around 9,300 sq m or less.
- 4.61 Maylands is the prime area for distribution in Dacorum due to its proximity to Junction 8 M1. Maylands has attracted national occupiers such as Amazon, Next and GIST.
- 4.62 Agents state there is currently little demand for the very large units, with these deals occurring once every few years. But there is demand for units between 20,000 and 30,000 sq m (details of which we provide later). Occupiers are ideally seeking speculative build opportunities to satisfy existing demand. But due to lack of speculative development occurring nationwide in the market (this has only recently returned over the last couple of years, after the financial crisis) occupiers have had to accept built-to-suit opportunities or second-hand space to satisfy their requirements.

4.63 Occupiers are looking for modern, high-quality industrial warehousing. More specifically, they typically require:

- Modern warehouse buildings
- High eave heights (typically 10-15 metres)
- Loading doors
- Access to major roads
- Room for parking and turning HGV
- Secure yards.

Supply and market balance

4.64 Table 4.10 shows that the overall stock level for large-scale units in Dacorum is low, at just nine units. All of these units are located at Maylands; an attractive location due to its proximity to the M1 motorway. There are no units of this size range currently available elsewhere.

Table 4.10 Large-scale industrial & distribution stock and availability

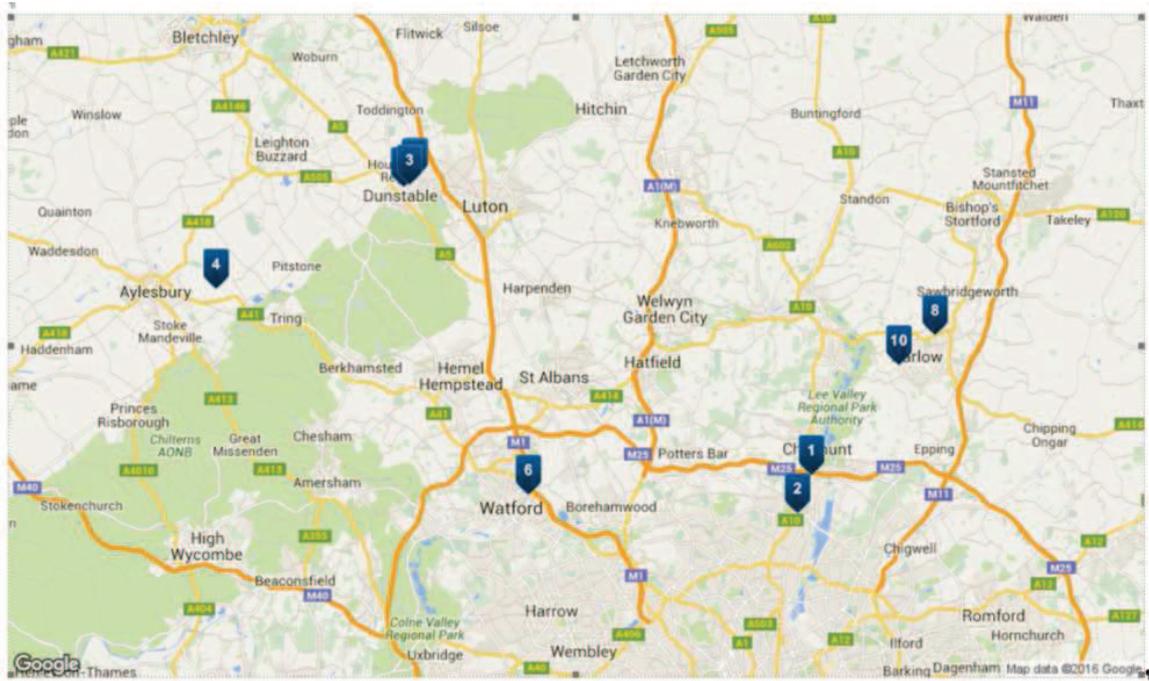
Location	Total No. of units	No. of units available	Total floorspace sq m	Floorspace available sq m	Availability as % of floorspace
Maylands	9	0	249,653	0	0%
Apsley	0	0	0	0	0%
Kings Langley	0	0	0	0	0%
Berkhamsted	0	0	0	0	0%
Total	9	0	249,653	0	0%

Source: EGi, VOA, AVL

4.65 DBC has advised that Prologis has recently purchased the former HCA site in Maylands and a planning application for 54,700 sq. metres of B1(c), B2 and B8 floorspace on this 13.1 ha. site has been submitted. The units will include three large units (between 12,000 and 15,700 sq m).

4.66 Dacorum faces competition from locations such as Enfield and Park Royal i.e. locations which are closer to Central London, serving the London market. Table 4.11 and Figure 4.1 shows that there is around 220,000 sq m of large-scale industrial space advertised on EGi in locations that could service London and outer North London market.

Figure 4.1 Location of current advertised large-scale units



Source: EGI

Table 4.11 Unit details of current advertised large-scale units

Ref	Address	Total sq m
1	Enfield Distribution Centre, Hertford Road, Waltham Cross, EN8 7RS	9,239
2	19 Crown Road, Enfield, EN1 1TH	9,368
3	Chiltern Park, Boscombe Road, Dunstable, LU5 4LT	9,596
4	Aston 41, College Road North, Aylesbury, HP22 5EZ	13,935
5	Prologis Park, Arenson Way, Dunstable, LU5 4RZ	22,398
6	Industrial Site, Park Avenue, Bushey, WD23 2BW	22,442
7	Woodside Industrial Estate, Humphrys Road, Dunstable, LU5 4TP	32,516
8	DC380, Edinburgh Way, Harlow, CM20 2GF	35,303
9	QuantuM-1, 1 Humphry's Road, Dunstable, LU5 4TP	41,806
10	New Frontiers Science Park, Harlow, CM19 5AW	24,155
Total		220,758

Source: EGI

Rents

4.67 Rents for large-scale units are £84 psm. Agents state that DHL is in discussion for renewal of their 11,150 sq m unit on Punchbowl Park (north of Buncefield, in St Albans District) and the rent is likely to be about £86 psm. Agents anticipate that future lettings will probably be at around this level. The tenant profile and rents achievable mean that development is viable. Although agents believe that Prologis

will need to achieve higher rents (which is currently unproven) to cover the cost of buying the HCA site at Maylands. Therefore, sourcing sites at the appropriate price is important to continue supply of this type of accommodation.

Opportunities for development

- 4.68 Our analysis of the large-scale industrial market in Dacorum suggests that availability (vacancy) is low. Although agents state that these size of transactions only occur every few years, recent EGi data suggest that activity is more often. If sites were made available, which had good motorway access then there is likely to be occupier interest. Short-term demand is likely to be absorbed through Prologis bringing forward the former HCA site but there are currently no opportunities planned for the medium/long term period. We would not expect the market here to absorb super sheds but of significant scale to service the London and the outer South East market i.e. sheds of around 9,300 sq m.

