

LOCAL PLAN SUB-COMMITTEE NOTICE AND AGENDA

For a meeting to be held on Tuesday, 4 February 2025 at 7.00 pm in the Penn Chamber, Three Rivers House, Northway, Rickmansworth WD3 1RL

Members of the Local Plan Sub-Committee:-

Councillors:

Stephen Giles-Medhurst (Chair)
Christopher Alley
Oliver Cooper
Stephen Cox
Steve Drury
Vicky Edwards

Louise Price (Vice-Chair)
Philip Hearn
Chris Mitchell
Sarah Nelmes
Andrew Scarth

*Joanne Wagstaffe, Chief Executive
Monday, 27 January 2025*

The Council welcomes contributions from members of the public on agenda items at Local Plan Sub-Committee meetings. Details of the procedure are provided below:

Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 6.30pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part 1 business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Act and the laws of libel and defamation.

1. Apologies for Absence

To receive any apologies for absence.

2. Minutes

(Pages 3 - 8)

To confirm, as a correct record, the minutes of the Local Plan Sub-Committee meeting held on 17 October 2024.

3. Notice of Other Business

Items of other business notified under Council Procedure Rule 30 to be announced, together with the special circumstances that justify their consideration as a matter of urgency. The Chairman to rule on the admission of such items.

4. Declaration of Interests

To receive any declaration of interests.

5. Local Plan Progress Report

(Pages 9 - 26)

This report sets out the next steps and work required on the Local Plan in preparation for the Regulation 19 consultation in November 2025.

Recommendation:

That the Local Plan Sub Committee notes the contents of this report.

6. Housing and Employment Topic Papers

(Pages 27 - 552)

This report provides an overview of the two draft topic papers which have been prepared (housing and employment and economy) to assist with the formulation of the emerging Local Plan.

Recommendation:

That the Local Plan Sub-Committee note the contents of this report and agrees to publish the following evidence studies to the emerging Local Plan Evidence Base (online website):

- i. South West Hertfordshire Local Housing Needs Assessment Update, produced by Icenl (Appendix 3)
- ii. South West Hertfordshire Economic Study, produced by Hatch (Appendix 4).

7. Other Business - If approved under item 3 above

8. Exclusion of Press and Public

If the Sub-Committee wishes to consider the remaining items in private, it will be appropriate for a resolution to be passed in the following terms:-

“that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined under Paragraphs 1 to 7 of Schedule 12A to the Act. It has been decided by the Council that in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

THREE RIVERS DISTRICT COUNCIL

At a meeting of the Local Plan Sub-Committee held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 17 October 2024 from 7.00 - 9.56 pm

Present: Councillors Stephen Giles-Medhurst (Chair), Louise Price, Christopher Alley, Steve Drury, Vicky Edwards, Andrea Fraser, Philip Hearn, Tony Humphreys, Chris Mitchell and Andrew Scarth.

Also in Attendance:

Councillor Sara Bedford, Councillor Rue Grewal, Councillor Ciaran Reed and Councillor Jon Tankard

Officers in Attendance:

Marko Kalik, Head of Planning Policy and Conservation
Emma Lund, Senior Committee Officer
Aaron Roberts, Senior Planning Officer
Alison Scott, Director of Finance

External in Attendance:

Jon Bishop, Three Rivers Joint Residents' Association

LPSC44/23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Cooper, Cox and Nelmes.

Councillor Humphreys substituted for Councillor Nelmes and Councillor Fraser substituted for Councillor Cooper.

The Committee stood and observed a moment's silence in memory of former Councillor Roger Seabourne.

LPSC45/23 MINUTES

The minutes of the meeting held on 11 September 2024 were confirmed as a correct record and signed by the Chair.

LPSC46/23 DECLARATION OF INTERESTS

There were no declarations of interest.

LPSC47/23 IMPLICATIONS OF NPPF CONSULTATION AND TRANSITIONAL ARRANGEMENTS ON LOCAL PLAN PROGRESS

The Head of Planning Policy and Conservation gave a presentation covering the implications of proposed planning reforms and transitional arrangements on the progress of the Local Plan. The presentation included the Local Plan background; the evidence base work and consultations which had been carried out to date; local housing need; the risks of continuing to Regulation 19; and the reasons for the recommendation which was before the Committee to delay the Regulation 19 consultation and undertake further evidence work. This followed a recent Government consultation on a draft NPPF which proposed a revised method for assessing housing need which would result in a circa 15% increase in the housing need target to 739 dwellings per annum (dpa) from 640.

For reasons which included the very significant difference between the proposed housing requirement (under both the current standard methodology and the proposed new methodology) and the low growth local housing need figure of 270 dpa which had been consulted on at the Regulation 18 stage, the sub-committee heard that officers were of the view that the current Local Plan would be very likely to be found unsound at examination, even if assessed against the 2023 NPPF. In the unexpected event that it were found to be sound at examination, the proposed transitional arrangements for the new NPPF would require the production of a new Plan within a fixed timescale of 18 months to meet the Government's proposed new housing target. This was because there was a gap of more than 200 dwellings per annum between the authority's housing need figure and the emerging housing requirement.

The sub-committee also heard that Suitable Alternative Natural Green Space (SANG) requirements on sites in the zone of influence for the Chiltern Beechwoods special area of conservation could result in the removal of two sites (nearly 200 dwellings); the Gypsy and Traveller Accommodation Assessment required updating and work to address unmet need; and the 270 dpa consulted on at Regulation 18 was now likely to be closer to 200 dpa due to a reduction in developable areas / removal of sites. Additional work was therefore needed on both SANG and the Gypsy and Traveller Accommodation Assessment before the Plan would be ready for submission. The Committee was informed that there is a statutory obligation for the Local Planning Authority to submit a plan believed to be sound, legally compliant and ready for examination at the time of submission.

Officers advised that a new Open Space, Sport and Recreation Study was being requested by Sport England as the existing study was from 2019. Officers advised that such a study might take a year. The Chair and Members asked that this be checked with Sport England, and if a far shorter timescale could be used.

Officers drew attention to the fact that the Plan would in due course need to meet the requirements of the 2024 NPPF, irrespective of whether or not the Regulation 19 consultation was delayed. It was therefore proposed to immediately commence the further evidence work which would be required in order to robustly defend a lower housing figure than the emerging NPPF. This would include a Green Belt review to assess the strategic impact of Green Belt release over the whole of the plan area.

If the delay was agreed, the proposed new timeline for the Plan was for Regulation 19 consultation in February / March 2026, submission for examination in June / July 2026, and adoption in November / December 2026. Officers were to bring a report to the Policy and Resources Committee on this and asked to see if this timeline could be shorter.

Jon Bishop addressed the sub-committee on behalf of the Three Rivers Joint Residents' Association. The sub-committee heard that the Association supported the current low growth / Green Belt protection option and proposed a dual track approach of progressing with the Regulation 19 consultation and commencing the additional work required in parallel, to allow flexibility in the event that implementation of the new NPPF were delayed.

Members of the sub-committee asked questions about the presentation and report, which were responded to by officers.

In debate Members discussed the risk of loss of autonomy and of having housing targets imposed which would likely be significantly higher than those assessed by the Council itself (and result in greater loss of Green Belt); resource availability; financial implications; the extent of the likely delay to the process; and the best way of protecting the Green Belt from speculative development.

Councillor Hearn proposed and Councillor Edwards seconded an amendment to the recommendations that the Regulation 19 consultation should not be delayed but should instead be brought forward to January 2025, with the Plan to be submitted in February 2025;

that all funding needed to make the outstanding evidence available in time should be made available; and that an emergency Full Council meeting should be called in order to agree the required funding package.

The Chair and officers advised that such a timetable with the required additional work and the statutory 6 weeks' Regulation 19 Consultation was unrealistic and not achievable for a sound Local Plan.

On being put to the vote the amendment was declared LOST by the Chair; the voting being 4 in favour and 6 against.

The following Councillors voted in favour of the amendment: Councillors Alley, Edwards, Fraser and Hearn.

The following Councillors voted against the amendment: Councillors Drury, Giles-Medhurst, Humphreys, Mitchell, Price and Scarth.

An amendment to the recommendations was then moved from the Chair as follows:

That the Local Plan Sub-Committee recommends to the Policy and Resources Committee that:

- the Regulation 19 publication of the Local Plan be delayed at this time but be prepared to re-consider at minimum notice should circumstances change, including the setting up of emergency Policy and Resources and Full Council meetings.
- Officers be authorised to undertake the further evidence work on Green Belt, Urban Capacity, Open Space, Sport and Recreation, Gypsy and Traveller Needs, SANG and whole plan viability.
- Officers should prepare an updated Local Development Scheme setting out an updated timetable for the Local Plan.

On being put to the vote the amendment was declared CARRIED by the Chair, the voting being 6 for, 0 against and 4 abstentions.

RESOLVED:

That the Local Plan Sub-Committee recommends to the Policy and Resources Committee that:

- The Regulation 19 publication of the Local Plan be delayed at this time but be prepared to re-consider at minimum notice should circumstances change, including the setting up of emergency Policy and Resources and Full Council meetings.
- Officers be authorised to undertake the further evidence work on Green Belt, Urban Capacity, Open Space, Sport and Recreation, Gypsy and Traveller Needs, SANG and whole plan viability.
- Officers should prepare an updated Local Development Scheme setting out an updated timetable for the Local Plan.

LPSC48/23 LOCAL PLAN: UPDATED DRAFT POLICIES FOR REGULATION 19

The Senior Planning Officer spoke to the report, which presented updates to the draft Local Plan policies from the Draft Local Plan Regulation 18 Part 1: Preferred Policy Options document. The majority of the policies (appendices 1-20) had previously been considered at meetings of the Local Plan Sub-Committee during summer 2024; the report set out the further

changes which had been made as a result of those meetings. A small number of other policies were attached (appendices 21-24) which had not been brought to the summer 2024 round of Local Plan Sub-Committees.

The Chair thanked the Three Rivers Joint Residents' Association for its helpful input and advance notice of a number of suggested minor changes, which officers would take into consideration. Jon Bishop, Chair of the Three Rivers Joint Residents' Association addressed the sub-committee to present the suggested changes.

The sub-committee asked questions and agreed amendments to the draft policies as shown below.

Appendix 2 – Chiltern Beechwoods SAC Policy

In response to questions about why Dacorum and St Albans both applied this policy where there was more than 10 in a development, whereas in Three Rivers the policy was 100, officers responded that the reason for this, as well as for the removal of the concept of SAMM within the policy, had been informed by Natural England's response to the Council and was on the basis that Three Rivers did not form part of the strategic solution to the Beechwoods SAC.

Appendix 4 – Advertisements

Officers to look at amending the wording of point 5 to 'Advertisements, *and* shop fronts and displays must:'

Appendix 11 – Green and Blue Infrastructure Policy

The words 'where appropriate' to be replaced with 'where possible' and the words 'where appropriate' to be removed from policy point 6.

Appendix 12 – Housing Density Policy

Point 2 to refer to 'net housing density' rather than 'housing density'.

Appendix 19 – First Homes

Officers to check whether the criteria for demonstrating a local connection at paragraph 19.9 of having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months was required by law, or whether a period longer than 6 months could be specified, and amend the policy if possible.

Appendix 21 – Biodiversity Policy

Officers, in consultation with Herts Ecology, to look at strengthening the wording of point 12 to seek to take account of the relative status of species and provide additional protection for red list, threatened or endangered species.

Officers to look at whether the benefits referred to at point 7 could refer specifically to public benefits.

Officers to look at amending the wording of policy point 8 to refer to 'specific location', with no other location existing which could meet the need. Therefore, the last two lines of the policy point should read: '...for the development in that specific location, no other possible location exists that could meet the need and the benefit of the development clearly outweighs the loss or harm.'

Appendix 23 – Vision for Three Rivers and Strategic Objectives

A further point to be added to the strategic objectives ‘to ensure that the biodiversity of the district is protected’, with a specific focus on vulnerable species.

Officers to look at amending the wording in the first objective relating to ‘rented affordable homes and family-sized homes’ to instead refer to ‘socially rented homes and smaller family-sized homes.’

Officers to review the wording of the second sentence of the third objective relating to previously developed land, which doesn’t seem to make sense.

Officers to review this wording relating to ‘edge of settlement’ sites later in the same paragraph. This should either refer to ‘sustainable edge of settlement sites’ or be removed completely.

A strategic objective to protect the Green Belt to be added.

Appendix 24 – Overarching Policy on Sustainable Development

An addition to be made to point 3(e) to discourage replacement of usable existing buildings where re-use and renovation could achieve the same outcome.

Point 3(f) be amended to include a phrase about the protection of vulnerable species.

RESOLVED:

That the Local Plan Sub-Committee notes the contents of the report and recommends to the Policy and Resources Committee the following policy updates as amended above and subject to further clarification to be provided by officers in relation to points noted above:

- Residential Design and Layout
- Chiltern Beechwoods SAC
- Heritage and Historic Environment
- Advertisements
- Deliveries, Servicing and Construction
- Ground Conditions, Contamination and Pollution
- Northwood Headquarters
- Green Belt
- Green Belt Appendix
- Provision for Gypsies, Travellers and Travelling Showpeople
- Green and Blue Infrastructure
- Housing Density
- Trees, Woodlands, Hedgerows and Landscaping
- Broadband and Electronic Communications
- Sustainable Transport and Travel
- Open Space, Play Space and Recreation
- Retail and Leisure
- Affordable Housing
- First Homes
- Employment and Economic Development
- Biodiversity
- Renewable and Low Carbon Energy Development
- Vision for Three Rivers and Strategic Objectives
- Overarching Policy on Sustainable Development

CHAIRMAN

This page is intentionally left blank

Three Rivers District Council

Sub Committee Report

4 February 2025

PART I

**LOCAL PLAN – Progress Report
(DoF)**

1 Summary

- 1.1 This report sets out the next steps and work required on the Local Plan in preparation for the Regulation 19 consultation in November 2025.

2 Introduction

- 2.1 At the Extraordinary Meeting of Full Council in January it was agreed that officers would now work towards a timescale so that the Council might be in a position to have a Regulation 19 for public consultation in early November. It was also agreed that further evidence work was required in support of the Local Plan to help ensure it being found sound at examination.
- 2.2 This report provides background on Local Plan work completed to date, then sets out the remaining evidence work required for the plan to be ready for Regulation 19 publication in November.

3 Background

Regulation 18: Issues and Options (2017)

- 3.1 The first pieces of evidence work completed for the emerging Local Plan were the South West Hertfordshire Strategic Housing Market Assessment (SHMA, 2016) and South West Hertfordshire Economic Study (2016).
- 3.2 The SHMA set out the Objectively Assessed Need (OAN) for the area. This predated the Government's standard method for calculating housing need and was a locally devised methodology following the guidance at the time.
- 3.3 The SHMA concluded that the OAN for housing in Three Rivers for the period of 2013-2036 was 514 dwellings per annum. This was a significant increase to the Council's existing target of 180 dwellings per annum set out in the Core Strategy (2011).
- 3.4 Recognising that the OAN is the starting point when seeking to establish an appropriate housing requirement for the area, officers contemplated wider policy objectives where relevant. Such considerations included the delivery of affordable housing, the potential to enable growth of the local economy and strategic constraints such as Green Belt.
- 3.5 The Economic Study defined the Functional Economic Market Area (FEMA) as covering the South West Herts authorities of Three Rivers, Watford, Dacorum, St Albans and Hertsmere. This was based on analysis of a range of data on travel to work, leisure and retail, migration and market linkages reports.
- 3.6 The study considered different growth scenarios and set out the preferred growth scenario as an employment-led scenario. The study did not undertake a comprehensive analysis of all employment land in the FEMA but focused on existing employment sites. These were found to be trading well with high levels

of occupancy. As such, it was concluded that existing employment allocations should be protected.

- 3.7 This work fed into our first round of Regulation 18 consultation known as Issues & Options (2017). In terms of housing need the consultation considered three growth options. These were 'Low Growth' of 411 dwellings per annum (20% below OAN), 'Moderate Growth' of 514 dwellings per annum (OAN) and 'High Growth' of 617 dwellings per annum (20% above OAN). 18% of respondents supported the low growth option, 41% supported moderate growth and 41% supported high growth. It should be noted that there was a low response rate to this consultation, which is common at this stage in plan-making.
- 3.8 The Issues and Options consultation also sought feedback on the Local Plan vision and objectives, affordable housing, transport and sustainability and climate change. Further evidence work was commenced to support these key policy areas.
- 3.9 An initial Sustainability Appraisal Working Note (2017) was consulted on in support of the Issues and Options Consultation. This followed on from the Sustainability Appraisal Scoping Report (2017) which identified the scope and level of detail of the information to be included in the final SA. The Working Note assessed the likely environmental, social and economic effects of the various options being considered through Issues and Options.
- 3.10 Alongside the Issues and Options consultation, we undertook a call for sites asking landowners and site promoters to put forward potential development sites. Following initial high-level site assessments, we undertook a potential sites consultation in 2018 in order to gather as much information as possible to assist with the more detailed site assessments.

Regulation 18: Preferred Policy Options and Sites for Potential Allocation (2021) and Additional Potential Sites for Allocation (2023)

- 3.11 Following the Issues and Options and Potential Sites consultation a large amount of evidence work was undertaken in order to inform site assessments and policy formulation.
- 3.12 In 2018 the Government introduced the standard method for calculating housing need, taking away the power for local authorities to calculate their own housing need. The standard method identifies a minimum annual housing need figure. This produced a housing need of 615 dwellings per annum for Three Rivers (at the time). In other words, we were being forced into the 'High Growth' option considered through the Issues and Options.
- 3.13 The Local Housing Needs Assessment (2020), an updated version of the 2016 SHMA, applied the standard method in the study with the minimum housing need figure now at 630 dwellings per annum. The study concluded that there were no exceptional circumstances that justified using an alternative method for calculating housing need.
- 3.14 In terms of affordable housing requirements, the study concluded that the scale of affordable housing need was such that the Council should seek to deliver as much affordable housing for rent as viability allows. It also set out that a maximum of 10% of affordable housing should be for affordable home ownership.

- 3.15 The study also provided a suggested housing mix and set out needs for other forms of specialist housing such as housing for the elderly.
- 3.16 In 2019 an update to the Economic study was completed. Similarly to the previous study it confirmed the Functional Economic Market Area as covering the 5 South West Herts authorities. The study set out a requirement for 30,100 sqm of office space and 28,800 sqm of industrial space across the District. It should be noted that much of the need for office space was to be met by existing commitments (planning permissions).
- 3.17 The Retail and Leisure Study (2018) considered retail and leisure needs, along with retail and leisure provision and possible strategic responses across South West Herts and assessed the vitality and viability of the District's town and district retail centres.
- 3.18 The Gypsy and Traveller Accommodation Assessment was produced in 2017, analysing current and future need for Gypsy, Traveller and Travelling Showpeople accommodation. The assessment concluded that needs could be met by existing commitments.
- 3.19 South West Hertfordshire Strategic Flood Risk Assessment Level 1 (SFRA, 2019) assessed all potential sources of flooding, including, main river, ordinary watercourse, surface water, groundwater and sewer flooding. It also reviewed historic flooding incidents and mapped the location and extent of the functional floodplain.
- 3.20 The 2019 SFRA was followed by a draft Level 2 SFRA in 2021. Level 2 considers sites at risk of flooding that may be carried forward in the local plan and whether it is safe to develop these sites. This remains in draft form as there will need to be further site assessments undertaken once we have a final agreed list of sites.
- 3.21 A Heritage Impact Study was prepared in 2019 with addendums in 2020 and 2022. These assessments assessed the impact of potential development sites on the historic environment. Similarly, Landscape Sensitivity Assessments were produced in 2019, 2020 and 2022, evaluating the impact of potential development sites on landscape character.
- 3.22 The Open Space, Sport and Recreation Study was completed in 2019. This is a wide ranging study that assesses open space provision, its condition, distribution and overall quality. Open spaces include parks and gardens, natural and semi-natural green spaces, amenity green space, provision for children and young people, allotments and cemeteries. There was also a Playing Pitch Strategy and Leisure Facilities and Indoor Leisure Facilities Strategies produced covering all the sporting and leisure requirements across the district.
- 3.23 Edge of Settlement/New Settlement Scoping Study (2020) was conducted to identify potential locations at the edge of existing settlements. The study also sought to identify potential locations away from existing settlements that could accommodate a new settlement should insufficient urban, edge of settlement sites be identified.
- 3.24 Three stages of Green Belt Review were completed between 2017 and 2020. The Stage 1 Green Belt Review reviewed 83 strategic parcels against the Green Belt purposes set out in the NPPF. It also considered the character and role of villages in the Green Belt to assess the suitability of continued inseting of villages in the Green Belt, as required by the NPPF.

- 3.25 The Stage 2 Review worked on a more granular level considering the potential harm of releasing Green Belt land for development. Stage 3 was a New Settlement Analysis of variations to harm to the Green Belt purposes that could result from the creation of a new inset settlement, distinct from any existing inset areas.
- 3.26 The Strategic Housing and Employment Land Availability Assessment (SHELAA) was completed in 2020 with addendums in January and October 2023. It assessed the land supply in the district to help ensure that sufficient land is identified for new housing and employment uses across the plan period. The study included detailed assessment of all sites. This is one of the key pieces of evidence informing decisions on which sites should be allocated in the Local Plan. The SHELAA takes into consideration findings from other technical evidence studies such as the SFRA.
- 3.27 The Urban Capacity Study assessed urban settlements to identify urban brownfield sites. Sites assessed as suitable through a preliminary assessment were included in more detailed site assessments in the SHELAA.
- 3.28 These evidence base documents were used in preparation of the draft Local Plan, the Regulation 18 Preferred Policy Options and Sites for Potential Allocation.
- 3.29 In 2021 the Council consulted on this draft Local Plan. The document considered preferred policy options and set out the sites that could potentially be allocated for development in the Local Plan.
- 3.30 In calculating housing need, a plan period of 2018 to 2038 was used resulting in a total requirement of 12,624 dwellings. Completions, commitments (approved planning permissions) and a windfall allowance were taken off this total leaving a residual target of 10,678. The draft Regulation 18 plan failed to meet this target and planned for 8,973 dwellings, 1,705 dwellings short.
- 3.31 As a result of this consultation a further 18 sites were submitted for the Council's consideration and a further three sites were re-submitted with updated proposals. These sites were assessed and six sites were considered appropriate for potential allocation.
- 3.32 The six sites were consulted on in 2022/23 in the Additional Sites for Potential Allocation document. Adding 825 dwellings to the total. In the meantime, a number of sites were removed or had dwelling capacities altered leaving the deficit to the residual housing target at 1,318 dwellings. This concluded this round of Regulation 18 consultation and the Council needed to then decide whether to press ahead with the Regulation 19 stage or whether to go out on further Regulation 18 consultation considering an alternative growth strategy.

Regulation 18: Three Rivers' Preferred Local Plan Lower Housing Growth Option – Protecting More Green Belt Land

- 3.33 In December 2022 the Secretary of State for Levelling Up, Housing and Communities wrote to MPs about proposed reform to the planning system. A key message set out in the letter was that whilst the standard method for calculating housing need would be retained it should be an advisory starting point, a guide that is not mandatory. They also emphasised that local planning authorities are not expected to review the Green Belt to deliver housing.

- 3.34 At Full Council in December 2022 Members unanimously agreed to add a further round of Regulation 18 consultation to the Local Development Scheme (Local Plan timetable). It was agreed that this further Regulation 18 consultation would be focussed on lower housing numbers than had been consulted on in the previous round of Regulation 18 consultation.
- 3.35 In December 2023 the government published an updated NPPF. This gave greater flexibility in assessing local housing need. New text was added at paragraph 60 clarifying that the overall aim of authorities in the context of delivering homes, should be to “meet as much of an area’s identifies housing need as possible”.
- 3.36 Under paragraph 61, the revised NPPF (2023) also stated that the standard method for calculating housing need, to establish the number of homes required, was now considered as an “an advisory starting point”. New paragraph 145 of the revised NPPF (2023) provided that local authorities may choose to (but are not required to) review and alter Green Belt boundaries (in the event that they consider that they cannot meet housing need) during the plan-making process, where exceptional circumstances are fully evidenced and justified. The changes did not explicitly describe how Green Belt boundaries were expected to interface with housing supply and did not represent a substantive change to the policy position.
- 3.37 From 27 October to 10 December 2023 the Council consulted on a low housing growth option. This concluded its Regulation 18 stage consultations. This Green Belt constraint led approach to growth resulted in 4,852 homes being planned for in the Local Plan Regulation 18 Part 4 consultation. This was less than half the standard method target.
- 3.38 The vast majority of public respondents agreed with the Council’s proposed stance of not complying with the Government’s Standard Method. In total, 789 (91.6%) respondents agreed with this approach whilst 72 (8.4%) did not. Similarly, the vast majority of public respondents agreed that the Council’s preferred ‘Low Growth and Green Belt Restraint’ option is the best growth strategy for the district. 767 (90.3%) of respondents agreed with this approach whilst 82 (9.7%) did not.
- 3.39 It should be noted that officers highlighted the risk that this approach was unlikely to be successful at examination as it was so far from meeting the development needs of the area in terms of quantum of housing, affordable housing provision and specialist accommodation needs.

Regulation 19

- 3.40 At the July 2024 Local Plan Sub-Committee officers set out that even a ‘moderate growth’ approach meeting around 70% of the Government’s standard method target would be unlikely to be successful, and going below this would only increase the risk of the plan being found unsound at examination. At this meeting Members agreed to continue with the Green Belt constraint led approach (less than 50% of the standard method target) for the Regulation 19 Local Plan consultation.
- 3.41 Following the 16 July Local Plan Sub-Committee the Government has consulted on its proposed reforms to the NPPF and other changes to the planning system, with an updated NPPF being published in December 2024.

- 3.42 In July, the Minister of State wrote a letter to the Planning Inspectorate advising that authorities should not submit deficient plans believing that Inspectors will use significant time and resource during examinations to 'fix' them. It also sets out the government's expectation that Inspectors will apply pragmatism to examinations only where it is likely that a plan is capable of being found sound with limited additional work, and that any pauses to an examination timetable should usually take no more than six months overall.
- 3.43 Having considered the implications of the draft NPPF and the Minister's letter, Officers advised against continuing with the low growth option for Regulation 19 as they felt it would be found unsound when it reached examination.
- 3.44 It was agreed at the October Local Plan Sub Committee, that the Local Plan should be paused in order for further evidence work to be completed. An updated Local Development Scheme setting out the new Local Plan timetable was adopted at Full Council in December. Following an Extraordinary Full Council in January it was agreed that Officers would endeavour to prepare the Regulation 19 publication of the Local Plan for consultation in early November 2025.

