

# Dacorum, Three Rivers and Watford Councils SOUTH WEST HERTFORDSHIRE EMPLOYMENT SPACE STUDY



Executive Summary  
**Dacorum**  
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**ROYAL TYM & PARTNERS**  
Planners and Development Economists

 **King Sturge**

**ROGER TYM & PARTNERS**

Fairfax House  
15 Fulwood Place  
London WC1V 6HU

**t** 020 7831 2711  
**f** 020 7831 7653  
**e** [london@tymconsult.com](mailto:london@tymconsult.com)  
**w** [www.tymconsult.com](http://www.tymconsult.com)

## INTRODUCTION

- 1 This study was commissioned by the three local authorities in South West Hertfordshire ('SW Herts'), comprising **Dacorum** Borough Council, Watford Borough Council and Three Rivers District Council, to inform the employment land policies in their forthcoming Local Development Frameworks.
- 2 It is important to note that employment space (property and land), as defined in this study, refers to offices and industrial and distribution space. (In planning terms, this equates to the Business (B) Use Class, plus sui generis uses which are physically similar.) It excludes many activities which do provide employment, but operate in other kinds of space, such as retail, leisure, education and health.
- 3 In summary, the study brief posed four key questions for the study:  
*The Quantity of Employment Land*
  - How much land should be safeguarded for employment uses over the planning period 2001-2021?
  - How much could potentially be released for housing and other uses?*Specific Sites and Areas*
  - Which sites and areas should be safeguarded for different kinds of employment use, and conversely which should you consider releasing?
  - Where are infrastructure and other improvements needed to enhance the quality of employment sites?
- 4 Within these general headings, the report considers a series of site-specific and District-specific issues which were listed in the brief. With regard to one site, Hemel Gateway in **Dacorum**, we were required to make especially detailed recommendations, which are provided in a separate report.

## POLICY CONTEXT

- 5 Under the new planning legislation, Local Development Frameworks in SW Herts are required to conform to Regional Spatial Strategy (RSS)14, The East of England Plan, which is currently in draft and likely to be finalised in 2006. The draft RSS has major implications for local employment land policies. In particular:
  - Policy E3 requires that existing employment land be considered for alternative uses only where it has been demonstrated that the remaining land supply is adequate, both qualitatively and quantitatively, 'to ensure that the objectives of the Regional Economic Strategy are achievable'.
  - Policies SS10 and E2 set employment growth targets for 2001-21, aiming to provide for 421,000 net additional jobs in the East of England, of which 64,700 are in Hertfordshire.
- 6 These targets are derived from the headline objective in the Regional Economic Strategy (RES) that the East of England by 2021 should be one of the top 20 regions in the EU in order of output (GVA) per head. With the agreement of the study steering group, we have used this target as the starting point in estimating future employment land requirements.
- 7 If the final version of the regional strategy were to differ significantly from the current draft, this report would have to be amended accordingly.

## THE ECONOMY

### SW Herts as a Business Location

- 8 The different local authority areas of SW Herts are similar in being largely service economies, with little manufacturing. But in some ways, the authorities occupy different market niches. Three Rivers seems particularly attractive to small business. **Dacorum** and Watford historically have been well represented in finance and business services firms, though **Dacorum** in recent years has lost ground in this market. ICT industries in **Dacorum** are one concentration of high-tech industry which could have considerable growth potential for the future, as do the film and media activities at Leavesden in Three Rivers.

### Well-being and Competitiveness

- 9 By national and regional standards, both SW Herts' workplace economy and its working residents are prosperous and productive, and the indications are that they will remain so. SW Herts has no major economic disadvantages or deficiencies that employment land policy should aim to rectify. On most measures of economic well-being and competitiveness:
- The Eastern Region is close to, or slightly ahead of, the national average;
  - The South East (RoSE) does better than either;
  - Hertfordshire does better than the South East;
  - SW Herts and its constituent authorities are either similar to Hertfordshire or slightly ahead of it.
- 10 Thus, SW Herts has a healthy industrial structure, biased towards the higher-value, higher-growth sectors - although, except for the concentration of ICT industries in **Dacorum**, it is not an especially high-tech economy. In terms of entrepreneurship and skills, it matches the (good) performance of the county as a whole. Those who live and work in the area enjoy earnings close to the (high) county average, or (especially in Three Rivers) above that average. Unemployment rates are close to the (low) county average and have been so for many years. Employment has been increasing slightly faster than the Hertfordshire total, though neither the county nor SW Herts expanded as fast as the South East region.
- 11 Among the SW Herts authorities, there is some variation. Watford rates lower than the others in terms of earnings and unemployment, but by national and regional standards is still a healthy economy, and has shown the most employment growth.
- 12 There are two dimensions of economic well-being on which SW Herts' performance appears less good.
- i) The area's housing is expensive, not only in absolute terms, but also when measured against the (high) earnings of the residents.
  - ii) Travel to work may be considered excessive:
    - In **Dacorum** and Watford, residents' trips are long by national standards; though not by the standards of the East and South East regions.
    - Three Rivers has an exceptionally high proportion of residents commuting out to work in other districts and comparatively few short trips and trips on foot. But this does not necessarily indicate a sustainability deficit. Three Rivers' high out-commuting is accounted for by trips to Watford borough, which is physically close, and to London, which in general is easily reached by public transport. Indeed, the proportion of Three Rivers residents who drive to work is close to the regional and Hertfordshire norms.