Surplus to requirements

- 4.69 Our evidence has not identified any large-scale units or estates that are required to be released for alternative use development. Although this size of unit is not as strong as mid-size there is no current availability and there is developer appetite (Prologis) to bring more stock forward.

Mid-size - 1,859-9,290 sq m

Demand

- 4.70 Occupiers of 'mid-size boxes' are more wide ranging than those in the 'big shed' market. They are a mix of national, regional and local companies, looking to service regional and local markets. The mid-size market also picks up online retailers and third-party distribution operators ('3PLs') as well as more niche companies. In this size range occupiers are seeking speculative built premises or existing stock, because they are generally unable to plan for the short term, so when they do need space they have no time to wait until a new unit is planned and built.

Supply and market balance

- 4.71 Table 4.12 shows that the mid-size market in Dacorum both in terms of number of units (25) and floorspace (122,000 sq m) is smaller than the large-scale. Stock of this size range is centred at Maylands. Current availability equates to one-year supply. Agents state that further space will come forward in 2017: Maylands Point (2,080 sq m) and Bourne End Mills (2,800 sq m) but this will add only a further year of supply. In addition, Prologis is seeking planning permission for four units (13,158 sq m) at Maylands but it is unclear at this stage whether these will be speculatively built. Overall, in the immediate term, supply is just about keeping up with demand but the market remains tight.

Table 4.12 Mid-size industrial & distribution stock and availability

Location	Total No. of units	No. of units available	Total floorspace sq m	Floorspace available sq m	Availability as % of floorspace
Maylands	24	2	119,489	8,329	7%
Apsley	0	0	0	0	0%
Kings Langley	1	0	2,506	0	0%
Berkhamsted	0	0	0	0	0%
Total	25	2	121,995	8,329	7%

Source: EGi, VOA, AVL

Rents

- 4.72 Agents tell us that rents for new build mid-size units are between £80 and £86 psm. At this level development is currently viable as illustrated at Bourne End Mills. However, the delivery of this size of unit is more challenging than large units because, mid-size units have slightly higher build costs and significantly lower capital values, due to higher yield, reflecting investors' perception of risk and future rental growth. But developers of mid-size sheds compete with large-scale sheds for the same sites and have to pay the same land price.

Opportunities for development

- 4.73 Our analysis suggests that in current market conditions there is occupier demand for new space in mid-size industrial units. As evidenced through Bourne End Mills development at current rents is viable.

Surplus to requirements

- 4.74 We have not identified any mid-size units that are required to be released for alternative use development. The demand for this size of unit is growing nationally and Dacorum is well placed to capture it.

Small-size - up to 1,858 sq m

Demand

- 4.75 Demand for smaller industrial units in Dacorum is generally from local businesses servicing the local market. Some regional and national companies also seek space in this size range such as trade counter uses but this is not representative of the wider market. Occupiers in this size range are more price-sensitive and may compromise on quality to meet their budget. Occupiers usually need premises that are immediately available and cannot commit to long lead-in periods before space becomes available, or commit to medium/long term leases.

Supply and market balance

- 4.76 Table 4.13 shows that in terms of number of units, small size units make up the majority (281 units) of the industrial market in Dacorum. This type of stock is mainly found in Maylands and Kings Langley (mainly in Three Rivers district). The type and range of the existing accommodation is as wide ranging as the occupiers. Agents advise that the quality of the existing stock is adequate to meet current demand.

- 4.77 Current availability is around 6% (13 units) of total stock of this size range, which is low as it represents about six months' supply, pointing to an undersupplied market where there is demand for additional space.

Table 4.13 Small-size industrial & distribution stock & availability

Location	Total no. of units	No. of units available	Total floorspace sq m	Floorspace available sq m	Availability as % of floorspace
Maylands	101	9	56,824	5,094	9%
Apsley	23	2	15,365	1,152	8%
Kings Langley	115	2	38,879	1,797	5%
Berkhamsted	42	0	22,016	0	0%
Total	281	13	133,083	8,043	6%

Source: EGi, VOA, AVL

Rents

- 4.78 Agents tell us that the rents for smaller units range from £118 - £129 psm. Development is coming forward in Bourne End Mills at these levels which indicates development is viable.

Opportunities for development

- 4.79 Similar with the mid-size market, our analysis suggests that in current market conditions there is occupier demand for new space in small size industrial units. As evidenced through Bourne End Mills, development at current rents is viable.

Surplus to requirements

- 4.80 We have not identified any small-scale units that are surplus to market requirements. There is continuing market demand across the Borough of types of units suitable to a range of occupiers.

The industrial market: conclusions

- 4.81 The Dacorum is not a prime location for 'super sheds' but we do see this location capturing demand for large sheds of circa 9,300 sq m. Demand for this size of units will be from retailers and distribution companies. Short-term demand in the borough is likely to be met through Prologis delivering the HCA site and over the medium term by DBC-owned land at Maylands Gateway. In the longer term, the Green Lane site (in St Albans district), with its good motorway access to enable occupiers to service the London market could also play a role.
- 4.82 Local market indicators for mid-size and small-size units in Dacorum are positive. Units are currently coming forward on a speculative basis which shows that development is viable. Agents also tell us that growth in the industrial sector is currently for mid-size units. Our market analysis shows that the borough only has two units currently available in the mid-size range, with further units planned for completion next year. This combined supply will only satisfy demand in the short-term (i.e. two years); further development opportunities need to be made available to

satisfy medium- to long-term demand. The types of sites needed to satisfy this mid-size demand will need to have good access to the strategic road network (A roads and/or M25/M1).

- 4.83 Current availability for smaller units equates to just six months' supply, therefore the market is undersupplied, and future sites will need to be identified to capture demand over the plan period. As demand for smaller units is predominantly from local occupiers the need for motorway access is not as important compared to mid and large size units.

Conclusions

- 4.84 For offices in Dacorum, we see limited demand for new development at least in the short term. This is because both Hemel Hempstead town centre and Maylands suffer from poor public transport access which renders them less attractive than competing office locations elsewhere in the sub-region, including Watford and St Albans.
- 4.85 For offices in this area, public transport access is key. This is evident from the locations that are successful: e.g. within Dacorum, Apsley and Kings Langley have direct and frequent trains to London with stations near to the existing office stock; outside Dacorum, Watford and St Albans are both successful and are even better connected to London by rail. Shifts in the wider market mean that car-borne access alone is not sufficient to underpin a successful office market, not least because car ownership has become less prevalent in the graduate workforce; locating in places with convenient public transport is increasingly important to employers. It is in this climate that office space in and around Hemel Hempstead has struggled.
- 4.86 In our view, only if DBC is able to provide locations that are more attractive than their existing locations or those existing locations are made more attractive to the market will this situation change.
- 4.87 In relation to industrial, demand is high both in relation to large-scale units and smaller, more local scale units (less than 3,000 sqm). While development is viable for smaller industrial, the values are such that it cannot compete for space with the more footloose large-scale industrial market. So if Dacorum is to meet its local industrial needs, it is clear that it either needs to allocate sites that are unsuitable for large-scale warehousing and logistics or to safeguard larger sites for smaller industrial development.