4 Details

- 4.1 A new NPPF was published in December 2024. The Regulation 19 Local Plan to be consulted on in November will be prepared against this new 2024 NPPF. The following paragraphs sets out the work that needs to be completed prior to publication of the Regulation 19 plan.
- 4.2 An Update to the Local Housing Needs Assessment (LHNA) was completed in 2024, a detailed analysis of the LHNA will be provided in the Housing Topic Paper in a separate report to this Local Plan Sub-Committee.
- 4.3 An Update to the Economic Study was also completed in 2024, a detailed analysis of this study will be provided in the Employment Topic Paper in a separate report to this Local Plan Sub-Committee.

Plan start date

- 4.4 The standard method requires us to start from the current year, as it accounts for past under delivery, so for the Regulation 19 consultation this will be 2025.
- 4.5 We are required to plan for 15 years post adoption (expected in 2026) so the plan period would now be 2025-2041. The new standard method housing need would therefore equate to 832 dwellings multiplied by the 16 year plan period giving a total of 13,312 dwellings. This is an increased requirement of 1,846 dwellings over the plan period when compared to the previous Regulation 18 consultation. When factoring in existing commitments (planning permissions) and a windfall allowance we would get a residual housing target of approximately 11,500 dwellings. Were some large speculative applications to be approved in the meantime, these could potentially reduce the residual housing target further.

Green Belt Review

- 4.6 The new NPPF has put more emphasis on the need for local authorities to update and review Green Belt boundaries where they cannot meet their identified need for homes, commercial or other developments without Green Belt release.

- 4.7 The new NPPF has introduced 'grey belt', which is defined as: "land in the Green Belt comprising previously developed land and/or any other land which, in either case, does not strongly contribute to the following Green belt purposes:
- a) To check the unrestricted sprawl of large built up areas;
 - b) To prevent neighbouring towns merging into one another;
 - d) To preserve the setting and special character of historic towns."
- 4.8 It is interesting to note purpose c) 'safeguarding the countryside from encroachment' is not included. The government's NPPF consultation response states that this purpose would result in too much ambiguity in the assessment of grey belt.
- 4.9 Paragraph 146 in the new NPPF sets out that exceptional circumstances for Green Belt release include instances where an authority cannot meet its identified development needs through other means. If that is the case, authorities should review Green Belt boundaries to meet those needs in full, unless doing so would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan.
- 4.10 Given that our housing needs cannot be met in full without releasing Green Belt land, we have to undertake a Green Belt Review to assess whether altering Green Belt boundaries would fundamentally undermine the purposes of the remaining Green Belt, when considered across the area of the plan. If it is considered that Green Belt land should be released, this would be undertaken using a sequential approach. The NPPF sets out that plans should give first consideration to previously developed land, then consider grey belt land which is not already previously developed and then consider other Green Belt locations. As such, if need can still not be met on previously developed land and grey belt locations, other more sustainable sites in the Green Belt may have to be considered.
- 4.11 The Government has stated that it will release updated Planning Practice Guidance (PPG) relating to Green Belt reviews in January 2025 and that Green Belt reviews will be informed by this (at the time of writing no such guidance has been released). Until this guidance is published, it is difficult to confidently set out the methodology of the Green Belt review. However, officers initial view is that given the phrase "remaining greenbelt across the area of the plan", we need to formulate a list of suitable sites that are then fed into the Green Belt review, as only then would we know the impact of these sites on the remaining Green Belt. We would then remove the sites that undermine the remaining Green Belt. In this case we will need to do an additional call for sites and come up with a draft list of sites before we can complete the Green Belt review. Once the PPG on Green Belt reviews is published we can finalise the tender brief for the review.
- 4.12 Officers have submitted an Expression of Interest on behalf of the Council for government funding to pay for the Green Belt Review. Councils will be informed whether their application was successful on the 10th February, and payment is expected on the 19th February.
- 4.13 The Council has already undertaken Green Belt Reviews as part of its evidence work for the Local Plan and as such the new Green Belt review will be expected to build on work previously undertaken rather than starting from scratch. This should help reduce the time to complete the review.

Call for Sites & Strategic Housing & Employment Land Availability Assessment

- 4.14 The Council has undertaken multiple 'call for sites' as part of Local Plan preparation. The first being in 2017 and the latest being a brownfield call for sites last year. In order to demonstrate we have considered all options available, we are currently undertaking an additional call for sites. This asks landowners and developers to come forward with potential sites that we have not yet considered.
- 4.15 Any sites received will have detailed site assessments completed through the SHELAA. These will then be compared against existing sites when compiling a draft list of suitable sites. Once the assessments are completed an updated SHELAA report will be produced covering all the sites assessed throughout the whole process.
- 4.16 The call for sites is due to close on Wednesday 19 February.

Heritage Impact Assessments and Landscape Sensitivity Assessments

- 4.17 New sites may require Heritage Impact Assessments and Landscape Sensitivity Assessments. These will help inform the sites' suitability in the SHELAA.

Urban Capacity Study Update

- 4.18 Brownfield sites in the urban area are the priority for the Council. We will be updating the urban capacity work to make sure that all potential brownfield sites have been considered. The original study was an extensive piece of work and it is not anticipated that a large number of brownfield sites will be uncovered. However, it is important to identify any additional brownfield options as we want to make sure that we minimise development in the Green Belt where possible.

Gypsy and Traveller Accommodation Assessment Update (GTAA)

- 4.19 The final draft GTAA update was completed late last year and supersedes the 2017 GTAA. The update was commissioned following changes to the definition of Gypsies and Travellers in December 2023.
- 4.20 Currently the study is being finalised, with drafts being exchanged between the policy team and the consultants. We hope to be able to formally publish the study in the next couple of months. It must be noted that in December 2024, the planning definition of a traveller expanded to include all other persons with a cultural tradition of nomadism or living in a caravan.
- 4.21 Initial findings from the GTAA in update in November identified a need for 47 pitches across the District (for gypsies, travellers and travelling show people). Officers are now working on how to best accommodate that need. This will most likely be achieved through expanding existing sites, finding new sites and a windfall allowance.

Open Space, Sport and Recreation Study

- 4.22 The previous study is from 2019 and Sport England, a statutory consultee, have raised concerns that the needs identified in the study are becoming out of date. As such we will be commissioning a new study to ensure that up to date needs are addressed through the Local Plan.
- 4.23 Initial research indicates that these studies take 6 months to 12 months. Consultants are being commissioned to undertake the work to ensure its timely completion, and the tender brief is currently being finalised.

Retail and Leisure Study

- 4.24 The original study dates back to 2018 so needs updating. Similarly to the Open Space, Sport and Recreation Study above should this study not be completed in time we could consider an SPD following adoption of the Local Plan.

Infrastructure Delivery Plan (IDP)

- 4.25 A draft IDP was produced in 2024 based on the low growth option consulted on at Regulation 18 stage. The aim of the IDP is to ensure that the Local Plan reflects an understanding of baseline infrastructure capacity and needs within Three Rivers, and that the implications of future growth upon infrastructure are understood. It also provides a general summary of the basis on which different types of future infrastructure investment within the District will be planned. Further, the IDP sets out the infrastructure implications of the development sites chosen within the preferred growth strategy proposed for inclusion within the Local Plan, alongside details on infrastructure costings, delivery mechanisms and prioritisation.
- 4.26 The IDP will need to be updated to reflect any changes to growth strategy and the development sites therein as these will have knock on effects on infrastructure needs across the District. We can only proceed to update the IDP once we have agreed the growth strategy and sites we want to take forward.

Integrated Impact Assessment (including HRA and EIA)

- 4.27 The Integrated Impact Assessment (IIA) has been partially completed. Progress was paused following agreement at committee to delay the plan in order to undertake further evidence work. This was to avoid abortive work assessing the plan on a low growth strategy that would then have to be redone to take account of changes to growth strategy, sites and policies.
- 4.28 The Integrated Impact Assessment incorporates both the Habitats Regulations Assessment (HRA), Equalities Impact Assessment (EIA) and Health Impact Assessment (HIA).
- 4.29 We can only continue with the IIA work once we have agreed sites and policies to feed into the study.

Whole Plan Viability Assessment

- 4.30 This is another assessment that is reliant on specific site information and policies. As with the IIA work, work had been paused on this study as new site information and updated policies will need to be considered through the assessment.
- 4.31 The final assessment will assess whether the development sites in the plan are deliverable, assess the policies in the plan in terms of viability and specifically assess a range of affordable housing policy options.

Transport Assessment

- 4.32 This assesses the transport implications of the proposed growth in the Local Plan. It should identify opportunities for encouraging a shift to more sustainable transport usage and highlight the infrastructure requirements.

- 4.33 The assessment needs a full list of sites with dwelling capacities as will need to assess access and the impact on road safety. The assessment takes place at both the micro and macro levels.

Strategic Flood Risk Assessment

- 4.34 The EA has produced new flood mapping, so some additional work on the SFRA may be required. In addition the detailed site assessments and sequential testing needs to be completed once we have a final draft list of sites.

Suitable Natural Green Space (SANG)

- 4.35 Dacorum Borough Council commissioned visitor surveys at the Chiltern Beechwoods Special Area of Conservation (SAC) as part of their Local Plan preparation. The footprint Ecology Report found that the site is being heavily damaged by visitor pressure and identified concerns around the cumulative impact of residential development.

- 4.36 The report identified a 12.6km Zone of Influence (ZOI). As a result, large developments in the ZOI will be required to produce a Habitat Regulations Assessment and may be required to provide mitigation measures.

- 4.37 Although part of Three Rivers falls within the ZOI (map included in appendix 1) it was not included in the 'strategic solution' by Natural England as less than 2% of visitors to the SAC were from Three Rivers.

- 4.38 Natural England responded to our Regulation 18 Additional Sites for Potential Allocation consultation. They have identified four sites with over 100 dwellings that would require a Habitats Regulations Assessment and potential mitigation measures.

- 4.39 A key mitigation measure would be the provision of Suitable Alternative Natural Greenspace (SANG). Any SANG would need to be sufficient size/quality to divert visitors away from the Chiltern Beechwoods and create a semi-natural experience. SANGs must have the following:

- Adequate parking for visitors, unless the site is intended for local use (within 400m walk of developments linked to it).
- Possible to complete a circular walk of 2.3 to 2.5km around the SANG.
- SANG must be designed so that they are perceived as safe by users; they must not have tree and scrub cover along parts of the walking routes.
- Paths must be easily used and well maintained but most should remain unsurfaced to avoid an urban feel.
- SANG must be semi-natural spaces with little intrusion of artificial structures.

- 4.40 The provision of a SANG site would be considered as compensatory improvement to the remaining Green Belt. As such, this may make a potential site providing SANG acceptable in a higher area of Green Belt harm.

- 4.41 Any larger strategic sites that fall within the zone of influence would be expected to provide SANG onsite whereas smaller sites would need to contribute to SANG

provision. We would need to demonstrate a potentially available SANG site for these sites to come forward.

- 4.42 It should be noted that requirement for SANG provision is not a reason to reject a site, unless it can be demonstrated that there is no suitable SANG available.

Sustainability Appraisal

- 4.43 The Sustainability Appraisal (SA) is prepared alongside each stage of the Local Plan. This began with the SA Scoping Report in 2017 followed by multiple SA working notes as we worked through the various Regulation 18 consultations. Each consultation is supported by an SA that informs the decisions on sites and policies to be included at each stage.

- 4.44 The SA assesses the potential social, economic and environmental impacts of the Local Plan, ensuring the plan aligns with sustainable development objectives by identifying potential positive and negative effects and proposing mitigation. It should be integral to Local Plan preparation, providing the framework to test and develop options. Whether we can demonstrate consideration of reasonable alternative options will be scrutinised at examination.

- 4.45 A final SA will be prepared alongside the Regulation 19 Publication version of the Local Plan. This must be used to help inform decisions on the Local Plan. The SA can only be finalised once we have a final list of sites and policies to be tested through the SA framework.

Final Site Selection

- 4.46 Once all the evidence work is completed Members will need to agree the sites proposed for allocation in the Local Plan. The decision will be informed by a wide range of evidence starting with the SHELAA and including the Green belt Review, SFRA and SA (and several other studies listed in this report).

Final Policies

- 4.47 The draft policies have been considered at Local Plan Sub-Committee meetings and officers have made the agreed changes following those meetings. There will be further tweaks to the policies following the publication of the new NPPF. The evidence work will also feed back into the policies, so the final policies will need to be agreed by Members in the light of this new information.

Regulation 19 Consultation

- 4.48 The Regulation 19 publication of the Local Plan is where the Council puts forward the version of the plan it is proposing to submit for examination. This must be supported and justified by robust evidence and meet the legal requirements.

- 4.49 The consultation will focus on the Local Plan's 'soundness'. The tests of soundness are that the Local Plan is:

Positively Prepared – Provides a strategy which seeks to meet objectively assessed needs and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where practical to do so and is consistent with achieving sustainable development.

Justified – An appropriate strategy, taking into account the reasonable alternatives, and based on robust evidence.

Effective – Deliverable over the plan period, and based on effective joint working on cross boundary strategic matters that have been dealt with rather than deferred, as evidenced by a statement of common ground; and

Consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in the NPPF and other statements of national planning policy, where relevant.

- 4.50 Responses to the Regulation 19 consultation should refer to whether the plan is sound or unsound. Any objections will need to state on what basis the plan is considered unsound. Statements against development without linking to the soundness of the plan will have no weight. Rather, they would need to demonstrate that a section of the plan is not in accordance with national policy, or that reasonable alternatives have not been sufficiently considered, or the plan is failing to address the area's development needs etc.

Conclusion

- 4.51 Officers are working towards November Publication of the Regulation 19 plan. To achieve this the draft plan will need to be brought to 8 October Local Plan Sub-Committee allowing time for any changes prior to Full Council on 21 October. An extraordinary meeting of Policy & Resources Committee will be required prior to Full Council to agree the recommendations from the Local Plan Sub-Committee.
- 4.52 It should be noted that this timeline is tight and reliant on all the evidence work being completed without delay. Any slippages will make a November consultation difficult to achieve. Officers will be overlapping evidence work where possible, however some studies are reliant on others being completed prior to their commencement.

5 Policy/Budget Reference and Implications

- 5.1 The recommendations in this report are within the Council's agreed policy and budgets.

6 Financial, Legal, Staffing, Equal Opportunities, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

None specific.

7 Financial Implications

£200,000 has been added to the budget to ensure that all the evidence work is budgeted for and can be completed on time. There is also a further £200,000 set aside in reserves for planning.

8 Legal Implications

- 8.1 None specific.

9 Risk and Health & Safety Implications

- 9.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties

under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

9.2 The subject of this report is covered by the Planning Policy and Conservation service plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

Nature of Risk	Consequence	Suggested Control Measures	Response (tolerate, treat, terminate, transfer)	Risk Rating (combination of likelihood and impact)
Failure/Delay in delivering Local Plan	Increase in speculative planning applications	Local Development Scheme	tolerate	6
Local Plan found 'unsound' at examination	Main modifications may be required which will result in an extended examination and costs and/or the Plan may have to be withdrawn.	Ensure that the Local Plan is evidenced based and justified	tolerate	6

9.3 The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

Very Likely ----- Likelihood ----- Remote	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	Impact			
Low ----->		Unacceptable		

Impact Score

4 (Catastrophic)
 3 (Critical)
 2 (Significant)
 1 (Marginal)

Likelihood Score

4 (Very Likely (≥80%))
 3 (Likely (21-79%))
 2 (Unlikely (6-20%))
 1 (Remote (≤5%))

9.4 In the officers' opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

10 Recommendation

10.1 That the Local Plan Sub Committee:

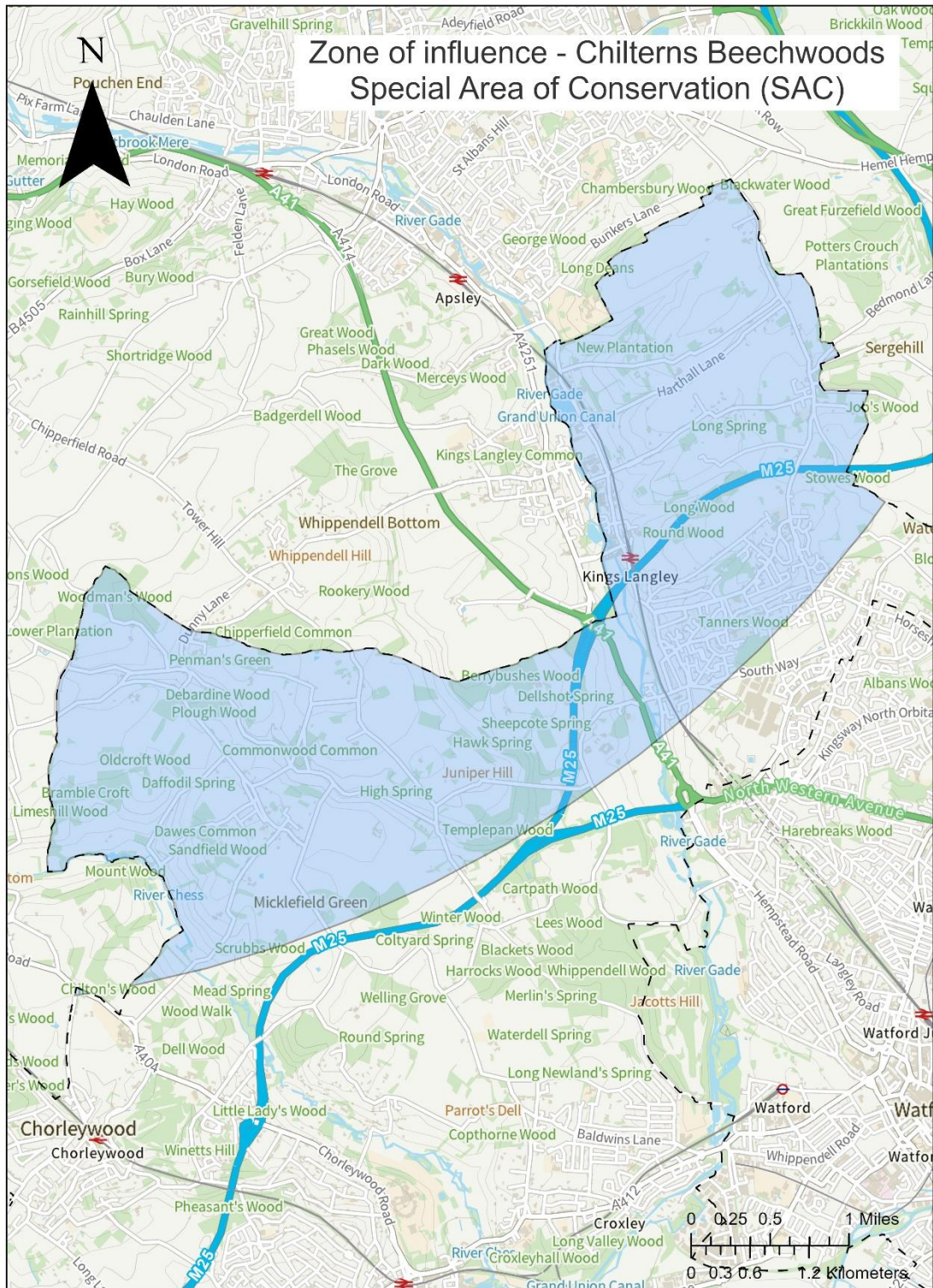
- Note the contents of this report

Report prepared by: Marko Kalik, Head of Planning Policy and Conservation

Background Papers

National Planning Policy Framework (2021, 2023 and 2024)
 Planning Practice Guidance
 Core Strategy (2011)
 Green Belt Review Strategic Analysis (Stage 1) (2017)
 Stage 2 Green Belt Assessment (2019)
 Regulation 18 Part 1: Preferred Policy Options (2021)
 Regulation 18 Part 2: Sites for Potential Allocation (2021)
 Regulation 18 Part 3: Additional Sites for Potential Allocation (2023)
 Regulation 18 Part 4: Lower Housing Growth Option (2023)
 Potential Sites consultation (2018)
 Regulation 18 Issues & Options consultation (2017)
 Levelling-up and Regeneration Bill: reforms to national planning policy (2022)
 Strategic Housing & Employment Land Availability Assessment (2020)
 Strategic Housing & Employment Land Availability Assessment Addendum (2023)
 Urban Capacity Study (2020)
 South West Hertfordshire Local Housing Needs Assessment (2020)
 South West Hertfordshire Local Housing Needs Assessment Update (2024)
 South West Hertfordshire Economic Study (2019)
 South West Hertfordshire Economic Study Update (2024)
 South West Hertfordshire Retail & Leisure Study (2018)
 Gypsy and Traveller Accommodation Assessment (2017)
 Draft Gypsy and Traveller Accommodation Assessment Update (2024)
 South West Hertfordshire Level 1 Strategic Flood Risk Assessment (2019)
 Open Space Sport & Recreation Study (2019)

Appendix 1



This page is intentionally left blank

Three Rivers District Council

Sub Committee Report

4 February 2025

PART I

**Housing and Employment Topic Papers
(DoF)**

1 Summary

- 1.1 This report provides an overview of the two draft topic papers which have been prepared (housing and employment and economy) to assist with the formulation of the emerging Local Plan.
- 1.2 The officer recommendation is for Members of the Local Plan Sub-Committee to note the contents of this report and agree to publish Appendices 1 and 2 to the emerging Local Plan Evidence Base, which can then be used by Development Management during decision-making.

2 Background

- 2.1 Three Rivers District Council is preparing a new Local Plan, which will guide development up to 2041. In order to explain and support many of the themes in the emerging Local Plan, the Council will produce a number of topic papers, which present background information and evidence to set the scene for discussion and engagement. These topic papers will be formally published prior to the examination of the Local Plan.
- 2.2 The topic papers are intended to be 'living' documents, which will be updated throughout the plan-making process in order to reflect updated evidence, changes to the policy context, and the outcomes of the various stages of consultation and engagement. The topic papers do not contain any policies, proposals, or site allocations.
- 2.3 The topic papers will be brought to other Local Plan Sub-Committees where relevant, for example when discussing related policies or allocations.

3 Housing Topic Paper

- 3.1 The Housing Topic Paper (Appendix 1) provides a holistic overview of the important subject of housing, an integral element of the emerging Local Plan.
- 3.2 The District suffers with affordability issues primarily stemming from high property prices. Three Rivers has a lowest quartile house price of £400,000, which places the District as the third most expensive local authority area in England and Wales (excluding London). High and rising property prices result in a worsening median quartile house affordability ratio, which makes home ownership difficult to attain for many residents within the District.
- 3.3 In terms of national policy, the NPPF *sets out that to “determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method”*. In this context, the NPPF also sets out that the *“need, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies”*. With regards to Green Belt, the NPPF sets out that *“authorities should review Green Belt boundaries in accordance with the*

policies in this Framework and propose alterations to meet these needs in full, unless the review provides clear evidence that doing so would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan”.

- 3.4 Following the publication of the most recent version of the NPPF in December 2024, the standard method now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures. The Local Housing Need figure calculated using the standard method for Three Rivers is now 832 dwellings per annum. Over a 16 year plan period this equates to a total of 13,312 dwellings. (the plan period is calculated using the current year as the starting point and we must plan for 15 years post adoption which is expected in 2026).
- 3.5 In terms of past delivery, from the beginning of the plan period to the last monitoring year (2023/2024) 4,723 net dwellings were completed, increasing to 4,886 when including C2 completions (dwelling equivalent). In terms of affordable housing provision, during the 2023/24 monitoring year, 3 affordable dwellings were completed. This amounts to 1.1% of the total completions (276 dwellings) in the 2023/24 monitoring year. Since the start of the plan period in 2001, 1,226 gross affordable homes have been completed, which amounts to 21.6% of a total 5,664 gross dwelling completions.
- 3.6 The Local Housing Needs Assessment states that the standard method figures (at the time of the study) should be taken forwards as providing an appropriate assessment of housing need and that there were no exceptional circumstances to go either higher or lower than the standard method figure at the time (640). However, it must be noted that this conclusion was partly based off the fact that household growth has been lower than in the 2014-based Projections (which the previous iterations of the standard method was based on). Following the publication of the most recent version of the NPPF in December 2024, the standard method now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures.
- 3.7 The Local Housing Need Assessment found that the total affordable housing need within Three Rivers is 527 dwellings per annum, comprising 364 rented dwellings and 163 home ownership dwellings. At a strategic level across south-west Herts, the LHNA recommends that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained.
- 3.8 The Local Housing Needs Assessment suggested a recommended housing mix for south-west Hertfordshire as well as Three Rivers specifically, as set out in Figure 15.
- 3.9 The Local Housing Needs Assessment discussed the need for older and disabled people. Herts County Council's preference is for enhanced extra care to reduce the dependency on residential and care homes. However, the LHNA advises that Councils will need to consider a range of issues, including the different use classes of accommodation (C2 vs. C3), requirements for affordable housing contributions (and associated viability considerations) and the practical implications of mixed tenure schemes. The LHNA also advises that Councils consider requiring all dwellings (in all tenures) to meet the M4(2) standards and

around 5% of homes meeting M4(3) standards in the market sector and around 10% in the affordable sector.

- 3.10 In terms of other market segments, the LHNA identified an emerging market for Build to Rent. With regards to custom and self-build housing, the LHNA advises that these should be reflected in new local plan policies. Additionally, with regards to children home spaces, the LHNA advises that relevant applications are treated positively and advises engagement with Hertfordshire County Council.

4 Employment and Economy Topic Paper

- 4.1 The Employment and Economy Topic Paper (Appendix 2) provides a holistic overview of the important subject of employment and economy, important elements within the emerging Local Plan because in addition to providing housing, the economic development of the District needs to be considered. This includes meeting the projected need for a range of employment uses including office uses, industry and warehousing uses.
- 4.2 A key aim of national planning policy is to increase economic growth and enhance employment opportunities. For example, paragraph 85 of the NPPF states that “*planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on it...*”.
- 4.3 The south-west Hertfordshire authorities undertook a joint evidence study, the South West Hertfordshire Retail and Leisure Study (September 2018), prepared by Nexus Planning. However, given that this study was completed in 2018, it is considered that a new study should be commissioned providing more up-to-date data (including post-covid) and reflecting any changes to national policy. As such, the Council will commission and undertake an updated Retail and Leisure Study before publishing the Regulation 19 version of the Local Plan.
- 4.4 The main piece of evidence analysed within the topic paper was the South West Hertfordshire Economic Study (2024), prepared by Hatch. The study provides current evidence, context and subsequent findings which will help shape future employment needs within the Three Rivers District and the wider sub-region.
- 4.5 The study confirms that the five local authority areas (Three Rivers, St Albans, Hertsmere, Dacorum and Watford) continue to share strong links in terms of migration, commuting and strategic transport infrastructure. Therefore, the study concludes that the definition of the functional economic market area (FEMA) is still valid.
- 4.6 The study identifies four “priority sectors” within south-west Hertfordshire; Film and TV, agri-tech, life sciences and clean growth. The TV and film sector is of particular importance to Three Rivers.
- 4.7 At the time of the study’s publication there was approximately 124,000 sqm of vacant office space in south-west Hertfordshire. The study concluded there is not a need to identify additional sites for office development, but recognises that there will still be demand for office space, particularly from smaller sized businesses. However, with specific regard to Three Rivers, the study states “*the one exception to this (availability) was Three Rivers, where the availability rate has fallen since 2019-23 although the vacancy rate has risen. The availability*

rate in Three Rivers is also much lower than other areas (5.8%). This is likely to be due to local factors affecting demand in Three Rivers, although the exact explanation is unclear. Nevertheless, it suggests market conditions are slightly different in Three Rivers, and the local authority should prioritise the protection of office space as far as possible”.