## Policy Objectives

- 13 The above analysis suggests that employment land policies in SW Herts should focus on preserving and enhancing existing advantages, and making the most of future opportunities, rather than correcting disadvantage. The Councils might consider setting out three broad objectives:
- i) To contribute to the growth of population, output and employment in the East of England as required by the Regional Economic Strategy;
  - ii) To maximize the current and future economic well-being of the area's residents, so far as is compatible with environmental quality and sustainability objectives;
  - iii) To maintain or reduce the length of residents' travel-to-work trips, especially those made by car.

## THE PROPERTY MARKET

### Offices

- 14 SW Herts represents an important office market for Hertfordshire as a whole. Of the three main centres, Watford is the more established and attractive office market, followed by Three Rivers (which includes Leavesden Studios). The market perception of Hemel Hempstead as an office location is poorer by comparison, partly because the town does not have a clearly defined office area.
- 15 Over the past few years, the national and regional office markets have seen modest levels of demand, with most take-up involving small to medium-sized units and with larger units struggling to attract occupiers. As a result, levels of vacancy are relatively high, especially in Watford, where around 22% of the borough's floorspace is vacant. Furthermore, there is a relatively plentiful supply of land for office development, which is unlikely to be absorbed in the short term given current conditions. However, both market evidence and formal property forecasts suggest that the market is in the early stages of a modest recovery.
- 16 While the above market conditions largely reflect cyclical factors, there may also be more significant structural changes taking place. Companies may be becoming more reluctant to commit to taking larger conventional units on relatively long leases. There could be a mismatch between the supply of space in large units and the demand for smaller to medium sized units, on more flexible terms.

### Industrial/Warehousing Space

- 17 **Dacorum** is the largest industrial market in SW Herts, accounting for more than half the area's industrial stock, with Hemel Hempstead being the main industrial market. Although Watford has attracted some sizeable occupiers recently, in general Hemel Hempstead is the main location catering for large-scale users in SW Herts and indeed one of the main distribution locations around the M25 and southern end of the M1.
- 18 All the local authority areas in SW Herts have seen net decline in their built industrial stock in recent years. Given that occupier demand remains relatively strong (although take-up levels are below their recent peak) and floorspace vacancy rates are lower than in offices, the market for industrial floorspace is relatively well balanced. The market for industrial *land* is tight, with strong demand from developers and a very limited supply of available sites.

## THE QUANTITY OF EMPLOYMENT LAND

### Quantitative Guidelines

- 19 Based on employment targets in the draft Regional Spatial Strategy, our preferred scenario estimates that between 2001-2021 employment SW Herts will grow by some 25,000 jobs (14%). But only 3,000 of these net new jobs will be in activities that occupy business space (offices, factories and warehouses), representing an increase of just 4% in business space employment. (Of these net new jobs, some 1,200 are in Watford, 1,000 in Three Rivers and 800 in **Dacorum**.) In all three Districts, as in the economy as a whole, industrial/warehousing employment falls while office employment grows, continuing structural economic trends which have been in place for many years.
- 20 We have applied standard floorspace/worker ratios to translate these figures into demand for business space. Despite the slight growth in business space employment, the result shows a reduction in demand, because offices - for which demand is growing - use far less space per worker than industrial/warehouses space - for which demand is falling<sup>1</sup>. But this fall in demand is just 2% of the current floorspace stock, which is insignificant, especially considered over a 20-year planning period.
- 21 For planning purposes, we have added to this estimated demand a margin of safety to provide for frictional vacancy, uncertainty and choice<sup>2</sup>. After this adjustment, our preferred scenario shows the following forecast requirement for business space:
- Net Change in Floorspace Capacity, 2001-21, sq m**
- |                              |          |
|------------------------------|----------|
| Industrial/warehousing space | -157,000 |
| Offices                      | +286,000 |
| Total business space         | +129,000 |
- 22 We recommend that the Councils adopt these figures as quantitative guidelines for employment land provision in Local Development Frameworks.
- 23 Site-specific policies and decisions should collectively fit within these guidelines, which of course should be kept under review and will need to change if the regional strategy changes.
- 24 To see how much land should be added to the planned supply, or alternatively could be released for other uses, we have compared this requirement with the identified planned supply - the land currently identified by the planning system for Business Class uses. (Planned supply includes change which has occurred since 2001, current planning commitments at 2004, plus an adjustment for vacant floorspace).
- 25 For industrial/warehousing space, our analysis suggests that:
- In SW Herts as a whole, the RSS scenario shows a small oversupply of 90,000 sq m, 7% of the floorspace stock, to 2021. In effect, if these figures are correct, and given the market at sub-regional level is almost in balance over the planning period.