5 QUALITY OF EMPLOYMENT LAND

Introduction

- 5.1 In this chapter, we provide a profile and qualitative audit of the existing, allocated and future employment areas and sites in Dacorum. The key test for these assessments is paragraph 22 of the NPPF. This focuses on market potential, or commercial attractiveness: the prospect that a site, if offered to occupiers/developers in the context of a reasonably balanced market, would be taken up for employment use. So, for existing, occupied sites, we are assessing whether, should a site fall vacant, it would have good prospects of being re-occupied or redeveloped for employment.
- 5.2 Much of the assessment relates to whether we see the site as fit for purpose. This is a decision reached after considering all the information shown in the appendix and our consultations; including the relevant local authorities. Reaching this decision is not scientific, there is no one overarching criteria or criterion.
- 5.3 However, key to this decision is whether the site is occupied and whether there is evidence of renewal and investment. The condition of the buildings on the site is one consideration but just because buildings are dated or reaching the end of their lifespan is not enough in itself to release the employment site. In line with general planning principles we would expect owners and occupiers to recycle their brownfield land. There is also a market for affordable secondary space; indeed, the market analysis indicates that refurbishment of existing space is often viable. Plainly then not everything needs to be or should be new.
- 5.4 We are also mindful that a recommendation to release a site, which is occupied at the moment, can sometimes result in the extinguishment of the existing business on site. Being forced to relocate can be a considerable expense for businesses.
- 5.5 It is important to recognise that this decision can only realistically be made with the short term in mind. No one, commercial property agents included, can realistically predict the long-term demand for individual sites with any degree of certainty. Even a site assessed as poor can remain viable because a particular occupier demands it.
- 5.6 It is also true that in all these cases and for all these sites the local authorities may decide to trade one parcel of land for another; replacing old sites with new ones which better meets their economic objectives and priorities.

Site assessments

- 5.7 We have considered a portfolio of over 90 sites, comprising:
- Three town centre employment clusters
 - Existing employment allocations – adopted and draft
 - Other existing employment sites in excess of 0.25ha or 500 sqm²³

²³ PPG thresholds

- Unallocated sites being promoted through DBC's 2015 Call for Sites consultation
- 5.8 These sites are shown on the plan at Appendix A . All sites were assessed between April and June 2016. Detailed site assessments are provided in Appendix C . The criteria used were agreed with DBC, tested on a pilot number of sites, draft assessments were then shared with DBC and the assessment pro forma was finalised for the rest of the sites. A crib sheet explaining the criteria is provided at Appendix D .

Town centre clusters

- 5.9 The town centres have been assessed as clusters of employment uses; these assessments relate primarily to existing employment uses and any allocated sites are considered separately as allocations. Each town centre has been appraised separately and is accompanied by a plan showing the distribution of employment uses; these are provided at Appendix B . We set out our main conclusions on each town centre below.

Hemel Hempstead

- 5.10 The majority of office accommodation has traditionally been focused in the southern part of the town centre in a series of higher-rise buildings clustered on Selden Hill and Park Lane. Other than the Council offices (which are due to be redeveloped for residential, following DBC's relocation into their new offices within the town centre), the supply of large floorplate office space has become more limited; and the occupier profile is increasingly focused towards SMEs and local professional services.
- 5.11 Since the last Employment Land Review was undertaken in 2010, several of the major office buildings have been lost, including the Kodak tower. Because of the extent of office losses that have already taken place in the town centre, the assessment focuses on the remaining office floorspace within the town. However, there is a question of how this floorspace should be treated if the prior approval has yet to be implemented. There is vacant floorspace that is currently being marketed in several of the sites which have been granted prior approval for conversion to residential. To eliminate double counting, premises with prior approvals in place have not been included in calculating vacant floorspace.
- 5.12 There is vacant space within the centre; however, discussions with agents indicate that this space turns over quickly and that because the supply of space is limited, vacancies are quickly taken up. This is in large part related to relocations within the centre as businesses are forced to move from offices which are due for conversion to residential.
- 5.13 The remaining space in office use is of varying quality but in view of the occupier profile of local/smaller businesses that would typically be located in a centre of this scale, the existing stock is of suitable quality to meet these needs and there is no justification for DBC to make provision for release of this stock. Indeed, the concern is that further conversion in the centre will force some local businesses to relocate outside Hemel Hempstead.

Berkhamsted

- 5.14 This is a much smaller office centre than Hemel Hempstead, and is characterised by mainly local businesses providing professional services. The office stock comprises largely conversions at upper storey; however, there are some purpose-built blocks providing larger floorplate premises.
- 5.15 There has been some pressure on office stock through conversion to residential premises, including one of the larger purpose-built blocks, but overall losses have been limited thus far. There is little or no potential for new employment development within the centre.
- 5.16 The existing stock is well occupied and there is no justification for planning for its release.

Tring

- 5.17 There are only five employment sites in Tring; all of which are in office use. The office stock is not purpose-built and there is limited potential for further development. It functions as part of the overall town centre offer and is appropriate to the size of the centre. There is no justification to plan for release of the existing sites.

Allocated employment sites

- 5.18 30 allocated sites have been assessed. These are labelled on the plan at Appendix A with a suffix A or M. The A sites comprise those allocated as General Employment Areas, Employment Areas in the Green Belt, Mixed-Use sites and Extension sites. The M prefixed sites are those allocated at Maylands.
- 5.19 In appraising these sites, it is worth noting that the boundaries for many of the sites were recently reviewed as part of the Site Allocations DPD. While these boundaries have yet to be formally adopted, given these reflect the latest direction of policy and take account of any erosion of existing uses, it is those that we have adopted for these site assessments.
- 5.20 The table below summarises the assessed sites by employment use. The distribution of uses is fairly even, with offices accounting for the largest land take. While industrial represents a smaller proportion of uses, it should be noted that the quantum of stock is augmented by industrial and manufacturing provision within the mixed-B sites.

Table 5.1: Summary of allocated employment sites

Use	No. of sites	Area (ha)
General Industrial	11	78.2
Mixed B Uses (Office & Industrial)	9	104.9
Office	7	117.1
Strategic Distribution Park	2	23.2
Other	1	3.1
Total	30	326

Source: Appendix B

- 5.21 While most of the allocated sites are developed out, it should be noted that there is both some scope for additional employment uses, either through the reoccupation of vacant premises or intensification of employment uses within those sites. There is substantial vacancy within the existing office stock on the allocated sites; the vast majority of which is located at Maylands, with a single building (Diamond Point) which is currently being refurbished accounting for almost half the vacant stock.