- 4.8 In terms of industrial space and storage and distribution space, the study concludes that the FEMA authorities should plan for:

Industrial Space: 110,200sqm (27.6 Ha of land) for the period 2021-2041 and 49,700sqm (12.4 Ha) for the period 2041-2050.

Storage and Distribution Space: 413,400sqm (103.4 Ha) for the period 2021-2041 and 186,100sqm (46.5 Ha) for the period 2041-2050.

- 4.9 However, when taking into account existing commitments and potential development opportunities at available sites, the resulting shortfall for employment land across south-west Hertfordshire is 9.5 Ha (for industrial, storage and distribution combined).

5 Policy/Budget Reference and Implications

- 5.1 The recommendations in this report are within the Council’s agreed policy and budgets.

6 Financial, Legal, Staffing, Equal Opportunities, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

- 6.1 None specific.

7 Recommendation

- 7.1 That the Local Plan Sub-Committee note the contents of this report and agrees to publish the following evidence studies to the emerging Local Plan Evidence Base (online website):

- i. South West Hertfordshire Local Housing Needs Assessment Update, produced by Icenl (Appendix 3)
- ii. South West Hertfordshire Economic Study, produced by Hatch (Appendix 4)

8 Background Papers

National Planning Policy Framework (2024)

Planning Practice Guidance (2024)

Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011)

9 Appendices

Appendix 1 – Housing Topic Paper

Appendix 2 – Employment and Economy Topic Paper

Appendix 3 – South West Herts Local Housing Needs Assessment Update, produced by Icenl (March 2024)

Appendix 4 – South West Hertfordshire Economic Study, produced by Hatch (September 2024)

Report prepared by: Aaron Roberts, Senior Planning Officer

This page is intentionally left blank

Housing Topic Paper (February 2025)

1 Introduction

- 1.1 Three Rivers District Council is preparing a new Local Plan, which will guide development up to 2041. In order to explain and support many of the themes in the emerging Local Plan, the Council will produce a number of topic papers, which present background information and evidence to set the scene for discussion and engagement.
- 1.2 The topic papers are intended to be 'living' documents, which will be updated throughout the plan-making process in order to reflect updated evidence, changes to the policy context, and the outcomes of the various stages of consultation and engagement. The topic papers do not contain any policies, proposals, or site allocations.
- 1.3 This Housing Topic Paper aims to provide a holistic overview of the important subject of housing, an integral element of the emerging Local Plan. The topic paper briefly discusses the affordability issues the District faces, primarily as a result of high house prices. A summary of relevant national and local policy as well as local context is provided, including a review of previous housing supply. Finally, a review of the current and future evidence base guiding the emerging Local Plan is undertaken, with specific regard being given to the findings of the south-west Hertfordshire Local Housing Needs Assessment Update (2024), prepared by Icen.
- 1.4 Due to the District's close proximity to London, Three Rivers has traditionally been situated within a high house price area. According to data published by the Office of National Statistics (ONS), the lowest quartile house price in Three Rivers in September 2022 was £400,000¹. The lowest quartile house price of £400,000 places Three Rivers as the third most expensive local authority area in England and Wales (excluding London), out of a total of 303 local authority areas. Three Rivers' position has worsened and the lowest quartile house price has risen by £75,000 from 2016 to 2022, demonstrating an ongoing worsening affordability position.
- 1.5 Lowest quartile earnings in Three Rivers in 2016 were £24,518.00 and £28,876.00 in 2022², 13.26 times worsening to 13.85 times below the lowest quartile house prices (ratio of lower quartile house prices to lower quartile gross annual, residence based earnings). In a mortgage market where lenders are traditionally willing to lend 3-4 times a person's income, a lending requirement of 13 to 14 times such an income means that most first time buyers are simply unable to purchase a dwelling in the District. Such a lending ratio would have required a first-time buyer in 2022 to have a deposit of £284k - £301k or (with a 5% deposit of £20,000) to earn £95,000.00 per annum to get onto the lowest/cheapest rung of the property ladder. An additional Stamp Duty payment would also have been due (subject to COVID related temporary relaxation).

¹ ONS (2023) Dataset: House price to residence-based earnings ratio Table 6a

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>

² Office for National Statistics (2023) Dataset: House price to residence-based earnings ratio Table 6b

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>

- 1.6 Over the period 2016 to 2021, the median quartile house affordability ratio in Three Rivers has worsened with a rise from 13.77 in 2016 to 14.99 in 2022³. Three Rivers maintains the fourth worst affordability ratio in England and Wales (excluding London), the median affordability ratio has worsened (by 1.22), demonstrating a lack of improvement in Three Rivers' affordability position nationally.

2 Policy Context

National Planning Policy Framework

- 2.1 The National Planning Policy Framework (NPPF) published in December 2024 sets out the Government's planning policies for England and how these should be applied. It provides a framework within which Local plans must be produced.

- 2.2 As set out in paragraph 11 of the NPPF, plans should apply a presumption in favour of sustainable development. For plan-making this means that:

a) all plans should promote a sustainable pattern of development that seeks to: meet the development needs of their area; align growth and infrastructure; improve the environment; mitigate climate change (including by making effective use of land in urban areas) and adapt to its effects;

b) strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas, unless:

i. the application of policies in this Framework that protect areas or assets of particular importance provides a strong reason for restricting the overall scale, type or distribution of development in the plan area; or

ii. any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.

2.3 Delivering a Sufficient Supply of Homes

- 2.3.1 Paragraph 61, which relates to boosting the delivery of homes states:

“To support the Government’s objective of significantly boosting the supply of homes, it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay. The overall aim should be to meet an area’s identified housing need, including with an appropriate mix of housing types for the local community.

- 2.3.2 Paragraph 62 which sets out how to identify local housing need states:

“To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning practice guidance. In addition to the local housing need figure,

³ Office for National Statistics (2023) Dataset: House price to residence-based earnings ratio Table 5c <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>

any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for”.

2.3.3 Paragraph 63 of the NPPF goes on to explain that “*within this context of establishing need, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies*”. These groups include (but are not limited to):

- *Those who require affordable housing (including Social Rent)*
- *Families with children*
- *Looked after children*
- *Older people (including those who require retirement housing, housing-with-care and care homes)*
- *Students*
- *People with disabilities*
- *Service families*
- *Travellers*
- *people who rent their homes and people wishing to commission or build their own homes*

2.3.4 With regards to tenure, paragraph 66 of the NPPF sets out “*where major development involving the provision of housing is proposed, planning policies and decisions should expect that the mix of affordable housing required meets identified local needs, across Social Rent, other affordable housing for rent and affordable home ownership tenures*”.

2.3.5 Below are some relevant definitions as set out within the glossary of the NPPF:

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) **Social Rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent; (b) the landlord is a registered provider; and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.
- b) **Other affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes

affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

2.4 Five Year Housing Land Supply

2.4.1 Paragraph 78 of the NPPF sets out that “*local planning authorities should identify and update annually a supply of specific deliverable sites sufficient to provide a minimum of five years’ worth of housing against their housing requirement set out in adopted strategic policies, or against their local housing need where the strategic policies are more than five years old*”.

2.4.2 Paragraph 78 also sets out:

“The supply of specific deliverable sites should in addition include a buffer (moved forward from later in the plan period) of:

- a) *5% to ensure choice and competition in the market for land; or*
- b) *20% where there has been significant under delivery of housing over the previous three years, to improve the prospect of achieving the planned supply; or*
- c) *From 1 July 2026, for the purposes of decision-making only, 20% where a local planning authority has a housing requirement adopted in the last five years examined against a previous version of this Framework, and whose annual average housing requirement is 80% or less of the most up to date local housing need figure calculated using the standard method set out in national planning practice guidance”.*

2.4.3 As set out in the Council’s Housing Land Supply Update (December 2024), the Council can show 1.7 years supply of deliverable housing.

2.5 Housing Delivery Test

2.5.1 Paragraph 79 of the NPPF relates to the Housing Delivery Test (HDT) and sets out the different policy consequences if the HDT indicates that delivery has fallen below the local planning authority’s housing requirement over the previous three years.

2.5.2 The Housing Delivery Test is the Government’s annual measurement of housing delivery in the area of relevant plan-making authorities. The HDT is a percentage

measurement of the number of net homes delivered against the number of homes required over a rolling three-year period.

- 2.5.3 Three Rivers' most recent HDT measurement (2023) was 30%. As such, paragraph 79(c) of the NPPF applies, which sets out that "*where delivery falls below 75% of the requirement over the previous three years, the presumption in favour of sustainable development applies, as set out in footnote 8 of this Framework, in addition to the requirements for an action plan and 20% buffer*". The 20% buffer relates to the 5 year supply of specific deliverable sites.

2.6 Green Belt

- 2.6.1 Paragraphs 145-149 of the NPPF relate to altering Green Belt boundaries. Paragraph 145 states that "*once established, Green Belt boundaries should only be altered where exceptional circumstances are fully evidenced and justified through the preparation or updating of plans...*".

- 2.6.2 Following on from this, paragraph 146 states:

"Exceptional circumstances in this context include, but are not limited to, instances where an authority cannot meet its identified need for homes, commercial or other development through other means. If that is the case, authorities should review Green Belt boundaries in accordance with the policies in this Framework and propose alterations to meet these needs in full, unless the review provides clear evidence that doing so would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan".

- 2.6.3 Additionally, paragraph 148 states:

"Where it is necessary to release Green Belt land for development, plans should give priority to previously developed land, then consider grey belt which is not previously developed, and then other Green Belt locations. However, when drawing up or reviewing Green Belt boundaries, the need to promote sustainable patterns of development should determine whether a site's location is appropriate with particular reference to paragraphs 110 and 115 of this Framework...."

- 2.6.4 In relation to affordable housing within the Green Belt, paragraph 67 of the NPPF states:

"..A specific affordable housing requirement (or requirements) should be set for major development involving the provision of housing, either on land which is proposed to be released from the Green Belt or which may be permitted on land within the Green Belt. This requirement should:

a) be set at a higher level than that which would otherwise apply to land which is not within or proposed to be released from the Green Belt; and

b) require at least 50% of the housing to be affordable, unless this would make the development of these sites unviable (when tested in accordance with national planning practice guidance on viability)".

Planning Practice Guidance (PPG)

- 2.7 The PPG provides additional guidance on how to apply NPPF requirements. The guidance is updated more regularly than the framework, with further updates to the PPG expected over the coming months. It contains further detailed advice on the

matters covered by the NPPF relating to the housing need and supply and delivery. Some relevant paragraphs are listed below.

2.8 *“Housing need is an unconstrained assessment of the minimum number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations” (Paragraph:001 Reference ID: 2a-001-20241212).*

2.9 *“The National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.*

The standard method uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures to identify the minimum number of homes expected to be planned for.

The standard method set out below identifies a minimum annual housing need figure, and ensures that plan-making is informed by an unconstrained assessment of the number of homes needed in an area. It does not produce a housing requirement figure” (Paragraph:002 Reference ID: 2a-002-20241212).

2.10 *“The standard method should be used to assess housing needs. However it is recognised that there are some specific circumstances in which an alternative approach could be justified, for example as explained at paragraph 014 below” (Paragraph: 003 Reference ID: 2a-003-20241212).*

2.11 *“Where strategic policy-making authorities do not align with local authority boundaries (either individually or in combination), or the data required for the model are not available such as in National Parks and the Broads Authority, or local authority areas where the samples are too small, an alternative approach may have to be used...” (Paragraph:014 Reference ID: 2a-014-20241212).*

2.12 *“The housing requirement is the minimum number of homes that a plan seeks to provide during the plan period.*

Once local housing need has been assessed, as set out in this guidance, authorities should then make an assessment of the amount of new homes that can be provided in their area. This should be justified by evidence on land availability, constraints on development and any other relevant matters.

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The National Planning Policy Framework explains that the housing requirement may be higher than the identified housing need, and authorities should consider the merits of planning for higher growth if, for example, this would seek to reflect economic growth aspirations. Where authorities plan for higher growth this should not normally have to be thoroughly justified at examination” (Paragraph: 040 Reference ID: 2a-040-20241212).

2.13 *“The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and then converting total net need into an annual flow based on the plan period.*

The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by

eligible market housing led developments. An increase in the total housing requirement included in the plan may need to be considered where it could help deliver the required number of affordable homes” (Paragraph 008 Reference ID: 67-008-20190722).

Local Context

2.14 South-West Hertfordshire Joint Strategic Plan

2.14.1 The South-West Hertfordshire Joint Strategic Plan (JSP) will cover the area covered by the South-West Hertfordshire partner authorities. These are Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Watford Borough Council and Three Rivers District Council.

2.14.2 As set out on its website, the South-West Hertfordshire Joint Strategic Plan will *“provide a long-term blueprint for the south-west Hertfordshire area to 2050. It will consider and address issues that cross council boundaries and will set out a strategic vision for the area. It will also help guide future Local Plans and strategies by setting out high level policies on topics such as climate change, net zero carbon, infrastructure provision, environmental protection, employment and housing. Once approved, the Joint Strategic Plan will provide a coordinated overarching framework that will guide local decision making on planning matters”.*

2.14.3 In the summer of 2022, a formal public consultation (Regulation 18) was carried out. In August 2023, a “shared vision” and set of principles used to inform progress of the JSP was published. The next stages of the JSP involve consultation on options for the scale and pattern of growth.

2.15 Three Rivers’ Current Development Plan

2.15.1 Three Rivers District Council adopted the “Core Strategy” on 17th October 2011 and this document forms part of the Local Development Framework. As the Council’s Core Strategy was adopted in 2011 it is considered out-of-date (over 5 years from adoption).

2.15.2 The Core Strategy set a target of 180 dwellings per annum between the plan period of 2001-2026. Between 2001-2018, the average number of new dwellings delivered each year was 207 (resulting in an over delivery of 460 dwellings), which exceeded the 180 target set out in the Core Strategy. However, in July 2018, the standard method was introduced by the NPPF as the means for calculating housing need, which raised housing targets significantly. As such, the Council was retrospectively judged against a target it was not aware of at the time.

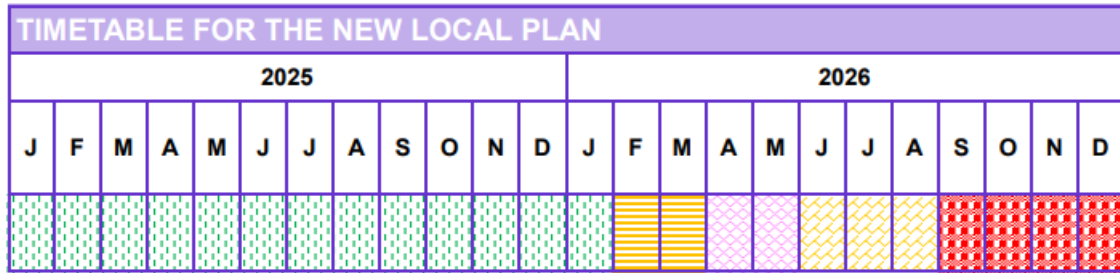
2.16 Three Rivers’ Emerging Local Plan

2.16.1 The Council have undertaken the following consultations with regards to its emerging Local Plan:

- Local Plan ‘Issues & Options and Call for Sites Consultation Document’, July 2017
- Local Plan ‘Potential Sites Consultation’, October 2018
- Local Plan ‘Preferred Policy Options’ (Part 1) and ‘Sites for Potential Allocation (Part 2)’ Regulation 18 Consultation, June 2021

- Local Plan ‘Additional Sites for Potential Allocation’ (Part 3) Regulation 18 Consultation, January 2023
- Local Plan ‘Three Rivers’ Preferred Local Plan Lower Housing Growth Option Protecting More Green Belt Land’ (Part 4) Regulation 18 Consultation, October 2023

2.16.2 The adopted Local Development Scheme which was formally adopted at Full Council on 10th December 2024 sets out the timetable for the Local Plan. The timetable can be seen below:



	Preparation
	Publication Stage (Regulation 19)
	Submission Stage (Start of Examination Process)
	Examination
	Adoption

Document	Local Plan	Policies Map
Description	Will update the strategic planning policies for the District, allocate land for housing and employment and update Development Management Policies	Will show policy designations and sites with specific allocations
Area	District	District
Publication Date	February / March 2026	Alongside Local Plan
Submission to Secretary of State	April / May 2026	Alongside Local Plan
Adoption	September / October 2026	Alongside Local Plan
Review	Annual Monitoring Report	Alongside Local Plan

2.17 However, it must be noted that following the Extraordinary Full Council Meeting on 7th January 2025, Members have agreed that officers should aim to publish the Regulation 19 by 7th November 2025.

2.18 Neighbourhood Plans

2.18.1 There are currently two adopted Neighbourhood Plans within the District (Croxley Green Neighbourhood Plan and Chorleywood Neighbourhood Plan). Three other Parish/Community Councils (Batchworth, Sarratt and Abbots Langley) are also currently producing Neighbourhood Plans. In their current iterations, neither the adopted nor any of the emerging Neighbourhood Plans include specific site allocations for housing development.

2.19 Neighbouring Local Plans

2.19.1 The other south-west Hertfordshire authorities and other adjoining authorities (outside of south-west Hertfordshire) are at different stages of the Local Plan process. A summary of these different stages can be seen below:

Watford Borough Council:

2.19.2 The Watford Local Plan was adopted on 17th October 2022. The Plan sets out that *“at least 13,328 net additional homes, equivalent to at least 784 new homes per year, will be delivered in Watford between 2021 and 2038”*. This met Watford’s standard method requirement in full at the time.

St Albans City and District Council:

2.19.3 The St. Albans City & District Local Plan was submitted to the Secretary of State for Independent Examination on 29 November 2024. The submitted Local Plan states that *“following the Government’s required ‘Standard Method’ for calculating local housing need, the Council will identify and allocate land for the delivery of at least 14,603 net additional new houses, or 885 per annum in the period 1 October 2024-31 March 2041”*. As such, the St Albans Local Plan is meeting the relevant standard method figure at the time it was submitted for examination.

Dacorum Borough Council:

2.19.4 Dacorum Borough Council have undertaken a Regulation 19 Consultation and are preparing to submit their Local Plan to the Secretary of State for public examination. The pre-submission version of the Plan sets out that *“Strategic Policy H1 (Delivering the Housing Strategy) sets a strategy that meets the standard method figure of 1,016 dwellings per annum in full through a mixture of site allocations, commitments and a windfall allowance”*. As such, the Dacorum Local Plan is planning to meet the relevant standard method figure when it is submitted for examination.

Hertsmere Borough Council:

2.19.5 The most recent Regulation 18 Consultation took place between May and June 2024. This Regulation 18 Consultation set out a target of delivering 9,396 dwellings, meeting just over 75% of the standard method figure which was in force at the time of publication of the consultation.

London Borough of Harrow:

2.19.6 The London Borough of Harrow have undertaken a Regulation 19 Consultation. A further update on next steps will be provided in early 2025. The Regulation 19 version of the Plan sets out that the Plan *“proposes to adopt a housing requirement/target of*

16,040 homes between 2021-41 (being the annualised London Plan target of 802 homes per year over the 20-year plan period), in compliance with the London Plan". As such, the Harrow Local Plan is planning to meet the relevant London Plan target at the time when it is submitted for examination. The London Plan sets out that "because of London's ability to plan strategically, boroughs are not required to carry out their own housing needs assessment but must plan for, and seek to deliver, the housing targets in this Plan". When assessed under previous versions of the NPPF (which the Harrow Local Plan will be), it was accepted that London Boroughs derive their housing targets from the London Plan, rather than needing to individually derived housing targets from the standard method.

London Borough of Hillingdon:

- 2.19.7 The call for views consultation (Regulation 18) finished on Monday 24 June 2024. The Local Development Scheme (July 2024) sets out that the Regulation 19 Consultation will take place from March 2025 to April 2025, with submission to the Secretary of State in May/June 2025.

Buckinghamshire Council:

- 2.19.8 According to their website, Buckinghamshire Council are at an early stage of their plan-making process. Buckinghamshire Council have undertaken an early engagement questionnaire, vision and objectives consultation and a call for sites. The LDS sets out that publication and submission will take place between January 2026 and August 2026. There are no further details on housing levels.
- 2.19.9 In this context, it is important to note paragraph 62 of the NPPF which sets out that "in addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for". Duty to Co-operate meetings to discuss housing matters have been and will continue to be undertaken between Three Rivers and neighbouring areas.

3 Historic Housing Supply

- 3.1 During the Local Plan process, past delivery of housing will be considered when formulating policies (including housing mix and affordable housing mix). However, past under delivery is already factored into the standard method calculation so it is not a consideration in the Local Housing Need figure.

3.2 Completions

- 3.2.1 Figure 1 below shows the Housing Trajectory against Three Rivers Housing Target to the end of the Core Strategy (2011) plan period in 2026. It shows that from the beginning of the plan period to the last monitoring year (2023/2024) that 4723 net dwellings were completed, 4886 when including C2 completions (dwelling equivalent).

	01/02 - 08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24 Cur	24/25	25/26	Total
Completions (Net)	1926	48	107	185	176	142	285	215	144	264	149	406	99	154	204	219			4723
C2 Completions (Dwelling Equivalent)¹⁰	163*																		163
C2 Extant Planning Permission *																	0	39	39
Projected Supply – Extant Planning Permission *																	241	387	628
Projected Supply – Windfall Allowance *																	63	63	126
Site Allocations**																	0	0	0
Cumulative additions	1926	1974	2081	2266	2442	2584	2869	3084	3228	3492	3641	4047	4146	4300	4504	4765	5069	5558	5558
Cumulative target	1440	1620	1800	1980	2160	2340	2520	2700	2880	3060	3240	3420	3600	3780	3960	4140	4320	4500	4680

Figure 1 - Housing Trajectory against Three Rivers Housing Target to the end of the Core Strategy (2011) plan period in 2026 (Source: AMR 23/24)

3.2.2 Figure 2 below shows a breakdown of gross dwelling completions by size across the plan period, comparing against the Core Strategy target.

	Gross Dwelling Completions	1 bed	2 bed	3 bed	4 bed+	Not known	C2 Comp.
Core Strategy Target	4,500	30%	35%	34%	1%	0%	N/A
2001 to 2024	5,749 ¹¹	1053	2,066	1,121	1,008	317	184
		18.3%	35.9%	19.5%	17.5%	5.5%	3.2%

Figure 2 - Gross Dwelling Completions by Size (Source: AMR 23/24)

3.3 Windfall

3.3.1 Previous delivery has shown that 63 dwellings per annum are completed on windfall sites (including both major and non-major applications). A windfall allowance based on past delivery can be taken from the overall housing requirement across the last 10 years of the plan period. This would equate to 63 dwellings per annum or 630 dwellings across the plan period.

3.4 Affordable Housing

3.4.1 As set out in the Annual Monitoring Report (AMR), during the 2023/24 monitoring year, 3 affordable dwellings were completed. This amounts to 1.1% of the total completions (276 dwellings) in the 2023/24 monitoring year. Since the start of the plan period in 2001, 1,226 gross affordable homes have been completed, which amounts to 21.6% of a total 5,664 gross dwelling completions. This is a significant

under delivery against the 45% affordable housing requirement in extant local plan policy.

3.5 Other Provision

3.5.1 Across the plan period 309 C2 bedrooms were completed, equating to 163 total dwellings (when using the C2 to C3 conversion ratio of 1.9).

3.6 Local Housing Need Figure

3.6.1 Following the publication of the most recent version of the NPPF in December 2024, the standard method for calculating Local Housing Need now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures. The Local Housing Need figure for Three Rivers is now 832 dwellings per annum. Over a 16 year plan period this equates to a total of 13,312 dwellings. (the plan period is calculated using the current year as the starting point and we must plan for 15 years post adoption which is expected in 2026).

4 Current and Future Evidence Base

4.1 Green Belt Review

4.1.1 A Stage 1 Green Belt Review (August 2017) was undertaken which strategically reviewed Green Belt purposes, looking at 83 strategic parcels. It also considered the character and role of villages within the Green Belt to assess the suitability of continued and potential in-setting of villages within the Green Belt, as required by the NPPF.

4.1.2 A Stage 2 Green Belt assessment (October 2019) considered the effect of releasing Green Belt land for development purposes. A total of 152 parcels of land were assessed.

4.1.3 A Stage 3 Green Belt study (January 2020) analysed variations in harm to Green Belt purposes that could result from the creation of new inset settlements, distinct from any existing inset areas.

4.1.4 Given that our housing (and other) needs cannot be met in full we have to undertake a further Green Belt Review to assess whether altering Green Belt boundaries would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan. If it is considered that Green Belt land should be released, this would be undertaken using a sequential approach. The NPPF sets out that plans should give first consideration to previously developed land, then consider grey belt land which is not already previously-developed, and then consider other Green Belt locations. As such, if need can still not be met on previously developed land and grey belt locations, other more sustainable sites in the Green Belt may have to be considered.

4.1.5 At the time of writing, the Government has said that it will release updated Planning Practice Guidance (PPG) relating to Green Belt reviews in January 2025 and that Green Belt reviews will be informed by this. As such, until this guidance is published, it is difficult to confidently set out the methodology of the Green Belt review. However, officers initial view is that given the phrase “remaining greenbelt across the area of the plan”, we need to formulate a list of suitable sites that are then fed into the Green Belt review, as only then would we know the impact of these sites on the remaining Green Belt. We would then remove the sites that undermine the remaining Green

Belt. In this case we will need to do our call for sites and come up with a draft list of sites before we can proceed with the Green Belt review.

4.2 Strategic Housing & Employment Land Availability Assessment

4.2.1 The Strategic Housing & Employment Land Availability Assessment (SHELAA) (PDF) was conducted to quantify the future supply of housing and employment land in line with the national Planning Practice Guidance. It assessed the land supply in the district to help us ensure sufficient land is identified for new housing and employment uses for the plan period. The study contained detailed site assessments of all sites put forward by land owners/promoters, or identified by the Council. The methodology we used was aligned with the Sustainability Appraisal Framework at a level appropriate to the early consideration of site options. Various addendums have been added along the Local Plan process, as more sites have been identified or come forward and will continue to be a “live” document.