<sup>1</sup> We assume floorspace/worker ratios of 18 sq m per worker for offices and 31 sq m per worker for industrial/warehousing space.

<sup>2</sup> In offices, where demand is growing, to provide a margin we add 50% to the forecast net additional demand. Where demand falls, we reduce the forecast net reduction by one third.

- If each District is considered in isolation, the figures suggest that **Dacorum** and **Watford** could lose small amounts of industrial land while still meeting demand, while **Three Rivers** cannot afford to lose any land at all. In practice, we need to bear in mind that the three areas, and especially **Watford** and **Three Rivers**, are physically close and draw on overlapping labour catchments. Thus, losses in one District could be compensated by gains in another.
- How far gains in **Watford**, for example, can compensate losses in **Three Rivers**, will depend on the micro-location and character of individual sites. To meet footloose demand displaced from **Three Rivers**, **Watford** ideally should provide space in the west of its area, close to the borough boundary, and small-scale accommodation that suits the profile of industrial occupiers in **Three Rivers**.

26 The broad implication from the figures is that, if it is to meet the forecast requirement to 2021, SW Herts in net terms can afford to lose only little of its industrial/warehousing capacity over and above existing planning commitments. In contrast to recent years, which have seen substantial losses of industrial land, in future any significant capacity lost to other uses should be replaced, whether by identifying more land or by intensification at existing sites.

27 In the office market:

- Based on the RSS scenario, we estimate an oversupply of 166,000 sq m, 20% of the floorspace stock. This reflects oversupplies in all three Districts, of which by far the largest is in **Three Rivers**.
- But the sub-regional surplus is due to the major development sites at **Spencers Park** (**Three Cherry Trees Lane**) and **Leavesden**, which for different reasons may not come forward for offices within the planning period.
- Without **Spencers Park** and **Leavesden**, the RSS scenario shows the sub-regional office market almost in balance overall, with some undersupply in **Dacorum** counter-balanced by oversupply in the other two Districts.
- Some of the demand for office space is likely to be footloose across borough boundaries. Therefore, depending on the micro-location and qualitative features of sites gained and lost, these local mismatches may not make any difference to total employment and output across the sub-region.

## Safeguarding and Replacing Land

- Our calculations on the balance of demand and supply relate to net change - the space gained to business uses through new development less any space lost to other uses, for example where industrial sites are redeveloped for housing. If there are such losses in future, over and above the planning commitments we have discussed, the requirements estimated earlier will increase to compensate for these losses.
- Even in the industrial/warehousing sector, where demand is falling, the analysis suggests that it is falling quite slowly - with a reduction of 15% over 15 years in SW Herts as a whole. It follows that, if estimated requirements are to be fulfilled, the bulk of the existing floorspace should be either retained or replaced. A key task of the planning system will be the management of existing employment sites and areas, to ensure that enough land is protected from the pressure of higher-value uses and to facilitate the renewal or replacement of space which becomes obsolete.
- This task will be especially important in relation to small secondary sites, start-up accommodation and low-value or bad-neighbour uses, where the market cannot necessarily be relied upon to deliver redevelopment. The Councils may



consider using planning obligations to support the development of such space, using some of the financial gains produced by the switch of employment land to housing or mixed use, as discussed in more detail in the next section.

## SPECIFIC SITES AND AREAS

### Sites in Dacorum

28 To help inform planning decisions on individual sites and areas, our qualitative review of employment areas provides the following advice and observations.