Table 5.2 Vacancy within allocated employment sites (sqm)

Ref	Address	Office	General industrial
A20	Northbridge Road/River Park, Berkhamsted		497
A21	Apsley One (Doolittle Meadows)	9,290	
A10	Aspley Mills Cottage	33	
A12	Frogmore		494
A13	Two Waters		313
A18	Richmond Square, Markyate	559	
M4	Service Centre south (IMEX, Grovelands)	5,033	
M5	Heron Business Park		1,181
M8	Mark House/Quantum House	3,542	748
M9	Eaton Court	3,286	
M12	200 The Campus (formerly Diamond Point)	14,439	
M13	Maylands Gateway (Breakspear Park)	7,576	
Total		34,468	3,233

Source: Appendix B

- 5.22 The table below shows the identified scope for accommodating further employment floorspace within the current site allocations. This takes account of the market assessment provided in the previous chapter, the level of vacancy within the existing office stock and is not constrained by the allocations as set out in current policy documents. For this reason, the Maylands Gateway allocation is assumed as having potential for intensification as an industrial location, with some potential for office development but only at the end of the plan period.

Table 5.3: Potential for intensification on existing allocations

Site	Use	Area (ha)	B1 (sqm)	B2/8 (sqm)	Total (sqm)
A5: Hemel Hempstead station gateway	Office	4.3	2,000		2,000
A6: Paradise,	Office		5,000		5,000
M2: Spencer's Park Phase 2, Three Cherry Trees Lane	Industrial	1.8		7,500	7,500
M13: Maylands Gateway	Industrial	22.8	20,000	68,700	88,700
M9: Boundary Way	Industrial	2.82	-	4,000	4,000

(Keystone site)					
M12: The Campus, 150 Maylands Avenue	Industrial	0.8		3,300	3,300
M12; Heart of Maylands	Office		1,150		1,150
A7: Icknield Way extension, Tring	Industrial	0.75	-	3,000	3,000
Total		33.3	28,150	86,500	114,650

Source: Appendix B

Future losses of employment floorspace

- 5.23 It is also necessary to take account of anticipated losses of employment floorspace as shown in Table 5.4 below:

Table 5.4 Anticipated losses of employment floorspace

Site	Use	B1 (sqm)	B2/8 (sqm)	Total (sqm)
M12: Heart of Maylands	Mixed B	2,275	4,030	6,305
Frogmore Road	Industrial		12,000	12,000
A6: Paradise	Industrial		5,000	5,000
Western Road, Tring	Industrial		2,500	2,500
Hicks Road, Markyate	Industrial		1,100	1,100
Total		2,275	24,630	26,905

- 5.24 Three of these sites (Frogmore Road, Western Road and Hicks Road) are allocated for housing in the submitted SADPD. The SADPD defines Paradise, currently in industrial use, as a mixed-use allocation for offices and housing. Finally, some loss of employment land within Maylands is proposed in the Heart of Maylands Development Brief.

Existing employment sites

- 5.25 The portfolio of existing sites is based on 2008 Hertfordshire County Council business use records, with sites with more than 250 sqm of employment space included. Any town centre sites have been assessed separately as part of their relevant cluster and are not repeated here.
- 5.26 The sites are shown in the map at Appendix A and are located across the borough, often in relatively rural locations. As is clear from the table below, the existing unallocated sites comprise small employment sites, often less than a hectare in size. Analysis of the existing employment sites shows that office uses accounts for the largest proportion of land, with industrial uses accounting for about third of the areas assessed.

Table 5.5 Summary of existing employment sites

Use	No. of sites	Area
General Industrial	16	14.7
Mixed B Uses (Office & Industrial)	8	7.3
Office	12	8.7
Other	5	1.8
Total	41	33

Source: Appendix B

- 5.27 There are five sites referred to as ‘other’ in the table above. This is because they are not currently in employment use so are not considered any further in this analysis:
- Mercedes-Benz garage, London Road, Hemel Hempstead (Site E51): the site is primarily being used for car sales and is therefore in sui generis use.
 - The Bury, Queensway, Hemel Hempstead (Site E24): at the time of assessment, this was in use as a register office with a small element of B1 space. There is no indication that it will be reoccupied as a B1 use and instead is expected to remain as a D class use.
 - Nash Mills, Hemel Hempstead (Site E28): the previous employment use has now ceased and site is currently undergoing redevelopment for residential use.
 - Water End garage, Leighton Buzzard Road, Water End (Site E36): the use taking place is sui generis as a car sales yard.
 - Vacant site, Two Water Road, Hemel Hempstead (Site E32): this was previously a tool hire yard; however, that use ceased some time ago and the site was cleared. Permission has been granted for residential development on the site.
- 5.28 Of the 36 sites assessed that are in employment use, we have recommended that a number do not warrant safeguarding, specifically:
- Land to the west of Stags End House, Gaddesden Lane, Gaddesden Row (Site E7): while there is some employment use on the site, it appears to be ancillary to the retail function. Furthermore, there is permission for redevelopment which, although it will include some live-work units, is not for a traditional B-Class use.
 - New Road, Northchurch (Site E40): there is permission for demolition of the existing trade counter and redevelopment to provide residential use.
 - Bank Mill Wharf, Bank Mill Lane, Berkhamsted (Site E43): there is a commitment for conversion of the existing units into residential.
 - 126 Hempstead Road, Kings Langley (Site E46): permission was granted for redevelopment into nine residential flats.
 - Cotton Springs Farm, Friendless Lane, Markyate (Site E54): permission was granted for redevelopment as residential.
- 5.29 We are recommending that the remaining 32 sites are safeguarded for their existing employment use. In making this recommendation, we are taking account of the quality and accessibility of those which is often not high; however, we consider that if the sites are currently being used there is no reason to suggest that they should be

released from employment use. We consider the policy status of these sites further in our recommendations section.

Completions and commitments

5.30 Between April 2013 and March 2016 the Dacorum Annual Monitoring Reports shows the following floorspace change (sqm):

- Offices (B1(a)/B1(b): -24,277 sqm
- Industry, storage and distribution (B1(c)/B2/B8): -11,613 sqm
- Total: -35,840 sqm

5.31 The table below confirms that since April 2013, the base year in the employment forecasts adopted by Regeneris, there is a negative pipeline of both office and industrial floorspace.