4.3 Sustainability Appraisal

4.3.1 The Sustainability Appraisal Scoping Report (2017) identified the scope and level of detail of the information to be included in the final Sustainability Appraisal Report. It set out the context, objectives and approach of the assessment and identifies relevant environmental, economic and social issues and objectives. Several “working notes” have been published with the different consultations, as well as an interim Sustainability Appraisal (June 2021) which was published alongside the “Preferred Policy Options” (Part 1) and “Sites for Potential Allocation (Part 2)” Regulation 18 Consultations.

4.3.2 The Sustainability Appraisal provides an assessment of the environmental, social and economic effects that would be likely to result from the implementation of strategies, policies and sites included in the Local Plan, along with the consideration of wider cumulative effects associated with the Plan as a whole. Topics such as the level of housing growth and specific housing related policies are assessed.

4.3.3 Given the above, it is imperative to note the importance of the Sustainability Appraisal as a decision-making tool during the Local Plan process.

4.4 Urban Capacity Study

4.4.1 The Urban Capacity Study (August 2020) assessed urban settlements to identify urban sites. Sites assessed as suitable through a preliminary assessment were included in the SHELAA. Sites excluded showed constraints relating to inappropriate size and/or context within the urban setting. A size threshold of 5 dwellings was introduced to filter smaller sites. A total of 341 sites were surveyed and subject to an initial suitability assessment. Following the initial sites assessments, 69 sites were identified for inclusion in the SHELAA.

4.4.2 As set out in the Part 4 Regulation 18 Consultation document only 988 dwellings could be found on brownfield sites. As such, the Council will be undertaking an update to the Urban Capacity study to try and identify any additional brownfield sites.

4.5 Edge of Settlement & New Settlement Scoping Study

4.6 The Edge of Settlement & New Settlement Scoping Study (March 2020) was conducted to identify potential locations at the edge of existing settlements that were not considered in the SHELAA. The study also sought to identify potential locations

away from existing settlements that could accommodate a new settlement should insufficient urban, edge of settlement sites be identified.

4.7 Gypsy and Traveller Accommodation Assessment

4.7.1 Opinion Research Services (ORS) are in the process of undertaking a Gypsy and Traveller Accommodation Assessment (GTAA). The primary objective of this Gypsy and Traveller Accommodation Assessment (GTAA) is to provide a robust assessment of current and future need for Gypsy, Traveller and Travelling Showpeople accommodation within the District. The outcomes of this study will supersede the outcomes of the previous GTAA for Three Rivers Council, which was undertaken in February 2017.

4.7.2 Currently the study is being finalised, with drafts being exchanged between the policy team and ORS. We hope to be able to formally publish the study in the next couple of months. It must be noted that in December 2024, the planning definition of a traveller expanded to include “all other persons with a cultural tradition of nomadism or living in a caravan”. This may affect the results of the GTAA. Figures 3 and 4 below are summaries of the interim findings.

Status	2024-2040
Meeting Planning Definition	41
Undetermined	3
Do not Meet Planning Definition	5
Total	49

Figure 3 - Need for Gypsy and Traveller households in Three Rivers (2024-40)

Status	2024-2040
Meet Planning Definition	6
Undetermined	10
Do not Meet Planning Definition	0
Total	16

Figure 4 - Need for Travelling Showpeople households in Three Rivers (2024-40)

4.8 South-West Hertfordshire Strategic Housing Market Assessment (January 2016)

4.9 The South-West Hertfordshire Strategic Housing Market Assessment (SHMA) published in January 2016 considered the overall housing need; need for different sizes of homes and housing needs of different groups across south-west Hertfordshire. This assessment was superseded by the south-west Hertfordshire Local Housing Needs Assessment (2020) and then the updated to the Local Housing Needs Assessment (2024).

- 4.10 The report identified an Objectively-Assessed Need for housing over the 2013-36 period. For Three Rivers, this need was 514 dwellings per annum. In terms of affordable housing need, the report set out that between 2013-2036, Three Rivers had a need of 357 affordable housing dwellings per annum.
- 4.11 It is important to note that the SHMA was undertaken and published prior to the first introduction of the standard method in 2018. However, the report identified a clear need for housing significantly exceeding the Core Strategy target of 180 dwellings per annum. The report highlighted that the annual need for affordable housing alone was almost double the Core Strategy's overall housing target.
- 4.12 South-West Herts Local Housing Needs Assessment Update (March 2024)
- 4.12.1 The Local Housing Needs Assessment (LHNA) builds on previous housing evidence which had been prepared for south-west Hertfordshire, including a Strategic Housing Market Assessment (SHMA) 2016 and a Local Housing Needs Assessment (2020)
- 4.12.2 The LHNA is intended to provide an updated evidence base on housing needs for local authorities in south-west Hertfordshire. It considers and provides an up-to-date and consistent evidence base on:
- Overall housing needs – the report considers overall housing needs on an objective and policy off basis. It does not set housing targets, but provides an input to doing so;
 - The need for different types/sizes of homes – including an updated assessment of the needs for affordable housing and the need for different sizes of homes;
 - The housing needs of specific groups within the population, such as older people and those with disabilities, and students;
 - Specific housing market segments – the report considers the demand for self- and custom-build housing; build to rent and co-living and wider private rental market dynamics

5 Findings of Local Housing Needs Assessment

5.1 Housing Stock and Tenure Dynamics

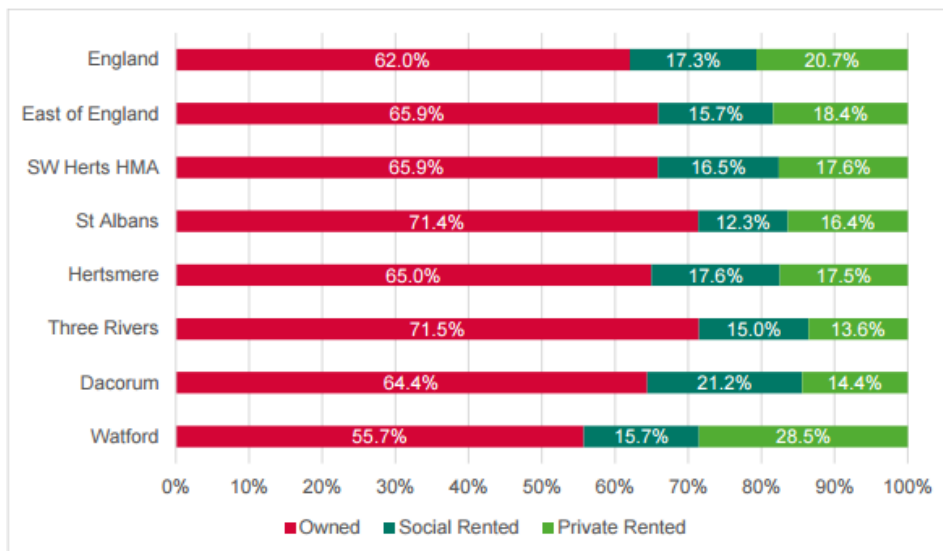
- 5.1.1 Housing stock growth in south-west Hertfordshire has been below average, influenced by strategic development constraints and a lack of up-to-date local plans in some parts of the area. Figure 5 below sets out the dwelling stock change (2011-2021) within south-west Hertfordshire. It shows that within south-west Hertfordshire, Three Rivers has both the lowest number of housing units and the smallest percentage increase in housing numbers between 2011-2021.

	2011	2021	% increase
Watford	37,404	41,412	10.7%
Dacorum	61,942	65,989	6.5%
Three Rivers	36,155	38,422	5.9%
Hertsmere	40,993	44,926	8.8%
St Albans	57,891	62,022	6.7%
SW Herts HMA	234,385	252,771	7.3%
East of England	2,531,907	2,762,294	8.3%
England	22,976,066	24,927,591	7.8%

Source: ONS, 2021 Census

Figure 5 – Dwelling Stock Change, 2011-2021

- 5.1.2 In terms of vacancy within the District, Three Rivers has the lowest number of vacant dwellings across south-west Hertfordshire (899). This also equates to the lowest percentage of total dwelling stock which is vacant at 2.0% and long-term vacancies (vacancy period over 6 months) at 0.6%.
- 5.1.3 Owner occupation is most prevalent tenure type across south-west Hertfordshire, with Three Rivers having the highest levels of home ownership in the sub-region at 72%.
- 5.1.4 Figure 6 below sets out the households by tenure across south-west Hertfordshire. Three Rivers has the lowest percentage of private rented dwellings across the sub-region as well as the second lowest percentage of socially rented dwellings. As set out in the LHNA, the proportion of social rented properties can influence the ability of each authority to meet affordable housing need.



Source: 2021 Census

Figure 6 – Households by tenure across south-west Hertfordshire

- 5.1.5 Figure 7 shows the low-cost homeownership stock by authority across the sub-region and highlights that 0.8% of the total housing stock of Three Rivers consists of low-cost home ownership (292 dwellings).

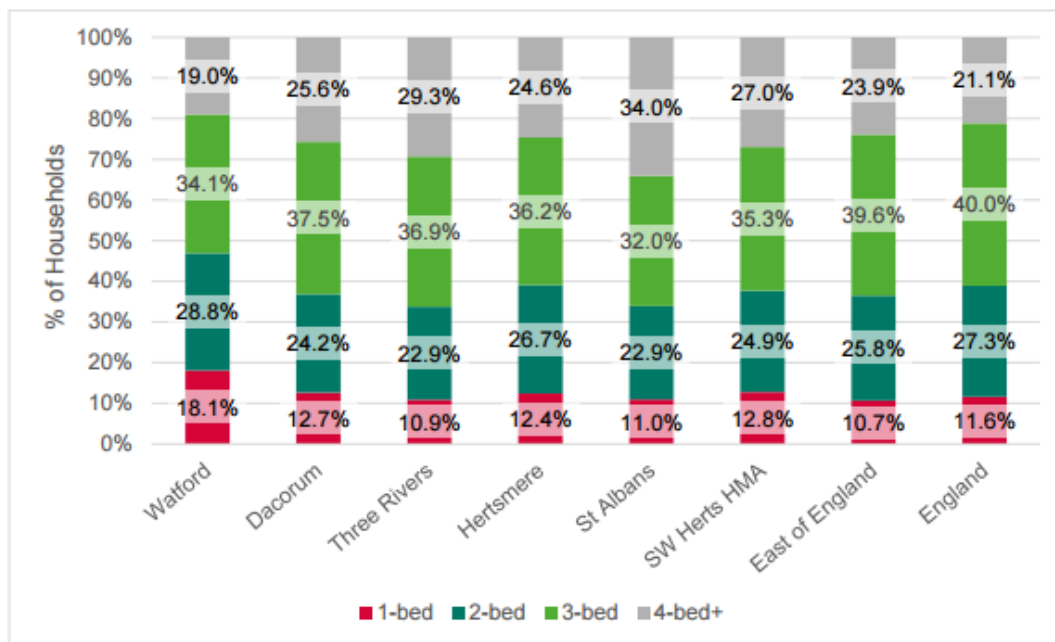
	Low Cost Home ownership stock (2023)	% of total housing stock (as at Census 2021)
Dacorum	439	0.7%
Hertsmere	533	1.3%
St Albans	283	0.5%
Three Rivers	292	0.8%
Watford	446	1.1%
Total SW Herts Authorities	1,993	0.8%

Source: Regulator of Social Housing Data 2023 and Census 2021

Figure 7 - Low-cost Homeownership Stock by Authority

5.1.6 The relative size of the social rented sector has fallen across the sub-region, with the private rented sector seeing the strongest growth.

5.1.7 Figure 8 below illustrates the dwelling stock by number of bedrooms. It shows that within Three Rivers, 3-bedroom dwellings are the most common, followed by 4-bedroom+, 2-bedroom and lastly 1-bedroom. The LHNA's analysis suggests that the greatest growth in the total housing stock between 2011-21 has been in 4+ bed dwellings (reflecting trends in rises of extensions to properties).



Source: 2021 Census

Figure 8 - Dwelling Stock by Number of Bedrooms Across South-West Hertfordshire

5.1.8 Figure 9 sets out a comparison of the annualised net housing completions (dpa) of the authorities across south-west Hertfordshire. Three Rivers completed the fewest amount of dwellings in each of the four time periods. However, it must be noted that housing delivery will be influenced by past Local Plan targets and standard method figures which vary across the authorities.

	2003-7	2007-12	2012-17	2017-22
Dacorum	373	461	499	657
Hertsmere	273	302	356	548
St Albans	389	345	349	455
Three Rivers	186	185	192	215
Watford	384	478	392	431
SW Herts	1,604	1,771	1,788	2,306

Figure 9 - Comparison of the Annualised Net Housing Completions (dpa)

5.1.9 Across south-west Hertfordshire, approximately 21% of homes delivered over the last 5 years have been affordable housing. As set out earlier, within Three Rivers approximately 21.6% of gross dwellings delivered have been affordable housing. Analysis of the types of affordable homes being delivered across south-west Hertfordshire indicates around 78-80% of affordable delivery has been of social/affordable rented homes. Intermediate housing provision has been focused on shared ownership homes.

5.1.10 Housing growth has been focused towards flatted accommodation in the sub-region, with 69% of new-build homes completed being of 1- and 2-bed properties. However, the supply of larger properties is being supported by extensions of homes. It should be noted that these figures include the larger towns/cities such as Watford, Hemel Hempstead and St Albans.

5.2 Housing Market Dynamics

5.2.1 In the year to September 2022 the median house price across south-west Hertfordshire was £513,000, with it being £560,000 in Three Rivers.

5.2.2 Across the sub-region the long-term trend has been of significant and sustained increases in house prices, with prices growing on average by £24,500 per year in Three Rivers over the last 10 years.

5.2.3 There are particular affordability pressures in south-west Herts with the entry-level house prices for first-time buyers more than 14 times earnings, with particular barriers for younger buyers in saving sufficient funds for a deposit; and rising interest rates in the short-term may affect households' ability to secure and service mortgage finance. This is feeding through into a strong lettings market.

5.2.4 Targeted telephone engagement with local estate agents in south-west Hertfordshire took place in June 2023. Whilst the views are anecdotal, agents generally reported that highest demand was for one and two bedroom flats.

5.3 Overall Housing Need

5.3.1 The LHNA summarises that "*household growth has been lower than in the 2014-based Projections, with both lower natural change and net migration to the area, resulting in 7.6% population growth over the 2011-21 decade compared to 11.0% in the 2014-based projections. However lower change is not a factor which is specific to south-west Hertfordshire: it is seen nationally and is not exceptional in these terms. Lower net migration correlates closely to housing delivery, with the evidence*

indicating that this has been influenced by a lack of up-to-date local plans which provide for objectively assessed housing needs”.

5.3.2 The LHNA sets out that “the assessment does not find that exceptional circumstances exist to justify housing need below the standard method. Expected job creation locally and infrastructure investment have also been considered; however the evidence does not suggest that housing need is higher than the standard method figures”. The report goes on to state that “the standard method figures should therefore be taken forwards as providing an appropriate assessment of housing need”.

5.3.3 However, it is important to note that the LHNA was written when the December 2023 version of the NPPF was in force. As such, the LHNA does not take into account the wording of the December 2024 NPPF, specifically paragraphs 145 and 146 which relate to altering Green Belt boundaries and the requirement to meet needs (homes, commercial or other development) in full, “unless the Green Belt review provides clear evidence that doing so would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan”.

5.3.4 Whilst it is important to note that the evidence from the Local Housing Needs Assessment did not suggest that housing need is higher than the standard method figures which were in place at the time of writing of the study (640 dwellings per annum in the case of Three Rivers), this conclusion was partly based off the fact that household growth has been lower than in the 2014-based Projections (which the previous iterations of the standard method was based on). Following the publication of the most recent version of the NPPF in December 2024, the standard method now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures.

5.4 Affordable Housing Need

5.4.1 At £900-£1,075 per calendar month, lower quartile rent levels in south-west Hertfordshire are above average in comparison to those seen nationally (a lower quartile rent of £610 for England in the year to September 2022). This would suggest that a proportion of income to be spent on housing is approximately 30% (or higher). As such, to afford a £1,000 pcm rent would imply a gross household income of about £40,000 (and in net terms the rent would likely be around 38% of income).

5.4.2 Figure 10 below shows the estimated incomes required to both buy and rent (privately) in each local authority. The analysis shows that households in south-west Hertfordshire generally need an income of over £40,000 to rent without financial support, and in some areas over £80,000 to buy a home. Across the authorities, Three Rivers is the second highest to buy and highest to rent.

	To buy	To rent (privately)	Income gap
Dacorum	£66,400	£36,000	£30,400
Hertsmere	£79,000	£42,000	£37,000
St Albans	£84,600	£40,000	£44,600
Three Rivers	£82,000	£43,000	£39,000
Watford	£61,600	£40,000	£21,600

Figure 10 - Estimated Incomes Required to Buy and Rent Privately Across South-West Herts

5.4.3 Figure 11 below sets out the annual affordable housing need per annum of the authorities within south-west Herts.

	Rented Affordable Need	Affordable Home Ownership Need	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	590
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,056	3,324

Figure 11 - Annual Affordable Housing Need of the Authorities within South-West Herts.

5.4.4 Typically, there are two main types of rented affordable accommodation (social and affordable rented). Figure 12 below sets out the estimated percentage of households able to afford rented affordable accommodation (if not able to afford market rent). The LHNA sets out that *“there are therefore policy choices to be made by individual authorities around how policies are crafted ... the analysis is however clear that there is need for both social and affordable rented homes”*. The LHNA further adds that *“decisions should be influenced by individual authorities’ priorities, the results of viability evidence and funding availability”*.

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
Dacorum	12%	29%	59%	100%
Hertsmere	14%	26%	60%	100%
St Albans	16%	33%	51%	100%
Three Rivers	25%	24%	51%	100%
Watford	13%	32%	55%	100%
SW Herts	15%	29%	55%	100%

Figure 12- Estimated Percentage of Households able to Afford Rented Affordable Accommodation

5.4.5 In terms of affordable rent discount, the LHNA sets out that *“on the basis of this analysis, and taking into account the likelihood that the open market rent of new-build homes is likely to be at or above the median, where Councils seek to set rents at levels which are ‘genuinely affordable’ having regard to local incomes, the evidence suggests that rental costs at 60% of market values (inclusive of service charges) would be a sensible starting point”*. However, it is important to note that viability considerations need to also be considered.

5.4.6 The LHNA discusses Affordable Private Rent which does not require a registered provider and would primarily be provided by Build to Rent Schemes. The LHNA sets

out that “rent levels expected for affordable private rent should be set out in policies in terms of the percentage discount to market rents (inclusive of service charge). Whilst the affordability analysis above could support discounts of 40% or more on market rents to make properties ‘genuinely affordable’, this needs to be balanced against what can viably be supported”.

- 5.4.7 With regards to home ownership products, the evidence indicates that a discount of 30% to market values across south-west Hertfordshire as a whole and potentially 40% in Three Rivers (and St Albans), to make low cost market homes affordable for households, based on the income profile locally, but the case for higher discounts needs to be balanced against scheme viability and the potential knock on effect on other tenure types in the scheme. Indeed, the LHNA summarises that “the Councils could therefore investigate higher discounts, but it is not necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery”. Additionally, given the £250,000 cap, in high house price areas such as Three Rivers, it is likely that only 1 or 2 bedroom properties would qualify.
- 5.4.8 The LHNA sets out that there is a case for setting out policies in Local Plans which support provision of a range of affordable home ownership products. Such products include shared ownership and rent to buy. Additionally, The LHNA advises that essential local workers could be a potential target for affordable home ownership products.
- 5.4.9 Figure 13 below sets out the housing provision required to meet Affordable Housing need in full. The table shows that much higher levels of overall housing provision would be required to deliver in full the affordable housing need which the LHNA identifies. For Three Rivers to meet full affordable housing need, approximately 1317 dwellings would need to be delivered per annum (if 40% of all dwellings delivered were affordable housing products, in line with emerging policy).

Dwellings per annum	Total Annual Affordable Need	Delivery to Meet AHN in Full @ 35%	Delivery to Meet AHN in Full @ 40%	Standard Method Minimum LHN (dpa)
Dacorum	737	2,106	1,842	1,017
Hertsmere	590	1,685	1,474	726
St Albans	802	2,292	2,005	887
Three Rivers	527	1,505	1,317	637
Watford	668	1,909	1,670	778
SW Herts	3,324	9,496	8,309	4,046

Figure 13- Housing Provision required to meet Affordable Housing in Full across South-West Herts

- 5.4.10 Given the high overall need for affordable housing, the full need is unlikely to be met and therefore the prioritisation of certain types of affordable housing may be necessary. According to the LHNA “the evidence shows a sufficient affordable home ownership need to support this; albeit that there is a case for seeking to support

provision of a range of affordable home ownership products (beyond First Homes). However, the evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty”.

5.4.11 At a strategic level across south-west Herts, the LHNA recommends that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership.

5.4.12 During the Local Plan process, the Planning Policy team at Three Rivers will refer to the evidence and analysis set out within studies such as the Local Housing Needs Assessment and the whole plan viability study, as well as past delivery trends within the District. Correspondence will also continue with relevant stakeholders such as the TRDC Housing Department to ensure that the recommended affordable housing mix brought forward within the emerging Local Plan’s planning and site allocation policies reflect the needs of the District.

5.5 Need for Different Sizes and Types of Homes

5.5.1 The LHNA has modelled the sizes and types of homes needed in south-west Herts “taking account of demographic changes, the prevalence of overcrowding and under-occupation of homes – whilst recognising that for market homes in particular some households will want and can afford additional bedrooms – as well as other factors such as space to work from home and the important contribution which house extensions are playing to the delivery of larger homes in the HMA”

5.5.2 The below table (figure 14) sets out the LHNA’s preferred housing mix for south-west Hertfordshire as a whole. However, it must be noted that site location, area character and the form of development are relevant considerations in identifying the appropriate mix of market housing on individual development sites.

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

Figure 14 – Recommended Housing Mix for South-West Hertfordshire

5.5.3 Figure 15 below sets out Three Rivers’ specific recommended housing mix.

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	19%	20%	53%
2-bedrooms	21%	39%	32%	47%
3-bedrooms	42%	30%	35%	
4+-bedrooms	32%	13%	12%	

Figure 15 – Recommended Three Rivers Housing Mix

- 5.5.4 The LHNA explains that the prescriptive figures should not necessarily be included in the respective Local Plans as demand can change over time and authorities may have different policy aspirations. The LHNA further adds that the recommended housing mix can also be used as a set of guidelines to consider the appropriate mix on larger development sites and notes the importance of site location, area character and the form of development are also relevant considerations in identifying the appropriate mix of market housing on individual development sites. The Council's housing team are also an important stakeholder with regards to identifying an appropriate housing mix to be put forward in the emerging Local Plan and as such discussions will be had with the housing team during the Local Plan process.
- 5.5.5 In terms of the "house vs flat" discussion, 2-bedroom accommodation is key. The LHNA analysis would suggest that 2-bedroom homes might be expected to be split between houses (or bungalows) and flats.
- 5.5.6 A further mix consideration discussed in the LHNA is around the sizes of homes within bedroom size categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes). The analysis suggests maximising sizes of homes in new properties, although viability and site considerations would still be applicable to any potential policy.
- 5.5.7 During the Local Plan process, the Planning Policy team at Three Rivers will refer to the evidence and analysis set out within studies such as the Local Housing Needs Assessment and whole plan viability study, as well as past delivery trends within the District. Correspondence will also continue with relevant stakeholders such as the Housing Department to ensure that the recommended housing mix brought forward within the emerging Local Plan's planning and site allocation policies reflect the needs of the District.
- 5.6 Housing for Older and Disabled People
- 5.6.1 South-west Hertfordshire's population is ageing, including a growth of 48,000 people aged 65+ projected to 2041 and a growth of 29,000 aged 75+. These demographic trends will result in an increasing need for specialist housing.
- 5.6.2 Hertfordshire County Council have indicated a need for additional market housing with support; for housing with care, which includes extra care housing; and for nursing care accommodation.
- 5.6.3 The LHNA expresses the need under two scenarios. The first scenario is based on the Housing Learning & Information Network's (SHOP@) modelling assumptions. The second scenario is an Enhanced Extra Care scenario which aligns with Hertfordshire County Council's Strategy to more strongly develop the provision of specialist housing, particularly for extra care (assisted living), as an alternative to providing care home bedspace (which is expected to reduce future needs for residential care accommodation).

Net Need, 2021- 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Figure 16 – Net Need for Specialist Housing to 2041 – SHOP@ Scenario

Net Need, 2021 - 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

Figure 17 – Net Need for Specialist Housing to 2041 –Enhanced Extra Care Scenario

- 5.6.4 The LHNA notes that a negative need in the modelling does not necessarily imply that there is no need for new-build provision, given that there may be some existing stock which has become outdated and requires replacement or remodelling etc.
- 5.6.5 With regards to formulating policies for the provision of specialist older persons accommodation, the LHNA advises that Councils will need to consider a range of issues. These include the different use classes of accommodation (C2 vs. C3), requirements for affordable housing contributions (and associated viability considerations) and the practical implications of mixed tenure schemes given the way care and support services are paid for (through monthly services charges). Overall, however, the provision of a choice of attractive housing options to older households is a component of achieving a good housing mix.
- 5.6.6 With regards to affordable housing contributions from specialist accommodation, the LHNA analysis discusses that *“if policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan”*, although there are a range of viability and practical issues to consider.
- 5.6.7 The LHNA sets out that there is a need for approximately 2000-3700 dwellings for wheelchair users (meeting technical standard M4(3)) across south-west

Hertfordshire. The LHNA advises that Councils consider requiring all dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes meeting M4(3) standards in the market sector and around 10% in the affordable sector.

- 5.6.8 During the Local Plan process the Planning Policy team at Three Rivers will refer back to the evidence and analysis set out within the Local Housing Needs Assessment and continue correspondence with Hertfordshire County Council and other relevant stakeholders to ensure that emerging planning policies and site allocation policies meet the housing needs of older people and disabled people.