- The only new land identified specifically for B1 development in the borough is the Spencers Park site at Three Cherry Trees Lane, which is allocated specifically for Specialised Technological Activities. Development opportunities for new employment uses such as distribution or general offices will arise largely from the recycling of existing employment land.
- The North East Hemel Hempstead employment areas enjoy high accessibility, but it will be necessary to address the congestion problems and the reliance on the private car, particularly if the usage of the area is to be intensified in line with current planning commitments.
- Ancillary facilities in North East Hemel Hempstead are currently inadequate for the size of the daytime population. North East Hemel Hempstead is a major employment location in the South East but operates in a competitive market. Whilst the area undoubtedly has advantages, particularly for the distribution sector, office occupiers will be more footloose. It is important to consider what makes North East Hemel Hempstead special as place to work and do business. At present, it lacks social amenities and this affects its overall attractiveness as an employment location.
- The policy strategy in the current Local Plan, which seeks to differentiate the office and industrial/distribution uses, is sensible both in planning and market terms. From an occupational perspective, office accommodation is more attractive where it is not surrounded by heavy industrial uses that generate noise, vibration, odours and visual intrusion. Furthermore, prestige office space needs a strong image and identity, and is better suited to 'gateway' locations, rather than being reached via roads that are largely industrial in character.
  - Doolittle Meadows is a Core Office Location that is some distance from the main urban centre, although the site does have good public transport links, being close to Apsley Station. Its proximity to residential uses means that it is not suitable for general industrial or warehousing uses.
  - The Apsley Industrial Estate is an average quality employment site, suitable for a range of small-scale light and general industrial uses. Strategic access to the site is poor. However the site is relatively unconstrained by adjoining uses.
  - Nash Mills is an established employment site located alongside the River Gade for historic reasons. It is located in a sensitive environment and the costs of any future redevelopment are likely to be high.
  - The Major Developed Sites in the Green Belt should be retained in their existing uses. Bourne End Mills is suitable for a range of industrial and warehousing uses; it is actively used, providing a good location for a range of engineering, metal works and accident repair companies without conflicting with neighbouring uses. The Bovingdon Brickworks is an established use in the



Green Belt and should remain an allocated employment site, but this should be reviewed should this site ever become vacant.

- Hemel Hempstead town centre is a valuable source of office supply and the balance between in-town and out-of-town provision should be maintained. Office supply in Hemel Hempstead town centre needs to be monitored. Office accommodation should only be considered for release to other uses or mixed use where it is no longer suitable for employment uses and its redevelopment for such uses would not be commercially viable.
- There is the potential for the Council to consider relocating the STA/science park site from Spencer's Park to the Hemel Gateway site. Hemel Gateway has superior prominence and access, a better environment and could provide economies of scale not available at Spencers Park.

## Criteria

- 29 Development plan documents should also provide more general guidance, to cover sites which are too small to be identified individually. To help decide which sites should be retained, which should be released for other uses and which are suitable for mixed use, future development plans should provide formal criteria. Key criteria should include strategic access, local access, general location, external environment, internal environment and current vacancy rates.
- 30 The Councils should also consider commercial viability criteria. Planning Policy Guidance (PPG)3, both in its current form and proposed revisions, requires that vacant employment sites be considered for release if they do not have realistic prospects of being developed as such within the period of development plans. In practice, a site whose development is not financially viable of course will generally not have realistic prospects of development.
- 31 This provision could make it difficult to conform to the draft RSS, which is driven by employment growth targets rather than financial viability, and furthermore covers a much longer period than local development documents. As a matter of practical feasibility, mixed-use development in many cases may be the most effective way to deliver the employment capacity required by RSS targets.
- 32 Where commercial viability is a criterion in the decision to safeguard or release sites, this viability should not be judged on the basis of current rental values and market conditions alone. Indicative appraisals need to consider how far development is likely to be viable in future, given the increases in rents and reductions in void periods that are expected in coming years.
- 33 Finally, policy criteria should reflect the current pressure of demand for small units both in the industrial and office markets. We cannot be sure that this will continue throughout the planning period. But certainly in the short to medium term, if demand is to be met, it will be especially important to protect and promote those sites that can provide small to medium units.

## TOOLS FOR PLANNING

- 34 We suggest that the local authorities in SW consider two relatively novel approaches in planning for employment land. The first is to capture for economic development purposes some of the commercial values generated by the transfer of employment sites to housing, by requiring developers where appropriate to provide employment space for incubator units or similar, either through mixed-use development or off-site contributions. The second suggestion is that the three Districts plan sub-regionally for employment land, sharing policies and guidelines which relate to SW Herts as a whole.
- 35 Finally, it is important to note that forecasting is difficult and often wrong. To deal with the inevitable uncertainties in planning for employment land, the authorities should follow the Plan, Monitor and Manage approach, in which analysis and forecasting and the resulting policies are periodically reviewed and rolled forward, so that policy is always based on the best knowledge available, and the end of the planning period is never reached or even approached closely. In particular:
- Employment forecasts and the resulting demand forecasts should be reviewed at least every 3-5 years.
  - Key economic data, planning completions and commitments, and key property market indicators should be monitored continuously.
- 36 To keep up to date on qualitative issues, the Councils should also consider an annual workshop or forum on Space for Business, bringing together the property industry and key occupiers.