Table 5.6: Commitments within DBC since 2013

Site ²⁴	Use	Commitment (sqm)
Maylands Point (The Vision), Maylands Avenue	B2/B8	5,760
47 Maylands Avenue	B1 B8	671 6,375
Viking House, Swallowdale Lane	B1	-1,902
The Campus, 150 Maylands Avenue (Gyron)	B8	23,358
Former Catherine House, Boundary Way	B1 B2/B8	1,495 376
Century House, 100 Maxted Road	B1 B8	220 2,400
Mark House, 36 Mark Road	B1	-1,360
200 The Campus, Maylands Avenue (Diamond Point)	B1	1,930
Heart of Maylands, Sites 2b and 2c	B1 B2/B8	-1,480 -7,593
Corner Hall	B1	-1,434
Ebbens Road	B2/B8	-3,100
Civic Centre/Forum, Marlowes	B1	-3,000
Marlowes Business Centre, 41 Marlowes	B1	-4,000
Hempstead House, Selden Hill	B1	-2,437
Symbio House	B1	-1,465
11 Bridge Street	B1	-1,000
Bryanston Court, Selden Hill	B1	-3,837
Normandy Court, 1 Wolsey Road	B1	-2,340
263-265 High Street, Berkhamsted	B1	-1,000
Akeman Street, Tring	B1 B8	-2,460 -375
Hicks Road, Markyate	B2/B8	1,052
Bourne End Mills	B2/B8	-11,873 +6,407

²⁴ Sites in Hemel Hempstead unless specified

Site ²⁴	Use	Commitment (sqm)
Cotton Spring Farm, Friendless Lane, Markyate	B2/B8	-1,131
Home Farm, Great Gaddesden	B1	1,326
Sites where committed floorspace change is under 1,000 sqm	B1	-810
	B2/B8	5,913
Total	B1	-22,883
	B2/B8	27,569
	Total	4,686

Source: DBC

- 5.32 The total picture on completions and commitments is summarised in Table 5.7 below. Office floorspace is shown as falling by 47,000 sqm, with industrial floorspace increasing by 16,000 sqm. About two thirds of the loss of office floorspace arises from prior approval schemes for change of use from offices to housing.

Table 5.7 Completions and commitments summary

	B1	B2/B8	B-class total
Completions 2013-2016	-24,227	-11,613	-35,840
Commitments	-22,883	27,569	4,686
Total	-47,110	15,956	-31,154

Potential future sites

- 5.33 Six potential future sites were assessed; they were identified either through the call for sites process or by DBC. Of those assessed, one is located outside but directly adjoining the borough boundary; a further site includes some land that is located within St Albans but the majority, including all the potential employment land, lies within Dacorum.
- 5.34 We set out our key conclusions in relation to each site below:
- Land east of A41, Two Waters, Hemel Hempstead (Site P2): this green belt site (6 ha) site forms one side of the gateway to Hemel Hempstead from the A41. Unless there is significant intervention through the relocation of the railway station, the site is unlikely to support new build office development. The A41 is not seen as a prime location for strategic warehousing so, if allocated, industrial development on this site would be catering to the local market (B1c, B2 and B8 uses).
 - Land adjacent to Shendish Manor, Apsley, Hemel Hempstead (Site P3): the site extends 97ha. Although the site is located near to Apsley station, it is on the western side of the railway line and is therefore separate from the established employment areas. There is no clear solution to this access issue. The proximity of heritage assets is likely to limit the scope for employment development and while it is being promoted through the call for sites, it is anticipated that the focus will be on residential uses if any land is released from the green belt.

- Land north of A41/Chesham Road junction, Berkhamsted (Site P4): while this green belt (2.6 ha) site is located near to some existing employment sites, these sites have arisen through circumstance rather than representing a significant focus for employment or an area where the market is seeking more space. Additionally, we are aware that the site forms part of the large south of Berkhamsted site, which is being promoted for residential-led development by developers in the single Local Plan. For these reasons, we think this site would not be deliverable during the plan period.
- Land at Dunsley Farm, Tring (Site P5): there are some existing small-scale employment uses in the west of this green belt site. The site is substantial (39 ha) and, because the location is more suited to the local market, it is not considered suitable for a large-scale employment location. DBC should consider allocating it as a contingency location by expanding the existing employment area for local industrial uses.
- South west Kings Langley (Site P8): this large site (47 ha) is in the Green Belt. It has the potential to form reasonable linkages with the station in Kings Langley and is close to the M25 J20. If released from the green belt, it would be attractive to either industrial or office occupiers. DBC should consider allocating the site for employment uses, and given the requirement of new office space, we considered that priority should be attached to it as an office location. We explore the size of the potential allocation in the following sections.
- Land adjacent to New Ground Farm, Newground Road, Aldbury (Site P7): this is a small site (0.5 ha) which had a historic permission for office development through change of use of agricultural buildings; DBC have accepted that the permission has been implemented but it is unclear where whether the development has been completed. While it was promoted through the call for sites for that use again, it is unclear why if allocated, the site would come forward for office use, given the permission that has run with the land for c.15 years has yet to be taken up by an occupier. The location is remote; it is therefore likely to have limited commercial appeal. That said, it is not considered to be significant in DBC's overall land supply but it could be suitable for local office occupiers if brought forward.

5.35 In the preceding chapter and in this section, we have considered the prospects for further office development at Maylands and, largely because structural changes in the office market in the sub-region which has placed a premium on rail accessibility, we have concluded that we do not expect to see significant office development in this area in the period to 2036.

5.36 The 55 ha site known as Land at Green Lane (East Hemel Hempstead) is located outside Dacorum in St Albans district. Policy SLP13b in the submitted St Albans Strategic Local Plan states that sufficient variety of employment uses must be provided to offer in the order of up to 8,000 jobs and that over-concentration of low employment generating logistics uses will not be permitted. It therefore cannot be included within the emerging plan or count as part of Dacorum's potential capacity; however, if taken forward, it is likely to have sub-regional importance so could meet wider than local needs.

- 5.37 It is in single ownership (Crown Estates) and is being promoted as a mixed office and industrial location in the emerging St Albans local plan; we understand that a planning application will be submitted in late 2017. While our market research has not shown support for office development in this location in the short term, particularly given the deliverability issues associated with major office developments in Maylands, there are reasons to expect that this development may come forward during the plan period. These include its location within the Enviro-Tech enterprise zone, the fact it is in the control of a single landowner and the package of improvements, including upgrading of Junction 8 to improve access from the M1, which are expected with any planning application. We consider the role that the site might play in meeting the identified employment needs in the next chapter.
- 5.38 It is clear that the potential sites identified have significant capacity to bring forward employment land over the period to 2036. It is also true that most of these sites are not being explicitly promoted for employment development and instead are being put forward as mixed-use allocations. The table below shows that these sites could deliver, applying a plot ratio of 40% (mixed B) or 60% (office), in the order of 460,070 sqm of employment floorspace. In the context of the identified demand of 105,000 sqm, this capacity far outstrips need.