5.7 Specific Market Segments

- 5.7.1 With regards to custom and self-build housing, the LHNA advises that these should be reflected in new local plan policies. It explains that a specific policy would typically express support for self-build and custom housebuilding and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots. The LHNA advises that other local plans have required between 2% and 5% provision on strategic or greenfield sites of over 100 homes.
- 5.7.2 With regards to student housing, the evidence from the LHNA does not support site allocations for Purpose-Build Student Accommodation, although the assessment concludes that this should be kept under review.
- 5.7.3 The LHNA identified an emerging market for Build to Rent and the report summarises that *“it would be appropriate for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal”*.
- 5.7.4 With regards to children’s home spaces, the LHNA sets out that given the limited number of children’s home spaces in south-west Herts (including in comparison to the wider county), that schemes coming forward (including through conversions of existing home, should be *“treated positively through the planning process”*, with engagement from Herts County Council. During the Local Plan process the Planning Policy team at Three Rivers will continue correspondence with Hertfordshire County Council and other relevant stakeholders to ensure that emerging planning policies and site allocation policies meet the housing needs of children in care.

6 Conclusions

- 6.1 This Housing Topic Paper provides a holistic overview of the important subject of housing, an integral element of the emerging Local Plan.
- 6.2 The District suffers with affordability issues primarily stemming from high property prices. Three Rivers has a lowest quartile house price of £400,000, which places the District as the third most expensive local authority area in England and Wales (excluding London). High and rising property prices result in a worsening median quartile house affordability ratio, which makes home ownership difficult to attain for many residents within the District.
- 6.3 In terms of national policy, the NPPF *sets out that to “determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method”*. In this context, the NPPF also

sets out that the *“need, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies”*. With regards to Green Belt, the NPPF sets out that *“authorities should review Green Belt boundaries in accordance with the policies in this Framework and propose alterations to meet these needs in full, unless the review provides clear evidence that doing so would fundamentally undermine the purposes (taken together) of the remaining Green Belt, when considered across the area of the plan”*.

- 6.4 Following the publication of the most recent version of the NPPF in December 2024, the standard method now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures. The Local Housing Need figure calculated using the standard method for Three Rivers is now 832 dwellings per annum. Over a 16 year plan period this equates to a total of 13,312 dwellings. (the plan period is calculated using the current year as the starting point and we must plan for 15 years post adoption which is expected in 2026).
- 6.5 In terms of past delivery, from the beginning of the plan period to the last monitoring year (2023/2024) 4,723 net dwellings were completed, increasing to 4,886 when including C2 completions (dwelling equivalent). In terms of affordable housing provision, during the 2023/24 monitoring year, 3 affordable dwellings were completed. This amounts to 1.1% of the total completions (276 dwellings) in the 2023/24 monitoring year. Since the start of the plan period in 2001, 1,226 gross affordable homes have been completed, which amounts to 21.6% of a total 5,664 gross dwelling completions.
- 6.6 The Local Housing Needs Assessment states that the standard method figures (at the time of the study) should be taken forwards as providing an appropriate assessment of housing need and that there were no exceptional circumstances to go either higher or lower than the standard method figure at the time (640). However, it must be noted that this conclusion was partly based off the fact that household growth has been lower than in the 2014-based Projections (which the previous iterations of the standard method was based on). Following the publication of the most recent version of the NPPF in December 2024, the standard method now uses a formula that incorporates a baseline of local housing stock which is then adjusted upwards to reflect local affordability pressures.
- 6.7 The Local Housing Need Assessment found that the total affordable housing need within Three Rivers is 527 dwellings per annum, comprising 364 rented dwellings and 163 home ownership dwellings. At a strategic level across south-west Herts, the LHNA recommends that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained.
- 6.8 The Local Housing Needs Assessment suggested a recommended housing mix for south-west Hertfordshire as well as Three Rivers specifically, as set out in Figure 15.
- 6.9 The Local Housing Needs Assessment discussed the need for older and disabled people. Herts County Council's preference is for enhanced extra care to reduce the dependency on residential and care homes. However, the LHNA advises that Councils will need to consider a range of issues, including the different use classes of accommodation (C2 vs. C3), requirements for affordable housing contributions (and associated viability considerations) and the practical implications of mixed tenure schemes. The LHNA also advises that Councils consider requiring all dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes

meeting M4(3) standards in the market sector and around 10% in the affordable sector.

- 6.10 In terms of other market segments, the LHNA identified an emerging market for Build to Rent. With regards to custom and self-build housing, the LHNA advises that these should be reflected in new local plan policies. Additionally, with regards to children home spaces, the LHNA advises that relevant applications are treated positively and advises engagement with Hertfordshire County Council.

This page is intentionally left blank

Employment and Economy Topic Paper (February 2025)

1 Introduction

- 1.1 Three Rivers District Council is preparing a new Local Plan, which will guide development up to 2041. In order to explain and support many of the themes in the emerging Local Plan, the Council will produce a number of topic papers, which present background information and evidence to set the scene for discussion and engagement.
- 1.2 The topic papers are intended to be 'living' documents, which will be updated throughout the plan-making process in order to reflect updated evidence, changes to the policy context, and the outcomes of the various stages of consultation and engagement. The topic papers do not contain any policies, proposals, or site allocations.
- 1.3 This Employment and Economy Topic Paper aims to provide a holistic overview of the important subject of employment and economy, important elements within the emerging Local Plan. The topic paper provides a summary of relevant national and local policy as well as discussing local context. A review of the evidence base guiding the emerging Local Plan is undertaken, with specific regard being given to the findings of the South-West Hertfordshire Economic Study (September 2024), prepared by Hatch.
- 1.4 In addition to providing housing, the economic development of the District needs to be considered. This includes meeting the projected need for a range of employment uses including office uses, industry and warehousing uses, public and community uses, leisure and tourism uses and main town centre uses.
- 1.5 The economy of the south-west Hertfordshire functional economic market area (Dacorum, Hertsmere, St Albans, Three Rivers and Watford) is highly dependent on professional services as well as construction, retail and hospitality. These sectors provide the greatest opportunity for economic growth in the future. Three Rivers specifically has a strong TV and Film sector (at Warner Bros. Studios Leavesden and Langleybury) and a high concentration of knowledge-based industries.
- 1.6 The influence of surrounding areas on the economy of Three Rivers is also significant. This is demonstrated for example by the relatively high levels of out-commuting from the District, reflecting proximity to the London job market and to other larger centres such as Watford and Hemel Hempstead. However, it must be noted that current data suggests that since Covid, the level of commuting into London has fallen significantly (although this trend may reverse in the future).
- 1.7 Employment in the area has continued to grow at a strong rate and there has been a large fall in unemployment in recent years. This combined with out-commuting from the District could limit the labour supply. As such, growth levels planned for in the Local Plan will assist in providing a significant boost to the labour supply and local economy more generally.

2 Policy Context

National Planning Policy Framework (NPPF)

2.1 The National Planning Policy Framework (NPPF) published in December 2024 sets out the Government's planning policies for England and how these should be applied. It provides a framework within which Local plans must be produced.

2.2 The NPPF states that the purpose of the planning system is to contribute to the achievement of sustainable development. Paragraph 8 sets out the three objectives that contribute towards sustainable development as a.) economic b.) social and c.) environmental. The economic objective is as follows:

“to help build a strong, responsive and competitive economy, by ensuring that sufficient land of the right types is available in the right places and at the right time to support growth, innovation and improved productivity; and by identifying and coordinating the provision of infrastructure”.

2.3 Building a Strong, Competitive Economy

2.4 Chapter 6 of the NPPF is titled “building a strong, competitive economy”

2.5 Paragraph 85 of the NPPF states that *“planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on it...”*

2.6 Paragraph 86 expands on this setting out that planning policies should:

- *“Set out a clear economic vision and strategy which positively and proactively encourages sustainable growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration*
- *“Set criteria, and identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;*
- *“Pay particular regard to facilitating development to meet the needs of a modern economy, including by identifying suitable locations for uses such as laboratories, gigafactories, data centres, digital infrastructure, freight and logistics;*
- *“Seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and*
- *“be flexible enough to accommodate needs not anticipated in the plan, and allow for new and flexible working practices and spaces to enable a rapid response to changes in economic circumstances”*

2.7 Paragraph 87 sets out that *“planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for:*

- a) *clusters or networks of knowledge and data-driven, creative or high technology industries; and for new, expanded or upgraded facilities and*

infrastructure that are needed to support the growth of these industries (including data centres and grid connections);

- b) storage and distribution operations at a variety of scales and in suitably accessible locations that allow for the efficient and reliable handling of goods, especially where this is needed to support the supply chain, transport innovation and decarbonisation; and*
- c) the expansion or modernisation of other industries of local, regional or national importance to support economic growth and resilience”.*

2.8 With regards to supporting a prosperous rural economy, paragraph 88 of the NPPF sets out that planning policies and decisions should enable:

- a) “the sustainable growth and expansion of all types of business in rural areas, both through conversion of existing buildings and well-designed, new buildings;*
- b) the development and diversification of agricultural and other land-based rural businesses;*
- c) sustainable rural tourism and leisure developments which respect the character of the countryside; and*
- d) the retention and development of accessible local services and community facilities, such as local shops, meeting places, sports venues, open space, cultural buildings, public houses and places of worship”*

Planning Practice Guidance (PPG)

2.9 In relation specifically to the economy and employment, the PPG advises that a Housing and Economic Needs Assessment should be undertaken.

2.10 The Economic needs assessment should consider the type of employment land needed; future employment trend forecasts and its location within its functional economic market (Paragraph: 025 Reference ID: 2a-025-20190220).

2.11 The PPG sets out that an assessment should be made of the stock of employment land together with its loss over recent years and future supply. This should be informed by forecasts of future employment and land requirements and their relationship to the locational needs of key sectors / businesses and emerging sectors (Paragraph: 026 Reference ID: 2a-026-20190220).

2.12 Local Context

2.13 South-West Hertfordshire Joint Strategic Plan

2.13.1 The South-West Hertfordshire Joint Strategic Plan (JSP) will cover the area covered by the South-West Hertfordshire partner authorities. These are Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Watford Borough Council and Three Rivers District Council.

2.13.2 As set out on its website, the South-West Hertfordshire Joint Strategic Plan will “*provide a long-term blueprint for the south-west Hertfordshire area to 2050. It will consider and address issues that cross council boundaries and will set out a strategic vision for the area. It will also help guide future Local Plans and strategies by setting*

out high level policies on topics such as climate change, net zero carbon, infrastructure provision, environmental protection, employment and housing. Once approved, the Joint Strategic Plan will provide a coordinated overarching framework that will guide local decision making on planning matters”.

2.13.3 In the summer of 2022, a formal public consultation (Regulation 18) was carried out. In August 2023, a “shared vision” and set of principles used to inform progress of the JSP was published. The next stages of the JSP involve consultation on options for the scale and pattern of growth.

2.14 Three Rivers’ Current Development Plan

2.14.1 Three Rivers District Council adopted the “Core Strategy” on 17th October 2011 and this document forms part of the Local Development Framework. Policy CP6 of the Core Strategy is titled “Employment and Economic Development” and sets out a range of policy criteria to promote and enhance employment and economic development within the District.

2.14.2 The Site Allocations Local Development Document (2014) allocates four employment areas within the District. These are located at Croxley Business Park (site ref: E(a)), Tolpits Lane (site ref: E(b)), Carpenders Park/Delta Gain (site ref: E(c)), and Maple Cross/Maple Lodge (site ref: E(d)). Kings Langley Employment Area has been allocated as a mixed use site (site ref: E(e)), whereby uses other than employment would be acceptable. The purpose of these allocations is to safeguard existing employment uses within these locations and also to address employment needs highlighted in the Core Strategy

2.15 Three Rivers’ Emerging Local Plan

2.15.1 The Council have undertaken the following consultations with regards to its emerging Local Plan:

- Local Plan ‘Issues & Options and Call for Sites Consultation Document’, July 2017
- Local Plan ‘Potential Sites Consultation’, October 2018
- Local Plan “Preferred Policy Options” (Part 1) and “Sites for Potential Allocation (Part 2)” Regulation 18 Consultation, June 2021
- Local Plan “Additional Sites for Potential Allocation” (Part 3) Regulation 18 Consultation, January 2023
- Local Plan “Three Rivers’ Preferred Local Plan Lower Housing Growth Option Protecting More Green Belt Land” (Part 4) Regulation 18 Consultation, October 2023

2.15.2 Regulation 18 Part 1 Preferred Policy Options

2.15.2.1 The Regulation 18 (Part 1) Consultation set out policies for employment and economic development in order to maintain and improve economic performance of the District. Central to this was Preferred Policy Option 7: Employment and Economic Development.

2.15.2.2 The policy stated that the council will support the delivery of at least 5.5ha of B-class employment space with a focus on industrial and warehouse uses. These will be prioritised within town centres and allocated employment sites. These employment sites will be safeguarded for business, industrial and storage uses and intensified and expanded where appropriate. Proposals providing a range of small, medium and large business premises will be supported and non-employment uses on allocated employment sites will only be permitted where there is no impact on amenity or site operation. Proposals which result in the loss of B class floor space will only be supported if it is shown there is no longer a need for employment use and the property has been vacant for at least 12 months and marketed over that 12 month period.

2.15.2.3 A specific policy for Warner Bros. Studios was also provided. It states that development on the Leavesden Studio site must be in relation to the Warner Bros. Studios Operations and associated uses and the allocated site will be safeguarded for studio operations and associated uses.

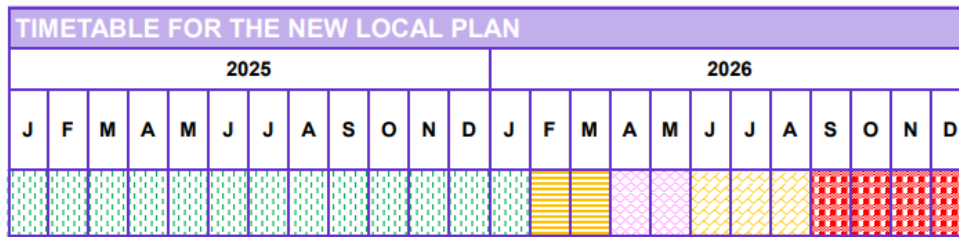
2.15.3 Regulation 18 Part 2 Allocations

2.15.3.1 The Reg 18 (Part 2) Consultation set out employment sites for the emerging local plan. There was expected to be a demand of 30,100sqm of office space for the period to 2036 and 39,945sqm of industrial and warehousing space.

2.15.3.2 The allocated employment sites were as follows:

- Croxley Business Park – Separated into two sites, CFS70a and CFS70b, this allocation proposed the use of storage and distribution uses, office uses and ancillary space. The sites total 0.8ha in size and are both located within the Green Belt.
- Land at Lynsters Farm – This site was allocated to provide industry and warehousing. It is 10.7ha in size and is located within the Green Belt.
- Warner Bros. Studios – Separated into two expansion sites, CFS28 and OSPF6, the allocation proposed for the expansion of the Warner Bros Studios and green infrastructure to be used as public open space. The sites total 28ha in total and are located within the Green Belt.

2.15.4 The adopted Local Development Scheme which was formally adopted at Full Council on 10th December 2024 sets out the timetable for the Local Plan. The timetable can be seen below:



	Preparation
	Publication Stage (Regulation 19)
	Submission Stage (Start of Examination Process)
	Examination
	Adoption

Document	Local Plan	Policies Map
Description	Will update the strategic planning policies for the District, allocate land for housing and employment and update Development Management Policies	Will show policy designations and sites with specific allocations
Area	District	District
Publication Date	February / March 2026	Alongside Local Plan
Submission to Secretary of State	April / May 2026	Alongside Local Plan
Adoption	September / October 2026	Alongside Local Plan
Review	Annual Monitoring Report	Alongside Local Plan

2.15.5 However, it must be noted that following the Extraordinary Full Council Meeting on 7th January 2025, Members have agreed that officers should aim to publish the Regulation 19 by 7th November 2025.

2.16 Neighbourhood Plans

2.16.1 There are currently two adopted Neighbourhood Plans within the District (Croxley Green Neighbourhood Plan and Chorleywood Neighbourhood Plan). Three other Parish/Community Councils (Batchworth, Sarratt and Abbots Langley) are also currently producing Neighbourhood Plans. In their current iterations, neither the adopted nor any of the emerging Neighbourhood Plans include specific site allocations for employment, however, the Neighbourhood Plans do include employment and economic related policies, as set out below.

Croxley Green Neighbourhood Plan:

Policy RE1: Protection of retail uses – a presumption against any proposed change of use from any A use classes to residential subject to marketing evidence and viability.

Policy RE2: Safeguarding employment – a presumption against change of use from any B Use Classes to residential subject to marketing evidence and viability.

Policy RE3: Encouraging new employment – new and existing businesses that are compatible with neighbouring properties will be encouraged.

Chorleywood Neighbourhood Plan:

The Chorleywood Neighbourhood plan is less specific regarding policies and employment. Its overall aims do however seek to achieve sustainable development and facilitate a ‘vibrant local economy’.

Emerging Batchworth Neighbourhood Plan:

Policy BW CO7: Employment:

Proposals that provide small-scale retail, office and research and development opportunities will be supported.

Proposals that create new employment opportunities will be supported where: they respect immediate surroundings, are well integrated and complement existing businesses, they do not impact on the local environment and the amenities of adjacent residential properties, they do not result in a material increase in large and heavy vehicle traffic and where appropriate, they enable active travel through delivery of new walking and cycling routes.

Proposals for flexible workspaces that are designed to accommodate local green ventures will be supported.

Emerging Sarratt Neighbourhood Plan:

The Sarratt Parish neighbourhood plan does not specify economic or employment policies but aims to “ensure any property development in the parish consists of a mix of properties that best meets the housing needs of the community, promoting a thriving and balanced population that will maintain the viability of these businesses and services”.

Emerging Abbots Langley Neighbourhood Plan:

Policy AL7: “Retaining and enhancing the vitality and viability of local centres” relates to local level employment and economic growth, primarily regarding to retail uses.

Policy AL8: “Supporting recreation and sustainable tourism” also relates to general employment and economy. It states that proposals for recreational and sustainable tourism activities will be supported if they are economically and socially beneficial.

2.17 Neighbouring Local Plans

2.17.1 The other south-west Hertfordshire authorities and other adjoining authorities (outside of south-west Hertfordshire) are at different stages of the Local Plan process. A summary of these different stages can be seen below:

Watford Borough Council:

2.17.2 The Watford Local Plan was adopted on 17th October 2022.

2.17.2.1 The plan makes provision for 25,206sqm net additional industrial floorspace and 85,488sqm of net additional office floorspace. Policies include protecting and

supporting existing employment land. The district contains five industrial areas hosting businesses and workshops with employment space encouraged within these areas.

2.17.2.2 Allocated employment land is spread in this plan between mixed-use developments and employment specific sites. The employment specific sites are EMO1: Cassiobury House, EMO2: Land to the South of Wiggshall Industrial Estate, EMO3: Gateway Zone and EMO4: Land Between 14-18 Greenhill Crescent.

St Albans City and District Council:

2.17.3 The St. Albans City & District Local Plan was submitted to the Secretary of State for Independent Examination on 29 November 2024.

2.17.3.1 Chapter 5 of the St Albans' Local Plan (submission version) discusses the economy and employment. Strategic Policy SP5 (Employment and the Local Economy) sets out the Council's approach to employment areas in order to support economic growth and productivity. Protected Employment Areas will be retained for appropriate business with new industrial business locations designated at East Hemel Hempstead and at the former Radlett aerodrome.

2.17.3.2 The Protected Employment Areas provide an agreed oversupply for the St Albans District, therefore the excess can assist other South West Herts local authorities in meeting their employment requirements.

2.17.3.3 The plan has allocated a protected employment area in Brickett Wood, adjacent to the Three Rivers District boundary. As per policy EMP1 (Protected Employment Areas), these locations must demonstrate no net loss of employment floorspace with redevelopment or intensification supported, use classes will normally be B2, B8 or E(g) with conditions applied to prevent a change of use to E(a-f) and small scale services ancillary and should not compromise the functioning of the location for these class uses.

2.17.3.4 Through Policy EMP5 (Employment Skills), the plan ensures that larger proposals must ensure the employment of local people. Local people are defined as residents of South West Hertfordshire Local Authorities including Three Rivers.

2.17.3.5 The plan also sets out Strategic Policy SP6 (City, Town and Village Centres and Retail). This supports the vitality and viability of centres through a 'town centre first' approach to proposals for retail, services and other uses and supporting proposals that improve the quality and range of retail, service, leisure in St Albans City Centre.

Dacorum Borough Council:

2.17.4 Dacorum Borough Council have undertaken a Regulation 19 Consultation and are preparing to submit their Local Plan to the Secretary of State for public examination.

2.17.4.1 The Dacorum Regulation 19 plan sets out its Employment Strategy through a number of policies. Strategic Policy E1 (Delivering the Employment Strategy) states employment needs will be delivered through the continued development of Hemel Hempstead as an important economic centre, including further development on the Maylands Business Park, supporting the principle of new office development in town, district and local centres, safeguarding the General Employment Areas and attracting new businesses particularly in General Employment Areas. These General Employment Areas (GEA) will be the focus for future employment through supporting

development which will strengthen the role of the GEA and provide important services and facilities that would enhance the GEA as an economic centre.

2.17.4.2 The majority of the borough's employment needs will be met by the expansion of the Maylands Business Park to the east of Hemel Hempstead. This includes land within the St. Albans City District.

2.17.4.3 The plan's GEAs which are located nearby to the Three Rivers District are in Riversend Road, Whiteleaf Road and Doolittle Meadows in Apsley and Sunderland's Yard in Kings Langley. An overview of these sites are provided below:

- Riversend Road – Offices, industrial, warehousing. Planning requirements are high quality, well landscaped landmark buildings required in two locations due to their prominent locations on the main approach into the town centre. Environmental improvement sought and proposals must respect the setting of the listed building.
- Whiteleaf Road – Offices, industrial, warehousing. Good quality offices should be retained and changes of use from employment uses to housing will be resisted.
- Doolittle Meadows – offices. Good quality offices should be retained and changes of use from employment uses to housing will be resisted. Existing landscaping should be maintained.
- Sunderland's Yard – offices, industrial. Small units to be retained

2.17.4.4 The plan also discusses loss of employment in retail and other main town centres. Policy E4 (Loss of Employment, Retail and Other Main Town Centre Uses) states that the loss of employment will be permitted only where there is evidence that a site cannot be used for its current or allocated use. While there is no significant requirement for new retail floorspace, existing retailing will be supported.

Hertsmere Borough Council:

2.17.5 The most recent Regulation 18 Consultation took place between May and June 2024.

London Borough of Harrow:

2.17.6 The London Borough of Harrow have undertaken a Regulation 19 Consultation.

London Borough of Hillingdon:

2.17.7 The call for views consultation (Regulation 18) finished on Monday 24 June 2024. The Local Development Scheme (July 2024) sets out that the Regulation 19 Consultation will take place from March 2025 to April 2025, with submission to the Secretary of State in May/June 2025.

Buckinghamshire Council:

According to their website, Buckinghamshire Council are at an early stage of their plan-making process. Buckinghamshire Council have undertaken an early engagement questionnaire, vision and objectives consultation and a call for sites. The LDS sets out that publication and submission will take place between January 2026 and August 2026.

2.18 Article 4 Directions

2.18.1 In March 2024, a modified Article 4 Direction issued by the secretary of State came into force in relation to development consisting of Class MA change of use from commercial, business and service (Class E) use to residential (Class C3). The Article 4 Direction covers certain employment sites and town and district centres. The effect of the Direction means that a change of use from a town centre use to residential and an office use to residential in these locations will require planning permission and will be assessed against Local Plan policies.

2.19 Annual Monitoring Report

2.19.1 The Annual Monitoring Report (AMR) provides an update of progress made in developing planning policies for the District and uses information against a variety of indicators and targets to assess the extent to which policy objectives are being achieved.

2.19.2 Policy CP6 of the Core Strategy relates to employment and economic development and seeks to support the sustainable growth of the Three Rivers economy. The results of the Annual Monitoring Report for the 2023/2024 monitoring period are summarised below:

2.19.3 The AMR sets out that within the 2023/2024 monitoring period, 689sqm of gross additional employment floorspace was created. Once losses have been taken into account (6,236sqm gross loss), there was a net decrease of 5,547sqm of employment floorspace across the District, leaving total employment floorspace figure of approximately 212,618sqm.

3 Evidence Base

South-West Hertfordshire Retail and Leisure Study

3.1 The south-west Hertfordshire authorities undertook a joint evidence study, the South West Hertfordshire Retail and Leisure Study (September 2018), prepared by Nexus Planning. The aims of the study included the following:

- Establish a retail market (catchment) area for the local authority areas
- Review the hierarchy of centres within all five local authorities
- Undertake an assessment of the existing vitality and viability of each of the authority area's defined town and district retail centres
- Produce a quantitative assessment of the future demand for retail floorspace across the authority areas

3.2 However, given that this study was completed in 2018, it is considered that a new study should be commissioned providing more up-to-date data (including post-covid) and reflecting any changes to national policy. As such, the Council will commission and undertake an updated Retail and Leisure Study before publishing the Regulation 19 version of the Local Plan.

South West Hertfordshire Economic Study

3.3 Introduction

- 3.3.1 The south-west Hertfordshire authorities have undertaken a joint evidence study, the South West Hertfordshire Economic Study (2024), prepared by Hatch. The study provides current evidence, context and subsequent findings which will help shape future employment needs within the Three Rivers District and the wider sub-region.
- 3.3.2 The report provides an update to previous versions of the study undertaken in 2016 and 2019 to review trends since the Covid pandemic and provide more-up-to-date evidence and needs analysis.
- 3.3.3 The earlier studies identified the south-west Hertfordshire functional economic market area (FEMA) as of the local authority areas of Dacorum, Hertsmere, St Albans, Three Rivers and Watford. The updated 2024 study finds that *“the five local authority areas continue to share strong links in terms of migration, commuting and strategic transport infrastructure. Therefore, we conclude that the definition of the FEMA is still valid”*.
- 3.3.4 As explained in the study, the need to define FEMA's arises *“because the geography of local economies rarely adhere to local authority boundaries. There are important cross-boundary relationships in local labour markets, housing markets and supply chains which means the policy decisions taken in one authority have an effect on its neighbours. This means the need for employment land needs to be considered across a more functional geography than looking at each district in isolation”*. It should be noted that as we are required to plan for employment needs at a District level, there must be a District level breakdown of needs rather than looking at the FEMA as a whole.
- 3.3.5 However, as set out in the study, it must be noted that *“there are particular issues in certain sectors such as temporary employment agencies, where the jobs are allocated to the address of the employment agency rather than the address where the employees are working, resulting in an overestimate of employment in areas with large employment agencies (such as Dacorum)”*. As a result this could skew some of the data.

3.4 Travel to Work Areas

- 3.4.1 The 2021 Census provides updated information on the commuting patterns of south-west Herts residents. However, an important caveat is that it was undertaken in early 2021 when a large proportion of people were working from home due to the Covid pandemic. As such, it is unlikely to be representative of current commuting patterns in the FEMA. Figure 1 below shows the Percentage of employed residents who identify their home as their main workplace or base, 2019 to 2022

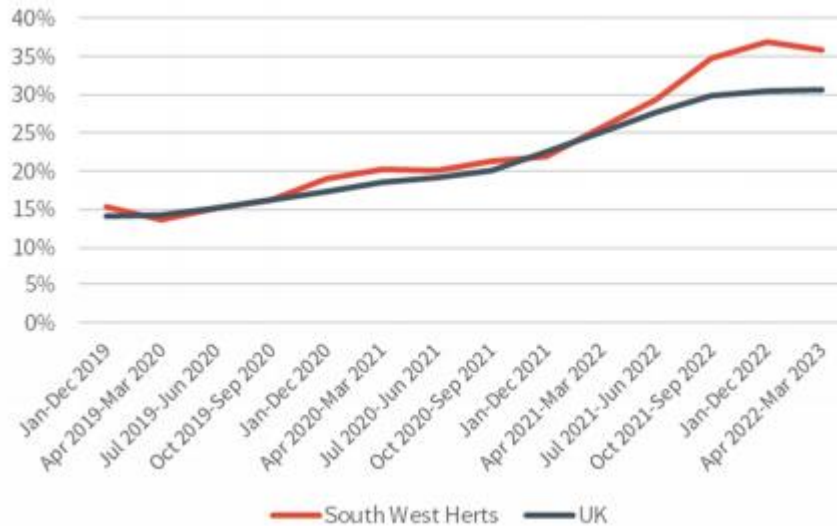


Figure 1 - Percentage of Employed Residents who Identify their Home as their Main Workplace or Base, 2019 to 2022

3.4.2 Figure 2 below sets out the Top 5 destinations of working residents and percentage of working residents who commute to each area. It shows that within each FEMA authority, over two thirds of working residents reported that their workplace is in their home local authority area (due to homeworking).

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

Figure 2- Top 5 destinations of working residents and percentage of working residents who commute to each area.

3.5 Migration

3.5.1 As per the 2021 Census, the most popular destination for Three Rivers residents to move to within 2020/21 was within the District itself, with 32% of all movements. 9% moved to Watford, Dacorum and Hillingdon respectively. A total of 54% of residents moved to within the FEMA.

3.6 Relationship With London

3.6.1 In terms of commuting, the proportion of employed Three Rivers residents whose main workplace is in London fell considerably from 38% in 2011 to 14% in 2021 (in line with other FEMA authorities). However, it must be noted that this is heavily influenced by the fact that the census was undertaken during the Covid Pandemic when a large proportion of people were working from home.

3.6.2 In terms of migration, the number of residents migrating from London to Three Rivers in 2021 was 1,300, up from 700 in 2011. There is some evidence that the Covid pandemic led to an increase of people moving out of London due to an increase in flexible working, house prices and desire for more space. Three Rivers was in the top ten most popular destinations for people moving out of London during the pandemic.

3.7 Recent Economic Performance

3.7.1 Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. It is the key metric used to understand the overall size and economic performance of an area. South West Herts's economy performed well between 2016 and 2019, growing at a rate of 2.6% p.a. compared to 2.0% p.a. in the UK as a whole. This was followed by a sharp decline in GVA between 2019 and 2020 as a result of the Covid-19 pandemic. Although there was a partial recovery in 2021, total GVA was still 4% below its pre-pandemic level. The main driver of growth was admin and support services (although this is predicted to be overstated due to the inclusion of temporary employment agencies). Other high performing sectors were arts, entertainment and recreation, education and ICT. The worst performing sectors were professional, scientific and technical, financial and insurance and other service activities.

3.7.2 GVA per filled job is a way to measure labour productivity. GVA per filled job was around £62,400 in South West Herts in 2021, which is slightly higher than the UK and Hertfordshire average. However, this has fallen from over £70,000 in 2018. Whilst this was partly due to Covid, the fall in labour productivity was much greater in south-west Hertfordshire than comparable areas.

3.8 Employment Trends

3.8.1 Figure 3 below illustrates employment growth by local authority area (2016 to 2021)

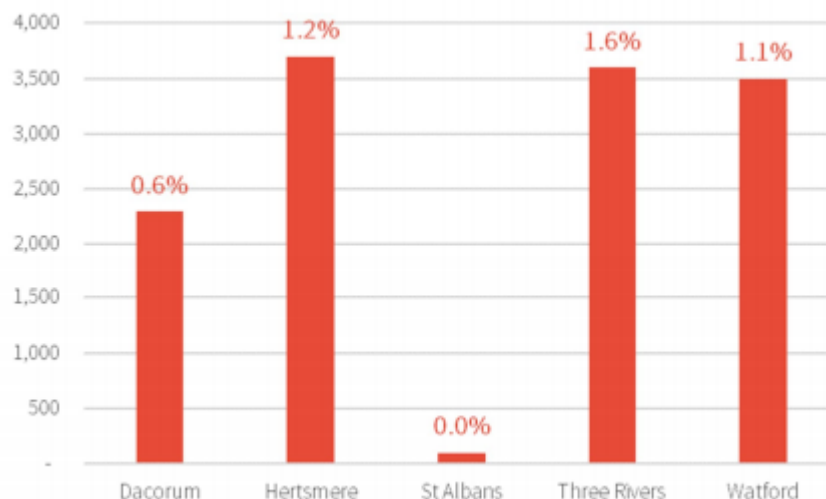


Figure 3 - Employment growth by local authority area (2016 to 2021)

3.8.2 Within the FEMA, the largest growing sectors since 2016 are public admin, education and health (6.2%), ICT and media (4.3%) and business support services (4.3%). The largest declining sectors were manufacturing (-2.5%), transport and distribution (-1.6%) and finance and insurance (-1.6%).

3.9 Sector Strengths in South-West Hertfordshire

3.9.1 Employment within ICT and media is 81% more within the FEMA when compared to the UK average. Professional services and business support services are also overrepresented with 65% and 61% above the national average. Construction is also 39% higher than the UK average. Comparatively, primary industries (including agriculture and mining) are underrepresented within the FEMA and are 67% below the national average. Manufacturing is also underrepresented at 56% below the GB average.

3.9.2 The ICT sector within Three Rivers has a high specialisation compared to the UK average. However, unlike elsewhere within the FEMA, there was no growth of employment within the sector between 2016 and 2021.

3.9.3 Similarly, within the professional services sector in Three Rivers there has been no growth of employment between 2016 and 2021, although has a relatively high specialisation compared to the UK average.

3.9.4 The film and TV industry sector has experienced significant growth since 2016 with the strongest growth occurring within Three Rivers and Watford. This is due to recent investment in Warner Bros. Studios Leavesden.

3.10 Business Characteristics

3.10.1 There were 34,900 businesses within the FEMA in 2022. This is dominated by small to medium businesses which employ fewer than 50 people and account for 99.6% of all businesses in the area.

3.10.2 The largest sectors for businesses in the FEMA are professional, scientific and technical activities (6800), construction (5,200) and wholesale and retail (4,300). The most specialised sectors are ICT and business administration and support.

3.11 Business Starts and Survival

3.11.1 In 2021, there were 11 new businesses for every 1,000 working age residents in south-west Hertfordshire. This is higher than the average in both Hertfordshire (10) and the UK (9) but is down from 16 in 2016. The FEMA has a higher business survival rate than the regional average with 39% of businesses which started in 2016 still operating in 2021.

3.11.2 In terms of main barriers to growth within south-west Hertfordshire, the following reasons were listed:

- Staff recruitment and retention issues (including due to low unemployment and lack of affordable housing)
- Rising costs (including materials, rents and business rates)
- Access to employment sites and premises

3.12 Labour Supply

3.12.1 Population projections predict the population of the FEMA will increase by around 20,000 people between 2018 and 2043. This will be driven by growth in the number of people aged 65 or over. The working age population is forecast to decline from 2028 onwards, falling by 10,600 people by 2043. However, the actual change that

occurs in the working age population will be driven by the level and rates at which housing growth occurs.

3.13 Supply of Employment Land

3.13.1 Figure 4 below sets out the existing commitments for south-west Hertfordshire (correct as of August 2023). If all of the extant permissions were implemented it would result in a net increase of approximately 33,200sqm of office space and 508,800sqm of industrial, storage and distribution space across south-west Hertfordshire. However, it should be noted that a significant proportion of committed industrial, storage and distribution space is at a single site (Radlett Strategic Rail Freight Interchange in St Albans).

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

Figure 4 - Existing Commitments for South-West Hertfordshire (correct as of August 2023).

3.13.2 The study provided a list of the strategic sites across the FEMA authorities. Figure 5 below sets out the summary of strategic sites (within Three Rivers).

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

Figure 5 - List of the Strategic Sites across the FEMA Authorities (Three Rivers & St Albans)

3.13.3 Overall, the study identified 93.2 Ha of land with development potential across all of the authorities. However, only 67.4 Ha of this land is on sites which are realistically available (i.e. they are already allocated or safeguarded or are not currently in the Green Belt).

3.13.4 The study's summary of Three Rivers' strategic sites can be seen below:

Croxley Business Park is a high quality office park within the urban settlement of Watford. This includes mid to large floorplate buildings (generally over 2-3 storeys) set in an attractive tree-lined environment, with off street parking and communal facilities within the Hive in the centre of the site. However, the site is fully built out and there are unlikely to be any opportunities for intensification in the foreseeable future. Land with development potential: 0 Ha

Tolpits Lane is a large employment area comprising three distinct areas. Wolsley Business Park is an office park with mid to large floorplates, with buildings of a moderate quality. A high level of vacancies was observed. Units along Dwight Lane are a mix of small industrial and hybrid units, which had a more moderate level of vacancies and generally comprised of moderate to good quality units. The employment uses along Olds Approach and Moor Ln comprise a typical industrial estate. This site is also fully built out and there are unlikely to be any opportunities for intensification in the foreseeable future. Land with development potential: 0 Ha.

Maple Cross/Maple Lodge is made up of a number of units along Denham Way (A412), comprising a large office complex occupied by Renault and Nissan, a high quality office building occupied by Skanska and a derelict commercial building with MSSCP at the rear. Planning permission has been granted for the demolition of the existing derelict office block and multi-storey car park and redevelopment to provide six warehouses for a flexible range of employment uses (within Classes E(g)(iii), B2 and / or B8) with ancillary offices together with associated works. A recent application was allowed in appeal (21/0573/FUL) and one extant application for a hotel(green) for which certificate of lawful implementation was issued although nothing has happened on site. Land with development potential: 0 Ha.

Leavesden Park Employment Area comprises Leavesden Studios, now owned by Warner Brothers, together with MEPC's Leavesden Park office development. The site supports strategic activities relating to the creative industries sector and the planned investment will enable an enhanced role. The area is protected through Article 4 Direction that came into effect in March 2024. The site is allocated in the current Local Plan and has been submitted for allocation in the emerging Local Plan. Land with development potential: 0 Ha

Council Note: The Leavesden Park Employment Area does not comprise Leavesden Studios and is not allocated within the current Local Plan.

Kings Langley is an office and commercial park along Home Park Mill Link Rd. It comprises mid-sized office buildings, though not within a dedicated business park. Some buildings have been reconverted to apartments (Bellway, Pinnacle Apartments), with likely interest for further conversions in coming years. There is the potential for regeneration of the site but, in our view this is likely to be for non-employment uses. Land with development potential: 0 Ha

Council Note: The Kings Langley allocation is allocated for mixed use employment and housing.

Lynsters Farm is a green belt site comprising a flat, field area around the Grade II listed Lynsters Farm House and Cottages. The site is well-positioned for employment uses close to the M25 (J17), the nearby Maple Cross employment area and HS2 south portal works. There are a number of ecological and flood zone constraints,

although the site is of a scale and in a location which may be suitable for a range of industrial or warehousing uses. Land with development potential: 0 Ha.

Council Note: The study found this site to not be suitable for development given its location in the Green Belt.

Economic Study Conclusions and Recommendations

3.14 Priority Sectors

3.14.1 The film and TV sector has seen significant growth in south-west Herts and particularly Three Rivers in recent years. Further growth in demand for film and TV space is possible but there is uncertainty. The main challenge is accessing the ancillary space needed to support production, including offices, industrial and storage space. This is often needed at short notice and for short amounts of time. It is therefore difficult to provide a robust estimate for quantity and type of floorspace needed. This sector is highly relevant for Three Rivers.

3.14.2 The agri-tech sector is slowly growing within south-west Hertfordshire, with the main cluster being located at the Rothamsted Campus. The East Hemel Hempstead Central site has been identified as a suitable location for expansion, so this sector may not be as relevant for Three Rivers.

3.14.3 The life sciences sector is slowly growing within south-west Hertfordshire, with the main cluster being located in Hemel Hempstead (with larger clusters in Stevenage). However there may be demand in the wider South West Herts for HQ offices and storage & distribution space. Again, the East Hemel Hempstead Central site has been identified as a suitable location for expansion for this sector, so this sector may not be as relevant for Three Rivers.

3.14.4 The clean growth sector is harder to analyse, but given the county's approach to Net Zero, there may be opportunities to expand the sector across the sub-region.

3.15 Office Market Trends

3.15.1 The quantity of leased office space in south-west Herts has fallen significantly since the Covid pandemic. This fall was greatest in large offices over 1,000 sqm and has resulted in a large increase in the vacancy and availability rates for office space across the FEMA. There are also a large number of leases which have not been reviewed since the pandemic and there is a high probability that tenants with large amounts of underutilised office space may choose to reduce their requirements. It may therefore be a number of years before the office market reaches 'a new normal' (i.e a sustained demand for office space).

3.16 Industrial and Storage and Distribution Market Trends

3.16.1 Demand for industrial and storage & distribution space in the FEMA has remained strong since the last study was undertaken. Availability rates for the FEMA have been consistently below 8% meaning there is an undersupply of space.

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

3.17 Future Scenarios

3.17.1 The study has modelled a number of different scenarios to understand the future demand for employment space in south-west Hertfordshire (including scenarios based on employment forecasts, population projections, development rates and trends in net absorption). The study's preferred scenario is based on trends in net-absorption, with a number of modifications based on market intelligence. These include:

- A downward adjustment to the scenario for office space in the short term as more leases expire and the office market adjusts to new patterns of working brought about by the Covid pandemic

- An upward adjustment to the net-absorption of industrial and storage & distribution space to account for latent demand which has been suppressed as a result of low availability rates in the FEMA

3.17.2 Net-absorption can be defined as the measure of the total of employment floorspace occupied minus floorspace vacated. This essentially measures the change in the quantity of occupied floorspace in south-west Hertfordshire over a given period. Because this is a net figure, it can be used to provide an estimate of the additional floorspace/land required to meet demand if demand followed past trends.

3.17.3 The study concludes that based on the preferred scenario, south-west Hertfordshire authorities should plan on the basis that there will be no net-increase in demand for office space from its 2021 level over the period 2021 to 2041. The preferred scenario points to demand for 32,000 sqm between 2041 and 2050, although there is uncertainty with the longer term projection (given that it is far into the future).

3.17.4 In terms of industrial space and storage and distribution space, the study concludes that the FEMA authorities should plan for:

Industrial Space: 110,200sqm (27.6 Ha of land) for the period 2021-2041 and 49,700sqm (12.4 Ha) for the period 2041-2050.

Storage and Distribution Space: 413,400sqm (103.4 Ha) for the period 2021-2041 and 186,100sqm (46.5 Ha) for the period 2041-2050.

3.17.5 It must be noted that the approach adopted in this study is to consider the need for land at the level of FEMA, not individual authority level. Additionally, much of the above need is met by existing commitments and allocations.

3.18 Conclusions on additional floorspace and land requirements – Office

3.18.1 The study concludes that no new office space and the land associated with it is required over either the 2021-41 or 2041-50 periods. The report found that as of July 2023 there was 162,000 sqm of available office space in south-west Hertfordshire, of which 124,000sqm was identified as vacant. There is also a further 36,000sqm of office space with planning permission in the form of commitments. As such, the study concludes there is not a need to identify additional sites for office development, but recognises that there will still be demand for office space, particularly from smaller sized businesses.

3.19 Conclusions on additional floorspace and land requirements – Industrial, Storage and Distribution

- 3.19.1 Whilst the preferred scenario is still based on trends in net-absorption, this scenario was split into a further 2 “scenarios”, regarding the extent to which the Radlett Strategic Rail Freight Interchange would contribute to need.
- 3.19.2 In the first of these scenarios, South West Herts would not be required to identify additional employment sites over the 2021-41 period, largely driven by the contribution of Radlett Strategic Rail Freight Interchange. Taking account of completions and commitments (planning permissions not yet implemented) relative to need leaves a residual requirement for 141,700 sqm equating to 35.4 Ha. In the second scenario, taking account of completions between 2021 and 2023 totalling 29,000 sqm and commitments amounting to 256,800 sqm with a smaller proportion of the Radlett site included leaves an additional requirement for 237,800sqm, equating to 59.5 Ha.
- 3.19.3 The study has identified 67.4 Ha of land available for development on sites. Of this total, around 17 ha is earmarked on the East Hemel Hempstead Central site for business and R&D use, with the implication that the supply of land for industrial, storage and distribution development is just over 50 Ha.
- 3.19.4 In the first of the two supply scenarios, the 50.4 Ha available for development is more than sufficient to meet the 35.4 Ha requirement remaining once completions and commitments are accounted for. However, in the second scenario, south-west Hertfordshire would not have a sufficient supply of allocated land, with the requirement for 59.5 Ha **resulting in a shortfall of 9.5 Ha** (for industrial, storage and distribution combined).
- 3.19.5 If the south-west Herts local authorities determine that the more cautious Scenario 2 is preferred, the question of how to address the shortfall will need to be resolved through planning policies. However, the study identifies need and supply for the FEMA as a whole, with the preferred scenario selected for providing the most appropriate indicator of industrial, storage and distribution need for the area. It does not recommend treating the need figures for individual districts as the level of demand which should be planned for.
- 3.19.6 Figure 6 below shows the commitments and supply of floorspace for industrial and storage & distribution development by local authority area (Scenario 2)

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

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

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

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

Figure 6 - commitments and supply of floorspace for industrial and storage & distribution development by local authority area (Scenario 2).

- 3.19.7 Figure 7 below illustrates the difference between need and supply, industrial and storage and distribution (in sqm).

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

* Scenario 1; ** Scenario 2

Figure 7 - Difference Between Need and Supply, Industrial and Storage and Distribution

- 3.19.8 As shown in Figure 7 above, the industrial need for Three Rivers is 11,400sqm and the storage and distribution need is 13,100sqm. The total area from commitments and sites is 21,400sqm. As such, in Three Rivers, the supply falls short of the level implied to meet need (for industrial, storage and distribution combined), but by a small amount (3100sqm).
- 3.19.9 As set out in the study, the concentration of both industrial need and supply (commitments & available land for future development) in Dacorum, Hertsmere and St. Albans also presents south-west Herts local authorities with a challenge in ensuring that employment land policies meet the NPPF's requirements for positive plan-making which encourages economic growth. The preferred scenario reflects a pattern of past demand which is dominated by Dacorum. This issue is also reflected in the conclusions on supply, with St Albans dominating future supply as a result of

both Radlett SRFI and East Hemel Hempstead Central sites. The study “*does not recommend treating the need figures for individual districts as the level of demand which should be planned for*”. The topic of meeting employment need has been and will continue to be addressed through Duty to Co-operate meetings.

3.20 Office Space Conversions

- 3.20.1 At the time of the study’s publication there was approximately 124,000 sqm of vacant office space in south-west Hertfordshire, which could increase further over the next few years. The study therefore suggest that the south-west Hertfordshire authorities may consider removing any Article 4 directions in these areas, identifying redundant buildings in their area and work with landowners and developers to identify opportunities for redevelopment and re-purposing (including to residential) where those buildings are of poor quality and cannot be made fit for purpose as office accommodation. However, it must be noted at the time of making the Article 4 Direction in Three Rivers, evidence supported the need to protect Class E uses and the Direction was directly signed off by the Secretary of state (who reviewed the evidence provided). Additionally, the Economic study specifically refers to Three Rivers as having different market conditions in terms of office space, concluding that the authority “should prioritise the protection of office space as far as possible”.
- 3.20.2 Figure 8 below shows the availability and vacancy rate of office space (2019-2023) across the authorities. With specific regard to Three Rivers, the study states “*the one exception to this (availability) was Three Rivers, where the availability rate has fallen since 2019-23 although the vacancy rate has risen. The availability rate in Three Rivers is also much lower than other areas (5.8%). This is likely to be due to local factors affecting demand in Three Rivers, although the exact explanation is unclear. Nevertheless, it suggests market conditions are slightly different in Three Rivers, and the local authority should prioritise the protection of office space as far as possible*”.

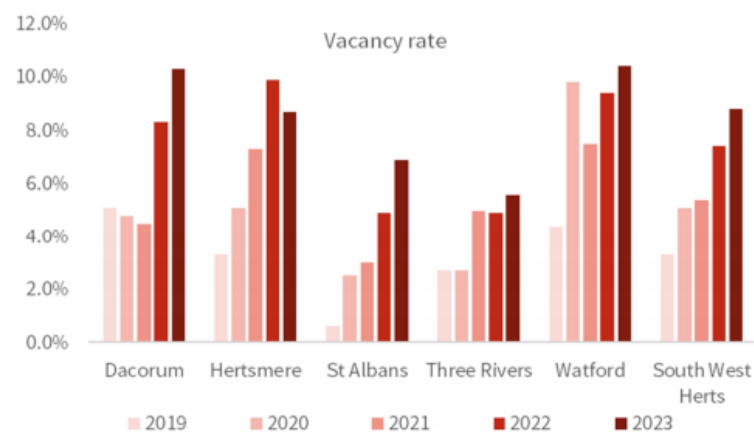
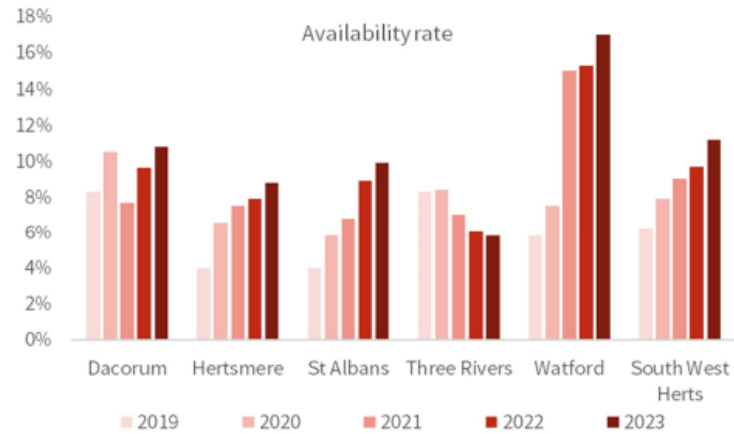


Figure 8 - availability and vacancy rate of office space (2019-2023)

3.21 Meeting the Needs of Small and Medium Enterprises (SMEs)

3.21.1 SMEs and micro-businesses account for most of the businesses operating in south-west Hertfordshire. The following recommendations could be considered in emerging policies to boost the SMEs:

- Promoting “grow-on” space
- Encouraging flexibility in leasing terms
- Support the retention or delivery of small office accommodation in urban centres and on larger scale new housing sites
- Coordinating the identification and promotion of SME business space
- Consider future allocation of sites explicitly targeting local SME needs

3.22 Supporting the Film and TV sector

3.22.1 Consultees representing the film and TV sector noted that the main property-related challenges for the sector relate to the speed and flexibility of the planning system rather than a lack of sites. The study recommends that the local authorities consider how they could adopt more active and specific policies such as:

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

3.23 Supporting the Agri-Tech Sector

3.23.1 The study has identified a specific opportunity to support the agri-tech sector by providing new specialised workspace at the East Hemel Hempstead Central site.

3.24 Encouraging Higher Density Industrial Development

3.24.1 The delivery of new industrial and storage space across south-west Hertfordshire may provide opportunities to achieve higher densities of development and the more efficient use of land. At present it is estimated that industrial, storage and distribution floorspace occupies on average 40% of a site.

3.25 Responding to Demand from Hyperscale Data Centres

3.25.1 Although out of the scope of the study, it points to south-west Hertfordshire (and Hertfordshire generally) becoming established as an attractive location for data centres. The report concludes that given the specialist nature of data centres, they should not be seen as contributing to the broader need for industrial, storage and distribution space within the sub-region.

3.26 Monitoring Employment Demand Linked to Future Housing Growth

3.26.1 If the local authorities set planned housing policies on the basis of the standard method, this would generate growth in the resident working age and working population, implying a boost to the labour supply. Combined with pressure to reduce distances travelled to work (i.e for sustainability reasons and strategic objectives for more and higher quality jobs in the area), this could be a source of additional demand for employment floorspace in future years. The report concludes that whilst difficult to predict, labour supply and demand within south-west Hertfordshire should be monitored by the local authorities.

4 Conclusions

4.1 This Employment and Economy Topic Paper provides a holistic overview of the important subject of employment and economy, important elements within the emerging Local Plan because in addition to providing housing, the economic development of the District needs to be considered. This includes meeting the projected need for a range of employment uses including office uses, industry and warehousing uses.

4.2 A key aim of national planning policy is to increase economic growth and enhance employment opportunities. For example, paragraph 85 of the NPPF states that *“planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on it...”*.

- 4.3 The south-west Hertfordshire authorities undertook a joint evidence study, the South West Hertfordshire Retail and Leisure Study (September 2018), prepared by Nexus Planning. However, given that this study was completed in 2018, it is considered that a new study should be commissioned providing more up-to-date data (including post-covid) and reflecting any changes to national policy. As such, the Council will commission and undertake an updated Retail and Leisure Study before publishing the Regulation 19 version of the Local Plan.
- 4.4 The main piece of evidence analysed within the topic paper was the South West Hertfordshire Economic Study (2024), prepared by Hatch. The study provides current evidence, context and subsequent findings which will help shape future employment needs within the Three Rivers District and the wider sub-region.
- 4.5 The study confirms that the five local authority areas (Three Rivers, St Albans, Hertsmere, Dacorum and Watford) continue to share strong links in terms of migration, commuting and strategic transport infrastructure. Therefore, the study concludes that the definition of the functional economic market area (FEMA) is still valid.
- 4.6 The study identifies four “priority sectors” within south-west Hertfordshire; Film and TV, agri-tech, life sciences and clean growth. The TV and film sector is of particular importance to Three Rivers.
- 4.6.1 At the time of the study’s publication there was approximately 124,000 sqm of vacant office space in south-west Hertfordshire. The study concluded there is not a need to identify additional sites for office development, but recognises that there will still be demand for office space, particularly from smaller sized businesses. However, with specific regard to Three Rivers, the study states *“the one exception to this (availability) was Three Rivers, where the availability rate has fallen since 2019-23 although the vacancy rate has risen. The availability rate in Three Rivers is also much lower than other areas (5.8%). This is likely to be due to local factors affecting demand in Three Rivers, although the exact explanation is unclear. Nevertheless, it suggests market conditions are slightly different in Three Rivers, and the local authority should prioritise the protection of office space as far as possible”*.
- 4.6.2 In terms of industrial space and storage and distribution space, the study concludes that the FEMA authorities should plan for:
- Industrial Space: 110,200sqm (27.6 Ha of land) for the period 2021-2041 and 49,700sqm (12.4 Ha) for the period 2041-2050.
- Storage and Distribution Space: 413,400sqm (103.4 Ha) for the period 2021-2041 and 186,100sqm (46.5 Ha) for the period 2041-2050.
- 4.7 However, when taking into account existing commitments and potential development opportunities at available sites, the resulting shortfall for employment land across south-west Hertfordshire is 9.5 Ha (for industrial, storage and distribution combined).