Table 5.8: Potential capacity for additional employment uses

Site	Use	Site area (ha)	Floorspace (000 sqm)
Dunsley Farm, Tring	Mixed B	38.8	155.3
East of A41, Two Waters	Mixed B	5.6	22.4
South west Kings Langley	Office	46.6	279.6
New Ground Farm, Aldbury	Office	0.5	2.7
Total		91.5	460.1

Source: Appendix C

- 5.39 We consider in the following section how this potential supply factors into the forecast demand for new employment space in the borough and more widely.

Summary

- 5.40 From our assessment of sites in Dacorum, we can conclude that there is little potential in the existing stock of employment land for intensification. This is because it is largely well occupied. Where it is not well-occupied, there has been significant pressure from residential development.
- 5.41 Having said this, there is substantial vacant land (and vacant floorspace) at Maylands Gateway which the market is unlikely deliver for offices. In our view, relying on Maylands Gateway as the main supply of future office floorspace would be a risky strategy for the Council to adopt, given the high level of office vacancy within the existing stock and the fact that land that has been allocated for office development for a long time has yet to come forward for development. The view of the market is that this is unlikely to change unless an extraordinary level of intervention takes place to

improve its public transport accessibility so that it can compete with established more successful office hubs.

- 5.42 Instead we suggest that DBC should take a more flexible approach to employment land in Maylands, particularly those vacant sites, which the market suggests could come forward for industrial development if they were offered.
- 5.43 To meet office demand, DBC should consider allocating further sites. We consider south west Kings Langley is the location with the most potential in market terms to meet this need. Although there is not any significant office space within the Dacorum part of Kings Langley at present, we consider that the market would react positively if further land was made available for development that could take advantage of the strong train links into London and the proximity to the M25.
- 5.44 We also consider that DBC should consider allocating further sites for local industrial occupiers to allow for churn and choice e.g. where existing sites are approaching the end of their viable lifespans and might be more suited to redevelopment for alternative uses, providing a pipeline of local quality sites would allow this to happen. We consider that sites on the A41 corridor, specifically at Tring and Two Waters (Hemel Hempstead) in proximity to existing employment uses, could be considered by DBC as potential employment allocations.

6 PLANNED SUPPLY AND MARKET BALANCE

Introduction

- 6.1 In this chapter, we provide a quantitative assessment of the demand and supply of employment land over the plan period 2013-36.
- 6.2 We set out in this section the series of stages our market balancing exercise has gone through. This firstly involves a rigid interpretation of the job forecasts by SWHES across all B Class uses. We then split this rigid forecast out into B1 (office) and B2/8 (industrial) floorspace.
- 6.3 The tables are structured as follows:
- Demand (net change) – floorspace demand for employment derived from the SWHES
 - Change since 2013 (net) – any floorspace losses and gains of employment use completed since 2013 i.e. the base year of the employment forecasts. This has been derived from DBC’s records
 - Surplus vacant floorspace – this has been derived from site assessments
 - Extant permissions – these are valid permissions which could result in a change to the stock of employment floorspace. This figure could either be positive (net increase) or negative (net decrease). Sourced from DBC.
 - Outstanding allocations – these are existing allocations that do not have any planning permissions in place and have not been developed out. The floorspaces are derived from assumptions on the type of development likely to occur on each site and consideration of what plot ratios would be appropriate.
- 6.4 In later tables, we also include potential deliverable sites. These are derived from the site assessments, as set out in Section 5.
- 6.5 For consistency, all these figures are presented as floorspaces (gross external sqm) rather than areas (hectares). We discuss the implications for land areas and therefore allocations later in this section.

All employment uses

- 6.6 The table below sets out the floorspace need calculations that include additional jobs resulting from forecast growth and completions (losses and gains) since 2013 and outstanding permissions that will absorb some of the demand. The assessment only takes in known current permissions and does not forecast what might be lost and gained in the future.

Table 6.1: Market balance – all B classes

Stage 1 - All uses		
EMPLOYMENT LAND DEMAND AND SUPPLY 2013-36		
Floorspace change (sqm)		
1	DEMAND	Sqm
2	Demand (net change)	105,100
	Losses since 2013 - completions	-35,840
4 = 2+3	Gross demand	140,940
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	33,229
7	Extant permissions (net)	4,686
8 from Plans	Outstanding allocations	107,150
9 = 6+7+8	Gross supply	145,065
10	FORECAST MARKET BALANCE - 2013-36	
11 = 9-4	Over (or under) supply	4,125

- 6.7 This indicates that there is an undersupply in the order of 4,100 sqm. If this is separated into office and industrial uses, this indicates that this oversupply is restricted to industrial floorspace, while the office market is undersupplied. The following sections consider office and industrial separately.
- 6.8 The pipeline of committed and allocated sites includes a number of sites that could equally be used for office or industrial use. The above tables include a judgement based on the site appraisals undertaken to categorise these sites as one or the other, or assume a proportion of floorspace would go to both office and industrial use. These judgements are set out in the relevant tables in Section 5.

Office market balance

- 6.9 Table 6.2 sets out the market balance for the supply and demand of office space in Dacorum. Again, this does not make any allowance for the potential sites assessed in Section 5 being allocated for employment use. This shows a large undersupply of office floorspace, which when converted to required land²⁵, equates to a 14.6 ha shortfall.

²⁵ Plot ratio of 60% applied

Table 6.2: Initial market balance – office uses

Stage 2a - offices		
EMPLOYMENT LAND DEMAND AND SUPPLY 2013-36		
Floorspace change (sqm)		
1	DEMAND	Sqm
2	Demand (net change)	103,000
3 from AMR	Losses since 2013 - completions	-22,883
4 = 2+3	Gross demand	125,883
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	33,229
7	Extant permissions (net)	-22,883
8 from Plans	Outstanding allocations	28,150
9 = 6+7+8	Gross supply	38,496
10	FORECAST MARKET BALANCE - 2013-36	
11 = 9-4	Over (or under) supply	-87,387

- 6.10 In the context of our estimate of the current stock of office space in Dacorum (265,000 sqm), this vacant floorspace represents 19%. This is substantially higher than the level that we would typically attribute to churn. Given the analysis provided in the preceding sections on the office market, there is no certainty that the vacant floorspace in excess of 5% (33,200 sqm) will be reoccupied to accommodate the forecast growth, albeit it is noted that a proportion of the vacant floorspace is made up of recently refurbished space at Apsley One.
- 6.11 In calculating this initial balance, it assumes that some 20,000 sqm of office floorspace will come forward within the Maylands Gateway allocation. However, based on our market analysis we would suggest that a degree of caution is exercised. If this space does not come forward, the shortfall increases to 107,000 sqm.