South West Herts Local Housing Needs Assessment Update

Final Report

Iceni Projects Limited on behalf of
SW Herts Local Authorities

March 2024

Iceni Projects

London: Da Vinci House, 44 Saffron Hill, London, EC1N 8FH
Glasgow: 177 West George Street, Glasgow, G2 2LB
Manchester: 68 Quay Street, Manchester, M3 3EJ

t: 020 3640 8508 | w: [iceniprojects.com](https://www.iceniprojects.com) | e: mail@iceniprojects.com
linkedin: [linkedin.com/company/iceni-projects](https://www.linkedin.com/company/iceni-projects) | twitter: [@iceniprojects](https://twitter.com/iceniprojects)

CONTENTS

1. EXECUTIVE SUMMARY.....	2
2. INTRODUCTION.....	9
3. CURRENT HOUSING STOCK IN SW HERTS.....	13
4. REVIEWING HOUSING MARKET DYNAMICS.....	42
5. STANDARD METHOD FIGURES FOR SW HERTS	58
6. DEMOGRAPHIC REVIEW AND IMPLICATIONS FOR OVERALL HOUSING NEED.....	65
7. AFFORDABLE HOUSING NEED	88
8. NEED FOR DIFFERENT TYPES & SIZES OF HOMES	137
9. HOUSING FOR OLDER & DISABLED PEOPLE.....	159
10. SPECIALIST MARKET SEGMENTS	186

1. EXECUTIVE SUMMARY

- 1.1 This Local Housing Needs Assessment (LHNA) report has been prepared to provide an up-to-date evidence base on overall housing needs in SW Hertfordshire, the needs for specific types and size of homes, and the housing needs of specific groups within the population of demand from specific housing market segments. It forms part of the evidence base for local plans and the Joint Strategic Plan (JSP) and can inform the determination of planning applications.
- 1.2 The LHNA confirms that South West Hertfordshire represents a functional Housing Market Area (HMA) but recognises that there also strong housing market relationships to London, and localised relationships with some other adjoining areas, in particular between St Albans and Welwyn Hatfield.

Housing Stock and Tenure Dynamics

- 1.3 Housing stock growth in SW Herts has been below average, influenced by strategic development constraints and a lack of up-to-date local plans in some parts of the area. Over the 2011-21 period, housing affordability has deteriorated which has contributed to a decline in home ownership from 69% to 66%. The relative size of the social rented sector has also fallen, with private renting being the key growth sector in the housing market and now accommodating 18% of households – with particularly strong growth in the sector evident in Watford.
- 1.4 Housing growth has been focused towards flatted accommodation in the sub-region, with 69% of new-build homes completed being of 1- and 2-bed properties. In Watford 85% of completions have been of these smaller properties. In the rented sectors, more than 8,000 homes are overcrowded. However the supply of larger properties is being supported by extensions of homes, such as through loft conversions which provide additional bedrooms. This will particularly be within owner occupied homes.
- 1.5 Whilst housing delivery has been improving within SW Herts over time, it has been below what might be expected for a housing market with high demand characteristics. 21% of homes delivered over the last 5 years have been of affordable housing, with the highest affordable housing provision achieved in Dacorum and Watford (27-29%).

Housing Market Dynamics

- 1.6 Median house prices vary within the sub-region from £407,000 in Watford to £625,000 in St Albans District. Whilst the housing market is cyclical, and house prices may fall short-term, the long-term trend has been of significant and sustained increases in house prices in SW Herts with prices

growing on average by £16,000 per year over the last 10 years. This is indicative of a supply/demand imbalance.

- 1.7 There are particular affordability pressures in SW Herts with the entry-level house prices for first-time buyers more than 14 times earnings, with the highest in Dacorum. Whilst there may be some short-term correction in house prices, there are particular barriers for younger buyers in saving sufficient funds for a deposit; and rising interest rates in the short-term may affect households' ability to secure and service mortgage finance. This is feeding through into a strong lettings market.

Overall Housing Need

- 1.8 National policies state that the starting point for assessing housing need is the 'standard method' set out in Planning Practice Guidance. This takes 2014-based Household Projections as a starting point and then applies upward adjustments to improve affordability.
- 1.9 The analysis shows that the sub-region has seen sustained and consistent house price inflation; and house prices are at a level at which there are significant barriers for local households in getting on the housing ladder. Declining affordability and constrained housing supply have contributed to declining home ownership and a significant level of overcrowding in rented tenures.
- 1.10 Household growth has been lower than in the 2014-based Projections, with both lower natural change and net migration to the area, resulting in 7.6% population growth over the 2011-21 decade compared to 11.0% in the 2014-based projections. However lower change is not a factor which is specific to SW Hertfordshire: it is seen nationally and is not exceptional in these terms. Lower net migration correlates closely to housing delivery, with the evidence indicating that this has been influenced by a lack of up-to-date local plans which provide for objectively assessed housing needs.
- 1.11 When these factors, and the very significant affordable housing need, are taken into account, the Assessment does not find that exceptional circumstances exist to justify housing need below the standard method. Expected job creation locally and infrastructure investment have also been considered; however the evidence does not suggest that housing need is higher than the standard method figures.
- 1.12 The standard method figures should therefore be taken forwards as providing an appropriate assessment of housing need. It is for the plan-making process to balance housing need with environmental, infrastructure and policy constraints – including Green Belt – drawing together the housing need with the wider evidence base, to define what level of housing provision should be planned for. The housing need figures are thus an advisory starting point rather than a housing requirement or target. The LHMA has principally considered the 2023 standard method figures; but

the table below also shows the figure for 2024, taking account of the latest affordability ratios released in March 2024 immediately before the Study's finalisation.

Table 1.1 Local Housing Need in SW Hertfordshire

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need using the Standard Method (2023)	1,017	726	887	637	911	4,178
Minimum Local Housing Need using the Standard Method (2024)	1,016	731	885	640	850	4,122

Affordable Housing Need

- 1.13 The LHNA provides an assessment of the need for affordable housing, including both rented homes and affordable home ownership. The analysis shows that households in SW Herts generally need an income of over £40,000 to rent without financial support, and in some areas over £80,000 to buy a home.
- 1.14 Across SW Herts, the assessment shows an annual need for 2,258 rented affordable homes to 2041. It shows that of these households, 15% can afford an affordable rent without subsidy, 29% can afford a social rent on this basis, and 55% need benefit support. It also demonstrates that there is a case for delivering affordable rented homes at 60% of market values, which would deliver housing which is genuinely affordable based on local incomes and minimise households' recourse to housing benefit. But this needs to be balanced against viability evidence, funding availability and individual councils' priorities in setting policies.
- 1.15 In addition, the report identifies an annual need for 1,066 affordable home ownership properties across SW Herts. Within this there is a need to provide different housing products. Shared ownership homes are accessible to households with lower savings; whilst the report also shows potential need for rent-to-buy homes and First Homes/ discounted sale homes.
- 1.16 The evidence indicates that a discount of 30% to market values, and potentially 40% in St Albans and Three Rivers, would be necessary to make low cost market homes affordable for households in the study area, based on the income profile locally, but the case for higher discounts needs to be balanced against scheme viability and the level of affordable housing delivered.

- 1.17 The evidence however points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.

Table 1.2 Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	590
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,066	3,324

- 1.18 At a strategic level, Icenl would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. St Albans however has a notably higher affordable home ownership need which may justify a greater focus on this needs segment, such as a 60/40 split. In contrast, the evidence would support a higher proportion of rented affordable homes in Watford than other areas. It is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, relevant national policies, their own viability evidence and local housing priorities.
- 1.19 Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

Sizes and Types of Homes Needed

- 1.20 The LHNA has modelled the sizes and types of homes needed in SW Herts taking account of demographic changes, the prevalence of overcrowding and under-occupation of homes – whilst recognising that for market homes in particular some households will want and can afford additional bedrooms – as well as other factors such as space to work from home and the important contribution which house extensions are playing to the delivery of larger homes in the HMA.
- 1.21 The LHNA identifies a preferred housing mix, which is set out below, which can be used as a monitoring tool and in assessing the appropriate mix of homes on larger development sites.

However site location, area character and the form of development are relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Table 1.3 Recommended Housing Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

- 1.22 The assessment provides evidence of demand for bungalows but recognises that there can be practical difficulties in delivering them.

Housing for Older & Disabled People

- 1.23 SW Herts' population is ageing, with growth of 48,000 people aged 65+ projected to 2041; which includes growth of 29,000 aged 75+. This is expected to drive growth of over 3,900 people with dementia and an increase of 9,000 with mobility problems.
- 1.24 The Assessment models an increasing need for specialist housing, driven by these demographic trends. Based on work with Hertfordshire County Council, it indicates a need for additional market housing with support; for housing with care, which includes extra care housing; and for nursing care accommodation.
- 1.25 The need is expressed as a range, with one scenario based on the Housing Learning & Information Network's (SHOP@) modelling assumptions; and an Enhanced Extra Care Scenario which aligns with Hertfordshire County Council's Strategy to more strongly develop the provision of specialist housing – particularly for extra care – as an alternative to providing care home bedspaces. In this latter scenario, the delivery of housing with care units is expected to reduce future needs for residential care accommodation, in particular older provision in smaller care homes and which does not meet modern standards.

Table 1.4 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need, 2021- 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Table 1.5 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need, 2021 - 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

1.26 In framing policies for the provision of specialist older persons accommodation, the Councils will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of individual developments to be mixed market/affordable tenure given the way care and support services are paid for (through monthly services charges).

1.27 In addition, a need is shown for 2,000 – 3,700 dwellings for wheelchair users (meeting technical standard M4(3)). Given the evidence, the Councils could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes meeting M4(3) – wheelchair user dwellings in the market sector (a higher proportion of around a tenth in the affordable sector). There is local precedent for this within the current Watford Local Plan (2022) under Policy HO3.10. Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should

be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

Specific Market Segments

- 1.28 The evidence indicates that there have been 1,125 registrants on Council Self and Custom-Build Housing Registers to October 2022. The level of permissions granted in Dacorum, Hertsmere and Three Rivers is above the minimum required; but there is a shortfall in permissions granted in Watford and particularly St Albans. Given the development constraints in the sub-region, a range of the permissions relate to the delivery of replacement dwellings on individual plots. Government policy and legislation is generally seeking to encourage and support custom and self-build development and it is appropriate for this therefore to be reflected in new local plan policies.
- 1.29 There is modest student housing demand in SW Herts, which reflects the lack of HE institutions within the area. Without a critical mass of students, there is not a specific case to support site allocations for Purpose-Build Student Accommodation, although the Assessment concludes that this should be kept under review.
- 1.30 However the Assessment does identify an emerging market for Build to Rent. The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. Icenis would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.
- 1.31 The report concludes that it would be appropriate for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.
- 1.32 With limited children's home spaces in SW Herts, including in comparison to other parts of the County, the Assessment indicates that schemes coming forward – including through conversions of existing homes – should be treated positively through the planning process.

2. INTRODUCTION

Scope of the LHNA Update

- 2.1 This Local Housing Needs Assessment (LHNA) is intended to provide an updated evidence base on housing needs for local authorities in South West Hertfordshire ('SW Herts'). It considers and provides an up-to-date and consistent evidence base on:
- Overall housing needs – the report considers overall housing needs on an objective and policy-off basis. It does not set housing targets, but provides an input to doing so;
 - The need for different types/sizes of homes – including an updated assessment of the needs for affordable housing and the need for different sizes of homes;
 - The housing needs of specific groups within the population, such as older people and those with disabilities, and students;
 - Specific housing market segments – the report considers the demand for self- and custom-build housing; build to rent and co-living and wider private rental market dynamics.
- 2.2 The report builds on previous housing evidence which has been prepared for SW Herts: a Strategic Housing Market Assessment 2016 (the '2016 SHMA'); and a Local Housing Needs Assessment 2020 (the '2020 LHNA'). These reports were prepared by GL Hearn with Justin Gardner Consulting (JGC).
- 2.3 The preparation of this report has been led by Icenis Projects ('Icenis') with support from JGC and has been coordinated by a Project Steering Group which includes representatives of the constituent SW Herts authorities: Dacorum BC; Hertsmere BC; St Albans CDC; Three Rivers DC; and Watford BC; and the team which are leading the preparation of the SW Herts Joint Strategic Plan (JSP).
- 2.4 This updated report takes account of changes in economic and market circumstances since 2020 and further data releases, including 2021 Census data. It provides an assessment of housing need over a core period to 2041. Key analysis in **Appendix A6** is considered to 2040 to reflect the plan period for the emerging plan in Hertsmere (see Table 2.1); and to 2050 to take account of the timeframe for the Joint Strategic Plan (JSP).
- 2.5 The LHNA Update forms part of the evidence base which the Councils will use in developing their respective Local Plans. It provides important inputs into setting targets for housing provision, but plan-making will also consider factors such as the supply of land for new development, Green Belt,

local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated. The LHNA itself does not set housing targets: these are judgements for individual local councils to make bringing together evidence through the plan-making process. The housing needs evidence in the LHNA is also a material consideration in determining planning applications.

- 2.6 The report does not address the housing needs of gypsies and travellers, which are considered through separate evidence-base studies prepared by the Councils as part of the plan-making process.

Geography of the Sub-Region

- 2.7 The SW Herts sub-region sits to the north of London and includes towns, of varying sizes, as well as smaller settlements, countryside and green space. Its larger towns include Watford, Hemel Hempstead and St Albans, as well as smaller urban settlements such as Potters Bar, Harpenden, Borehamwood, Rickmansworth and Berkhamsted.
- 2.8 The area is close to, and influenced by, London; with the M25 orbital motorway running through it and other key transport corridors running north-south into the Capital include the M1 and rail lines. East-west connectivity is poorer and is recognised as a strategic issue within the sub-region. Luton, and London Luton Airport, sit just beyond the northern boundary of the sub-region.
- 2.9 There are notable strategic constraints to development, including the Chilterns Area of Outstanding Natural Beauty, the Chilterns Beechwoods Special Area of Conservation and extensive coverage of Metropolitan Green Belt.

Policy Context

- 2.10 The LHNA Update is being prepared at a time when national planning policy is evolving. A Levelling Up and Regeneration Act ('LURA' was enacted by Parliament in October 2023; whilst alongside this the Government has made changes to national planning policies in the National Planning Policy Framework (NPPF)¹ which include identifying that housing need is an advisory starting point and needs to be brought together with other factors, including development constraints, in setting housing targets through local plans.

¹ [National Planning Policy Framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

2.11 The SW Herts local authorities are at different stages in the plan-making process currently. The table below sets out the current progress and timescales for preparation/ review of local plans across the five authorities:

Table 2.1 Local Plan Progress & Timeframes in SW Herts

Authority	Progress & Timeframes	Plan Period
Dacorum	Reg 18 consultation October to December 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2040/41
Hertsmere	Reg 18 consultation expected in April 2024. Reg 19 consultation anticipated Autumn 2024.	2025-2041
St Albans	Reg 18 consultation July to September 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2041
Three Rivers	Reg 18 consultation October to December 2023; with Reg 19 consultation anticipated in 2024.	2024-2041
Watford	Local Plan adopted October 2022. A timetable for the review of the adopted Watford Local Plan has not yet been agreed.	2021 – 2038

Housing Market Geography

2.12 A review of the geography of the Housing Market Area has been undertaken as part of the preparation of this report. This is set out in **Appendix A1**. Previous studies have defined a Housing Market Area as including the local authorities identified above. The more recent data which is available continues to show a strong correlation between these areas. This includes continued strong migration between the local authorities within the Study Area and particularly with Watford from all areas. House prices also remain broadly similar to those in 2016 and house price change has been reasonably consistent across the HMA.

2.13 The evidence would thus justify the continued use of the South West Hertfordshire HMA and for the Councils continuing to cooperate on strategic matters including housing. The evidence also shows, consistent with previous evidence, that there are cross-boundary inter-relationships with London and localised relationships with other areas, in particular between St Albans and Welwyn Hatfield.

Report Status and Structure

2.14 The remainder of the report is structured as follows:

- Section 3: Current housing stock in SW Herts;
- Section 4: Reviewing current housing market dynamics;

-
- Section 5: Standard method figures for SW Herts;
 - Section 6: Demographic review and implications for overall housing need;
 - Section 7: Affordable housing need;
 - Section 8: Need for different types and sizes of homes;
 - Section 9: Housing for older and disabled people; and
 - Section 10: Specialist Market Segments.

3. CURRENT HOUSING STOCK IN SW HERTS

- 3.1 This section of the report starts out by profiling the current housing stock profile in SW Hertfordshire and how this has been changing. As much of the housing stock which will exist in 2040/41 and beyond exists now, an understanding of the current profile of homes is an important starting point in considering future housing needs.

Dwelling Stock

- 3.2 As of 2021 there were 252,771 dwellings in SW Herts. Since 2011, the number of homes in SW Herts has increased by around 18,400, or 7.3%.
- 3.3 As Table 3.1 shows, Dacorum and St Albans are the largest local authority areas in terms of the number of homes within them; with Three Rivers the smallest.
- 3.4 The largest percentage increase in the dwelling stock between 2011-21 has been in Watford at 10.7%. Hertsmere is the only other authority that has had seen growth in the dwelling stock above the national average; with growth in Dacorum, Three Rivers and St Albans all falling below the national figure. Housing delivery trends, which influence this, are considered later in this section.

Table 3.1 Dwelling Stock Change, 2011-21

	2011	2021	% increase
Watford	37,404	41,412	10.7%
Dacorum	61,942	65,989	6.5%
Three Rivers	36,155	38,422	5.9%
Hertsmere	40,993	44,926	8.8%
St Albans	57,891	62,022	6.7%
SW Herts HMA	234,385	252,771	7.3%
East of England	2,531,907	2,762,294	8.3%
England	22,976,066	24,927,591	7.8%

Source: ONS, 2021 Census

- 3.5 The latest data indicated that 2.5% of the dwelling stock in the HMA is vacant; which is in line with the regional average and consistent with the level which we would consider is necessary to allow for frictional vacancy within a functional housing market, recognising that at any time there will be some vacant properties to allow for repair, renovations and turnover of properties. Less than 1% of the housing stock is long-term vacant, equating to homes that are vacant for over 6 months, across SW Herts.
- 3.6 The only authority with a higher vacancy rate evident is Hertsmere where the number of long-term vacant dwellings recorded through Council Tax data has been increasing since 2016 (rising from c.

300 to 770 properties vacant for over 6 months). The Council has a 2018 Empty Homes Strategy, but the current data would suggest that it may be appropriate to refresh this to further understand the reasons for the higher level of empty homes, and to identify actions which could be taken forward to address this. The 2018 Strategy identified that there were multiple causes of empty homes, including those caught in probate issues, possessions, those being repaired, and second home / employment-related properties. The Council is currently undertaking some additional exploratory work in regards to empty homes in the District.

Table 3.2 Vacant Dwellings and Vacancy Rate, 2022

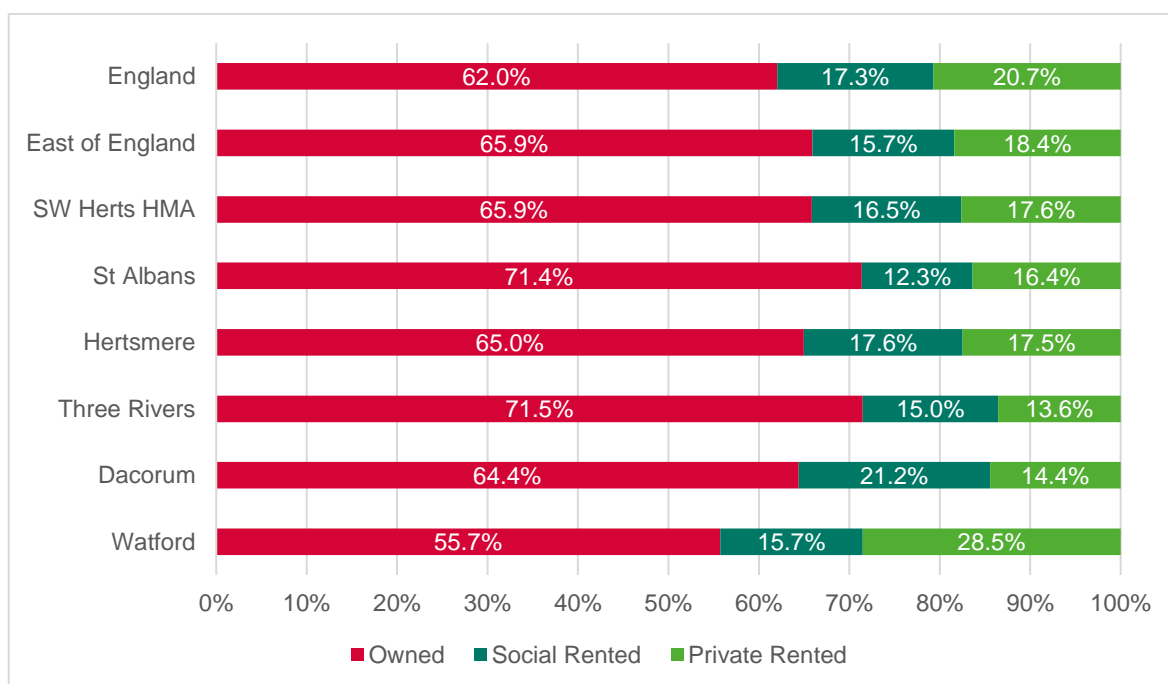
Oct-22	Vacant Dwellings	% Dwelling Stock Vacant	% Dwelling Stock Long-term Vacant
Dacorum	1,654	2.5%	1.0%
Hertsmere	1,467	3.2%	1.7%
St Albans	1,514	2.4%	0.7%
Three Rivers	770	2.0%	0.6%
Watford	899	2.1%	0.6%
SW Herts HMA	6,304	2.5%	0.9%
East of England	69,990	2.5%	0.9%
England	676,304	2.7%	1.0%

Source: DLUHC Live Table 125, and stock from Table 615

Tenure Profile

- 3.7 Owner occupation remains the most prevalent tenure type across SW Herts, based on the 2021 Census data. Home ownership levels are highest in St Albans and Three Rivers, at 71% and 72% of households respectively in 2021, greater than the rates across the East of England and England, at 66% and 62% respectively. Across SW Herts as a whole, 66% of households are owner occupied.
- 3.8 Watford has a much lower level of home ownership than the other authorities at 56%; and has a large Private Rented Sector (PRS) that accommodated 29% of households. In the other SW Herts authorities, private renting is below the national average.
- 3.9 The proportion of social rented properties can influence the ability of each authority to meet affordable housing need. St Albans sees the lowest proportion of social rented properties (12.3%) which contrasts with the area's high relative housing costs, and feeds into the higher relative affordable housing need shown. On the other hand, Dacorum sees the highest proportion of social rented dwellings (21.2%), influenced by delivery of affordable housing by the New Town Corporation at Hemel Hempstead. As a function of this, it has a relatively lower proportion of dwellings in the Private Rented Sector, with PRS demand influenced by the higher social rented stock available to meet the affordable need.

Figure 3.1 Households by Tenure, 2021²



Source: 2021 Census

3.10 The stock of low cost home ownership homes is also relevant in considering the housing offer. The table below sets out the stock of such properties drawing on the latest data from the Regulator of Social Housing. The highest stock in absolute terms is in Hertsmere, and Watford.

3.11 It is possible to also consider 2021 Census data on shared ownership dwellings: which similarly shows that the highest shared ownership stock (in proportional terms) is higher in Hertsmere and Watford. Overall the data shows that across the HMA, shared ownership homes account for under 1% of homes.

Table 3.3 Low Cost Homeownership Stock by Authority

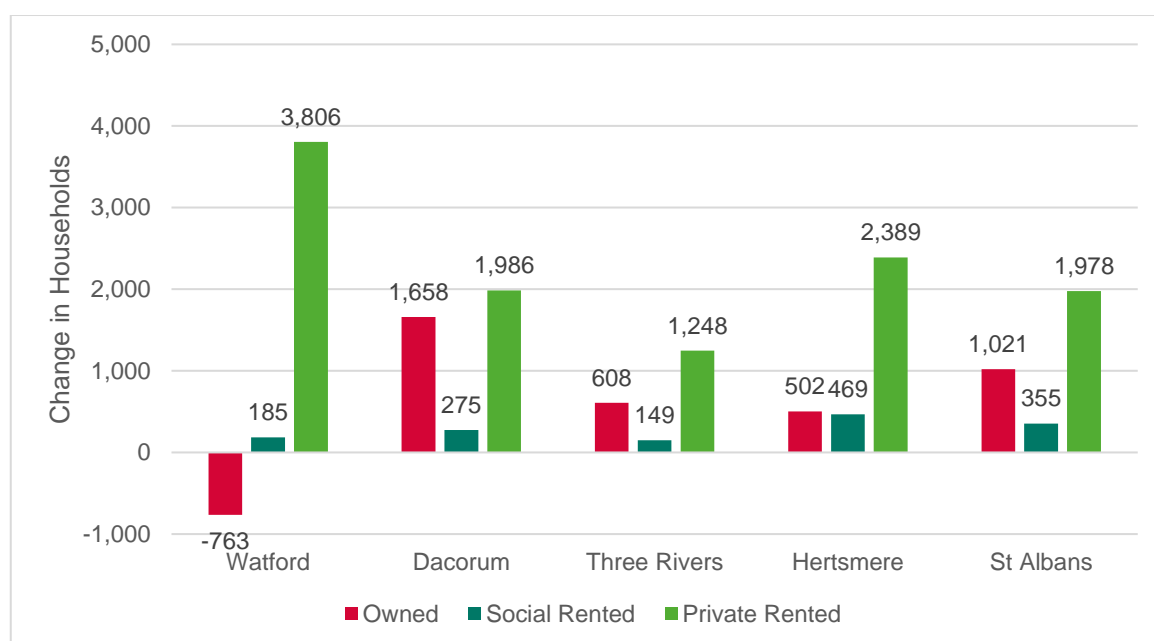
	Low Cost Home ownership stock (2023)	% of total housing stock (as at Census 2021)
Dacorum	439	0.7%
Hertsmere	533	1.3%
St Albans	283	0.5%
Three Rivers	292	0.8%
Watford	446	1.1%
Total SW Herts Authorities	1,993	0.8%

Source: Regulator of Social Housing Data 2023 and Census 2021

² The social rent tenure is likely to include affordable rented properties

3.12 The absolute changes seen in the tenure profile in SW Herts between 2011-21 are shown below. Across the HMA, the Private Rented Sector accommodated 72% of the growth in households, with it seeing the strongest growth across each constituent local authority. The strongest growth in the PRS was seen in Watford, where – in contrast – the number of owner occupying households fell. Relative to regional/ national trends, Hertsmere and Watford have seen stronger relative growth in Private Renting. The change in social rented households is small in all authority areas, this will be a factor of a stock level that has not changed hugely over the time period.