Industrial market balance

- 6.12 The following table sets out the industrial market balance, showing an oversupply of industrial floorspace. The balance shows that even without touching the potentially deliverable sites, there would be an oversupply of industrial space in the order of 78,000 sqm i.e. 19.3 ha in land terms.

Table 6.3: Initial industrial market balance

Stage 2b - industrial		
EMPLOYMENT LAND DEMAND AND SUPPLY 2013-36		
Floorspace change (sqm)		
1	DEMAND	Sqm
2	Demand (net change)	1,900
3 from AMR	Losses since 2013 - completions	-11,613
4 = 2+3	Gross demand	13,513
5	SUPPLY	
6 from surveys	Surplus vacant floorspace (=vacancy in excess of 5%)	
7	Extant permissions (net)	27,569
8 from Plans	Outstanding allocations	79,000
9 = 6+7+8	Gross supply	106,569
10	FORECAST MARKET BALANCE - 2013-36	
11 = 9-4	Over (or under) supply	93,056

6.13 If we then consider those potential sites we assessed as being suitable to meet industrial needs, this oversupply increases to 169,000 sqm i.e. 42 ha in terms of land take. However, this exercise is purely quantitative and does not factor in the qualitative considerations around meeting local needs that we have identified in previous sections.

Reaching a market balance

6.14 As set out Section 5, there is a large theoretical capacity to accommodate further employment development within the borough. However, the vast majority of this land would involve green belt release and so DBC would need to demonstrate exceptional circumstances if they were to plan for its release. Furthermore, it would need to be balanced against the demands of competing land uses, namely for housing.

Offices

6.15 Our site assessments have identified only one option for significant office development in Dacorum, namely that at Kings Langley. The site is substantial and is being promoted for mixed uses with no indication over the potential quantum of employment land. In these circumstances, DBC could choose to allocate in the order of 18 ha to deliver the shortfall of 107,000 sqm identified in Table 6.2. This approach assumes that DBC would be meeting its own needs in full and would not meet any wider south west Hertfordshire needs.

6.16 This will require discussion with DBC's neighbours because, given the site's proximity to the M25 and the existing employment uses in Kings Langley within Three Rivers district, it is likely that a significant employment allocation in this location would meet a wider than local need.

- 6.17 In the same way that the Kings Langley site could meet a wider than local need because of its strategic location, it is also relevant to consider the potential contribution that sites outside Dacorum could make to meeting the borough's needs. The key site to consider is the land at Green Lane which is located on the M1, adjacent to the borough boundary and to the established employment cluster at Maylands; any office development in this location would inevitably meet a wider south west Hertfordshire need.
- 6.18 In considering the Kings Langley and Green Lane sites, it is relevant to factor in deliverability. While the Green Lane site is being actively promoted for development including employment uses, the Kings Langley site is not subject to the same active promotion. The former also has the benefit of being located in a future enterprise zone. However, the allocation or any future permission on the Green Lane site is not in DBC's control and delivery of substantive employment space on the site is largely dependent on the continued support of SADC.
- 6.19 On the basis of the evidence available at this time, it appears that the Green Lane site is likely to come forward in the period to 2036. The Kings Langley site also has potential and should be regarded as a suitable 'reserve' site for office development should delivery issues arise at Green Lane.
- 6.20 Added to this, relying on a single site leaves little scope for the office stock to improve, as new schemes come forward and older stock is released. This is because in large part, the main releases of office stock have already happened; so rather than new stock becoming available to replace this, there is now a significant gap in the market. However, any allocations will have to be considered in the context of the exceptional circumstances needed to justify green belt releases.

Industrial

- 6.21 For industrial, the issues that DBC need to consider are not just quantitative. There is evidence of small-scale local industrial sites being lost to housing and while the market analysis suggests that small-scale industrial development is viable, it cannot compete with strategic warehousing developments which pay higher rents and are more attractive to investors.
- 6.22 On this basis, we recommend that for qualitative reasons, DBC should consider allocating additional land for local industrial uses (unit sizes of less than 1,858 sqm) on land at Dunsley Farm (Tring) and land north east of A41 at Two Waters (Hemel Hempstead). Again though, these allocations will need to be balanced against competing land uses and green belt release.

Summary

- 6.23 It is evident that in relation to office requirements, unless further sites are allocated, there will not be sufficient space to meet the needs identified in the SWHES. Conversely, in relation to industrial provision, having regard to the existing portfolio of sites (existing and allocated), there is an oversupply of industrial land.

6.24 We consider the implications of this in the context of the three scenarios we were asked by DBC to consider: Dacorum meeting its own needs as identified in the SWHES ('Dacorum'), Dacorum meeting its own and some of the needs of the wider SWHES authorities ('Dacorum plus') and Dacorum not meeting all its needs but instead looking to the other SWHES authorities to accommodate some of their need ('Dacorum minus').

7 CONCLUSIONS AND RECOMMENDATIONS

The challenges

- 7.1 From undertaking this piece of work, it is clear that the main challenge facing the borough relates to the delivery of office space. Over the last 10 years, only one new building has come forward in Hemel Hempstead and of the larger buildings that have been refurbished, it has been a challenging and long-term process to secure tenants.
- 7.2 At the same time, Hemel Hempstead's office stock has been substantially reduced, firstly with the departure of Kodak from the town centre and the conversion of their offices to residential, and then secondly with the introduction of permitted development rights. At present office development is not viable in Hemel Hempstead town centre or at Maylands; and in locations where it may be viable (Apsley and Hemel Hempstead Station Gateway), there is currently little or no land available.
- 7.3 This presents a challenge for DBC because the SWHES forecasts suggest that they should be making provision for 13 ha of new office employment space during the plan period, with this figure assuming that there have, for the three years that have already passed, and will, for the remaining 23 years, be no losses of office space. Our analysis shows that already this is not the case.
- 7.4 In relation to industrial uses, it is evident from our market analysis and site assessments that there is pressure for more space from the market, which is likely to be substantially in excess of locally forecast demand. Our analysis of the sites suggests that should DBC choose, they could accommodate more than local needs within the borough.
- 7.5 However, our analysis also shows that there have been some losses of smaller industrial sites to competing uses with higher values. While the individual circumstances of those losses may be understandable, there is a concern that further losses could erode the stock of smaller-scale industrial premises (less than 3,000 sqm), such that local occupiers are forced to look elsewhere. This is doubly challenging because the larger industrial occupiers who are also looking for space are seen as more reliable tenants due to better covenant strength, which can again squeeze smaller occupiers out of the market.
- 7.6 It is in the context of these challenges that we consider the three scenarios set out in our brief.

The three scenarios

- 7.7 As set out in Section 1, we were asked by DBC to consider three scenarios: we refer to these as Dacorum, 'Dacorum plus' and 'Dacorum minus'. Accordingly, Section 6 sought to balance the market on the basis of meeting Dacorum's needs.
- 7.8 In considering all these scenarios, we consider office and industrial requirements separately as the issues arising are very different.

Scenario 1 - Dacorum

- 7.9 As set out in Section 6, relying solely on existing allocations, there is an undersupply of office space in the borough. Therefore, in order to achieve the Dacorum scenario, DBC would have to allocate further sites.
- 7.10 Out of those sites we assessed, only one was identified as having significant potential to accommodate office growth during the plan period. It has the physical capacity to meet Dacorum's needs. We do not consider the scale of the margin such that it can be viewed as any more than a margin to allow qualitative improvement.
- 7.11 Furthermore, we advise that the Council should treat this scenario with some caution because of the treatment of vacant floorspace in balancing demand and supply. We have assumed that the surplus vacant floorspace will be reoccupied during the course of the plan period.
- 7.12 In relation to industrial space, even without allocating any new sites, there is sufficient supply to meet Dacorum's identified needs. This is unsurprising given the low level of local need forecast.

Scenario 2 – Dacorum plus

- 7.13 In relation to office use, unless there are substantive interventions during the course of the plan period to bring about a step change in the office market in Dacorum, we do not think this is a suitable policy choice for DBC. The office market has yet to return to viability and in our view, without direct or convenient rail access to London, Hemel Hempstead town centre and Maylands are no longer places where large businesses would choose to locate, particularly in the context of the competing locations of Watford and St Albans.
- 7.14 To date, it is Maylands that has included the major office allocations within the borough. In our opinion, this approach is no longer appropriate; the offices have failed to come forward in the last 10 years and the market does not suggest this is likely to change. We have therefore assumed that the undeveloped employment land at Maylands will come forward for industrial use, with offices only representing a small element. This is a departure from the current adopted policy.
- 7.15 As one of the potential sites we assessed, we are aware of St Albans' intention to allocate the Green Lane (Hemel Hempstead East) site for substantial employment development, including space to accommodate up to 8,000 B-class jobs, mainly in offices. An over-concentration of low employment generating logistic uses will not be permitted as set out in draft policy.
- 7.16 In relation to industrial uses, we consider that should Dacorum wish to deliver more industrial jobs than those forecast, there is ample demand to deliver all the sites that we have deemed capable of accommodating industrial or warehousing uses. This is particularly true of those in Maylands which we referred to above.
- 7.17 Furthermore, as we mentioned above, there is a tension within the industrial market at present in terms of needing to meet local needs. There is a risk that by only allocating in line with the forecast need, some land will be taken up by needs

generated in the wider area, displacing businesses that would otherwise have located in Dacorum. Furthermore, those occupiers are typically much more land-hungry than local industrial occupiers, so compounding the displacement effects. Added to this, such uses are typically less labour intensive and so while taking up more land will contribute relatively fewer additional jobs to the economy.

- 7.18 For this reason, we recommend that Dacorum should look to allocate a portfolio of local quality of sites in excess of those allocated at present. We would suggest allowing a margin in excess of need; however, DBC would need to consider this in balance with wider planning issues such as whether, if such a margin requires green belt release, this is desirable. This could include additional land along the A41 which is less attractive to the footloose warehousing demand generated outside the local area.
- 7.19 Allocating in excess of demand also allows for DBC to promote qualitative improvement in their stock. An example of where this has been done recently is with the new Council offices in Hemel Hempstead and at Bourne End Mills; both sites entailed a quantitative reduction in space but delivered qualitative improvements.
- 7.20 However, there is a complication in that the new sites, if or when developed, may not meet the same segment of market demand as the old stock. Occupiers are price conscious and many are unable or unwilling to pay for new space at a viable rent. But they can pay a viable rent to maintain secondary space. A very obvious example is older 'yardage' space or land used for storage and transport uses. These sites are very difficult to provide new and occupiers are more than satisfied occupying 'low quality' sites. These types of sites form a reservoir of employment land for economically important uses.
- 7.21 So the short-term focus of policy needs to remain one of protecting the portfolio of existing sites. Existing sites should only be released once the new portfolio is available to be taken up and even then only where the DBC is satisfied that there is insufficient demand for secondary space or the market segment the site previously catered for. We therefore recommend a criteria-based policy approach which should apply to non-designated employment sites.

Scenario 3 – Dacorum minus

- 7.22 As we set out in Section 6, if no new sites are allocated, we consider that the borough lacks office capacity that is attractive to the market and so will not be able to meet its own needs.
- 7.23 We are aware that many of the sites we considered for allocation have other constraints that will need to be factored into any decision to allocate them. This includes release of green belt land; a consideration which applies to the Kings Langley site.
- 7.24 In section 6 we noted that the Green Lane site, while located outside the borough boundary, which is expected to come forward for development including offices and could play a role in meeting Dacorum's needs. While this approach would require discussion with SADC, it may be appropriate for DBC to adopt an approach which

involves more limited release of green belt land at Kings Langley and instead assumes that Green Lane will meet much of its future needs in its capacity as a sub-regional site.

- 7.25 In relation to industrial uses, as we set out under Scenario 1, there is an oversupply of industrial land in the borough but we do not see that there is any justification for reducing the supply of industrial land for qualitative reasons we have identified above.

Policy recommendations

- 7.26 In our view, DBC should adopt a hybrid scenario which combines planning to meet its own needs for office employment but also planning to meet industrial need in excess of its own needs. This should be done following consideration of the potential sites in the context of wider planning issues e.g. housing need and green belt release and in consultation with its neighbouring authorities.
- 7.27 As part of this approach, we recommend relaxing the allocations on the undeveloped land in Maylands Gateway to allow industrial uses, including potentially strategic warehousing, to come forward here.
- 7.28 To meet its own needs for office development, we recommend that the Kings Langley site should be considered for allocation – either as a full allocation or a reserve site if discussions with neighbouring authorities indicate that need can be met across borough boundaries. Without this, the borough lacks office capacity that is attractive to the market. In addition, we recommend that DBC should also consider a number of smaller industrial allocations to meet local needs.

Article 4 directions

- 7.29 This piece of evidence cannot be used to support the imposition of an Article 4 directive. However, we recommend that DBC should explore the potential for imposing such a direction at Maylands; this would require a separate piece of work to be undertaken which considers the relative office and residential land values in the Maylands area. This follows one prior approval for the substantial Viking House complex.
- 7.30 We have considered Hemel Hempstead town centre and are of the view that the scale of losses which began even before the changes to the permitted rights was introduced, is such that the centre's long-term attractiveness as a business location has been irreversibly eroded. This view is confirmed by agents.
- 7.31 Furthermore, analysis of the prior approvals over the last three years suggests that the pace of conversion has slowed.