Figure 3.2 Change in Household by Tenure, 2011-21



Source: 2011 Census; 2021 Census

3.13 The proportion of owned dwellings fell across SW Herts, and in each local authority within it, between 2011-21; despite the increase seen in absolute terms, the rate of home ownership fell from 69.2% to 65.9% of all households across the HMA. The greatest proportional reduction was seen in Watford. These reductions in home ownership correlate with the evidence of increasing affordability pressures and restricted housing land supply.

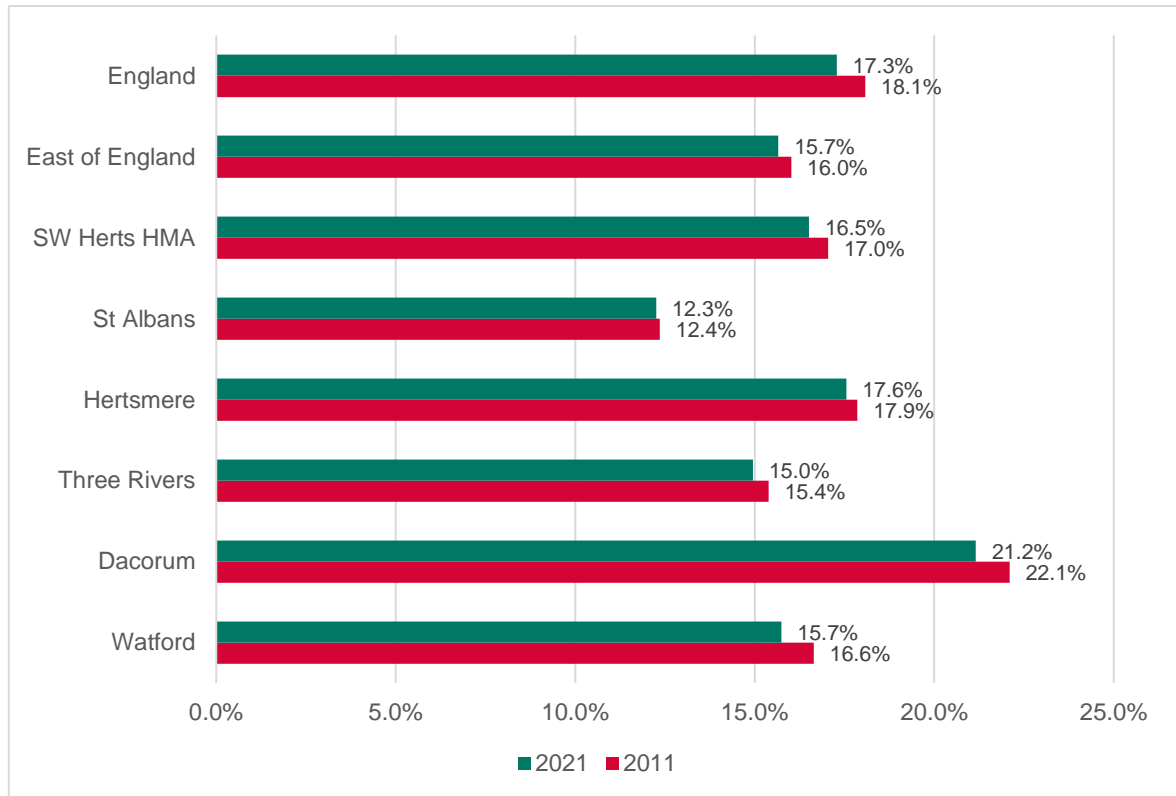
Table 3.4 Changes in Home Ownership, 2011-21

	2011	2021	Change
Dacorum	65.9%	64.4%	-1.5%
Hertsmere	69.3%	65.0%	-4.3%
St Albans	73.9%	71.4%	-2.5%
Three Rivers	73.9%	71.5%	-2.4%
Watford	62.9%	55.7%	-7.1%
SW Herts HMA	69.2%	65.9%	-3.3%
East of England	69.0%	65.9%	-3.0%
England	64.7%	62.0%	-2.7%

Source: 2011 Census; 2021 Census

3.14 Whilst the stock has risen, the size of the Social Rented Sector³ as a proportion of all households has fallen moderately in each area. It remains larger in Dacorum than in other areas (reflecting the high social housing delivery within Hemel Hempstead as a New Town) and lower in St Albans. Of the five SW Herts authorities, both Dacorum BC and St Albans CDC have retained their affordable housing stock.

Figure 3.3 Social Renting in SW Herts, 2011-21

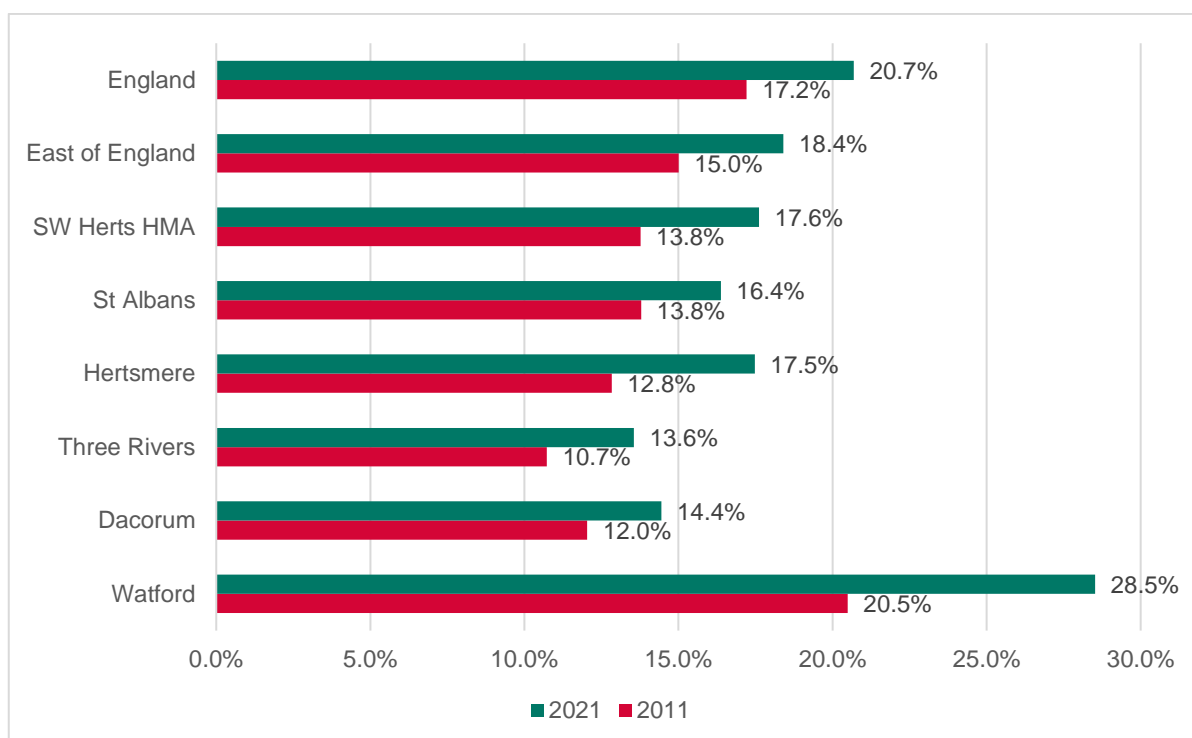


Source: 2011 Census; 2021 Census

3.15 The Private Rented Sector has been the key growth sector in the housing market, and accommodated 17.6% of all households in 2021, up from 13.8% in 2011. The strongest growth, and highest concentration, of private renting is in Watford.

³ This will include homes let at both social and affordable rents

Figure 3.4 Private Renting in SW Herts, 2011-21



Source: 2011 Census; 2021 Census

Socially rented homes are concentrated in the urban areas in SW Herts, particularly Hemel Hempstead, Watford and Borehamwood. Similarly, the percentage of private renters is more concentrated in urban areas. The opposite is true for home ownership, with higher proportions of home ownership in rural locations.

3.16 The table below shows the number of public sector owned dwellings in each area: these dwellings are usually in social rented tenure. Dacorum has the highest number of local authority dwellings as the Council has retained its own housing stock, this will contribute to the higher proportion of social rent in the area. St Albans has also retained its housing stock.

Table 3.5 Public Sector owned dwellings (2022)

	Local Authority Owned	Other Public Sector ownership
Dacorum	10,239	0
Hertsmere	151	0
St Albans	4,912	0
Three Rivers	53	0
Watford	45	50

Source: Local Authority Housing Statistics (2022)

Figure 3.5 Percentage Home Ownership

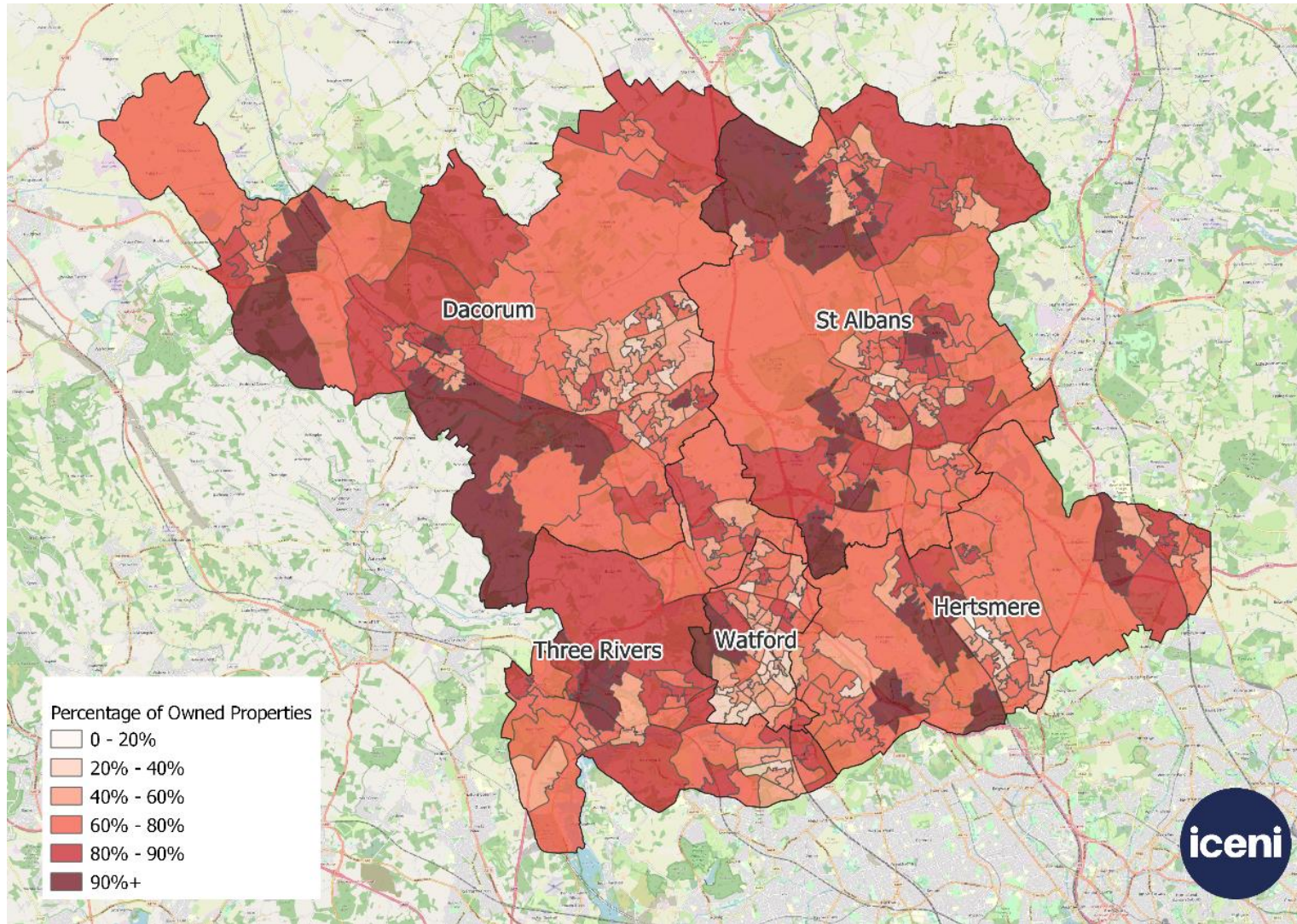


Figure 3.6 Percentage of Private Rented Properties or Living Rent Free

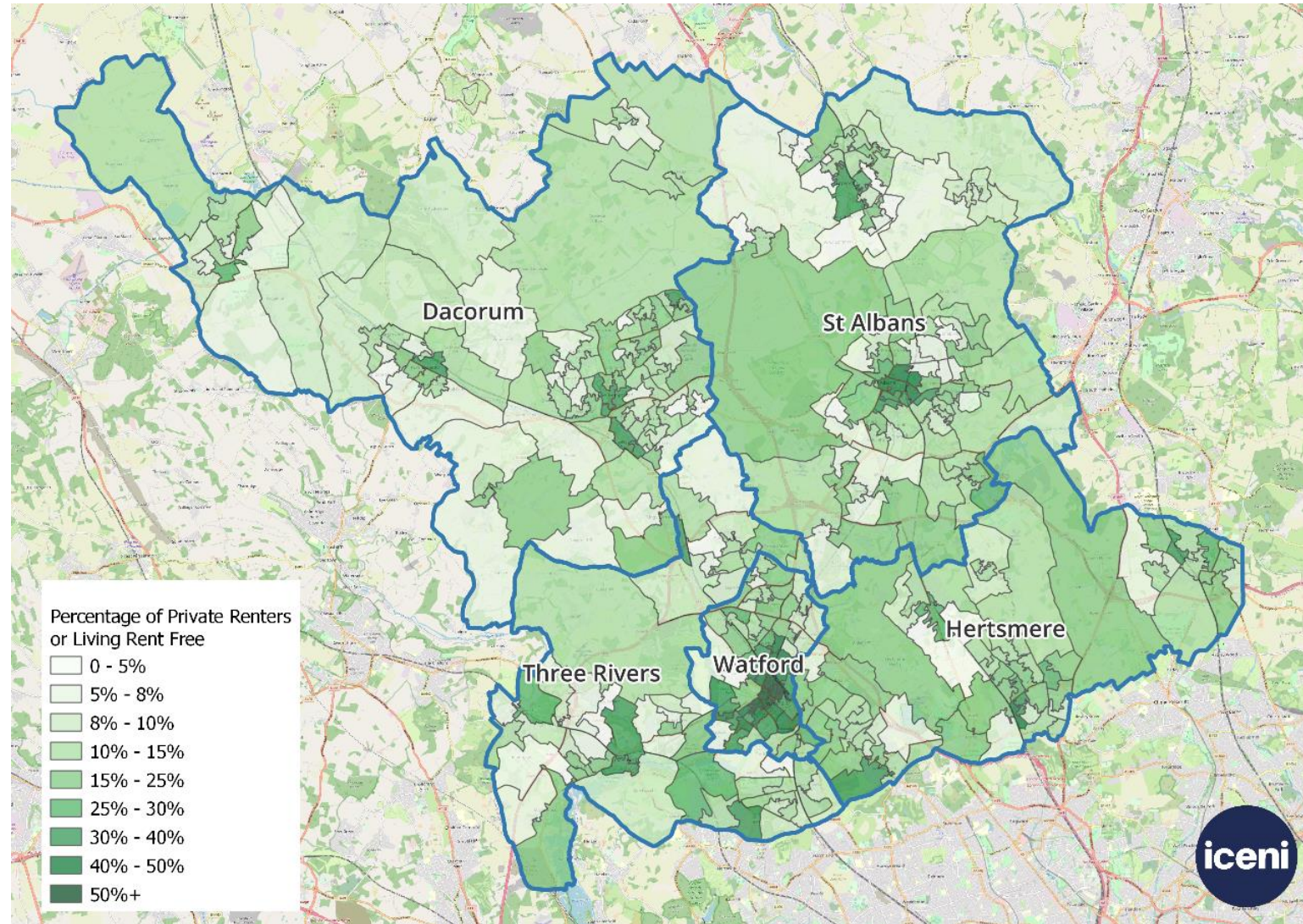
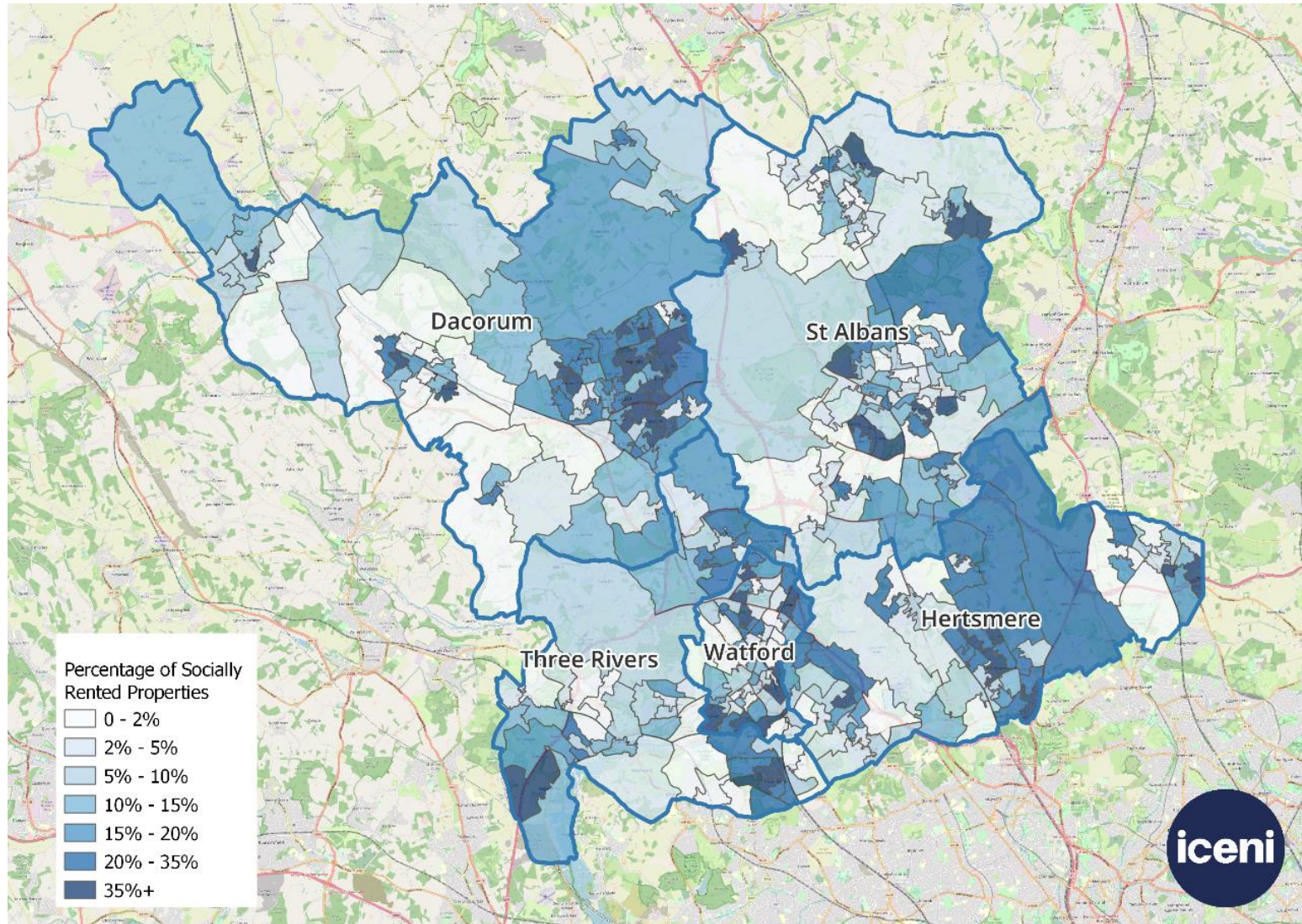


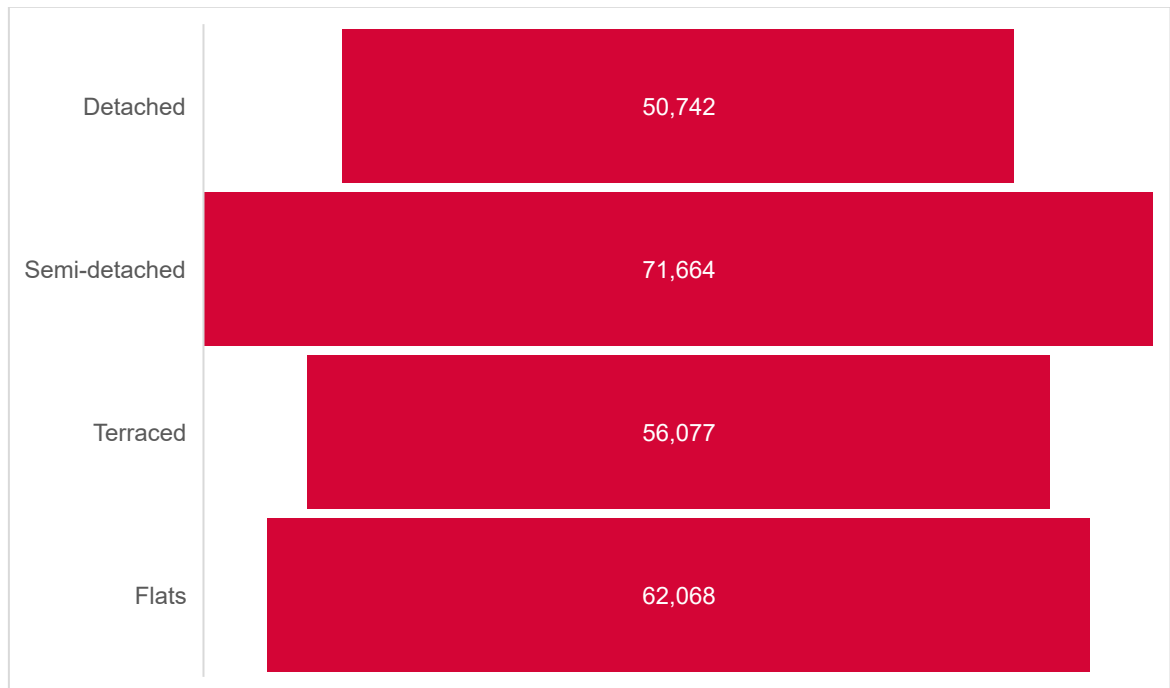
Figure 3.7 Percentage of Socially Rented Properties



Profile of Homes by Type and Size

3.17 SW Herts has a generally broad and balanced profile of different dwelling types; with semi-detached homes the most prevalent accounting for 30% of all homes; followed by flats (25.8%), terraced (23.3%) and detached properties (21.1%).

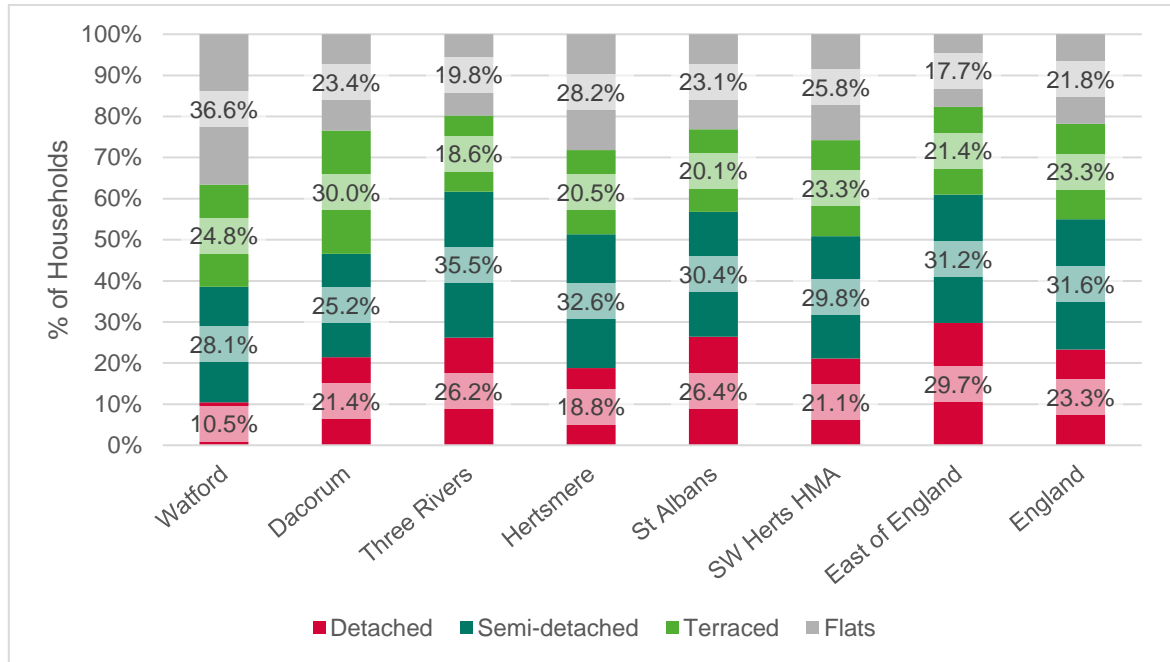
Figure 3.8 Profile of Dwellings in SW Herts, 2021



Source: 2021 Census

3.18 The housing mix is fairly similar to the proportional mix seen across England as a whole. SW Herts has fewer detached and semi-detached properties; and more flats and terraced housing than the East of England region but this is particularly influenced by the higher proportion of flats and lower proportion of detached homes in Watford.

Figure 3.9 Dwellings by Type 2021



Source: 2021 Census

3.19 The percentage of flats, maisonettes or apartments is highest in the denser, more populated areas of SW Herts.

Figure 3.10 Percentage of Detached Properties

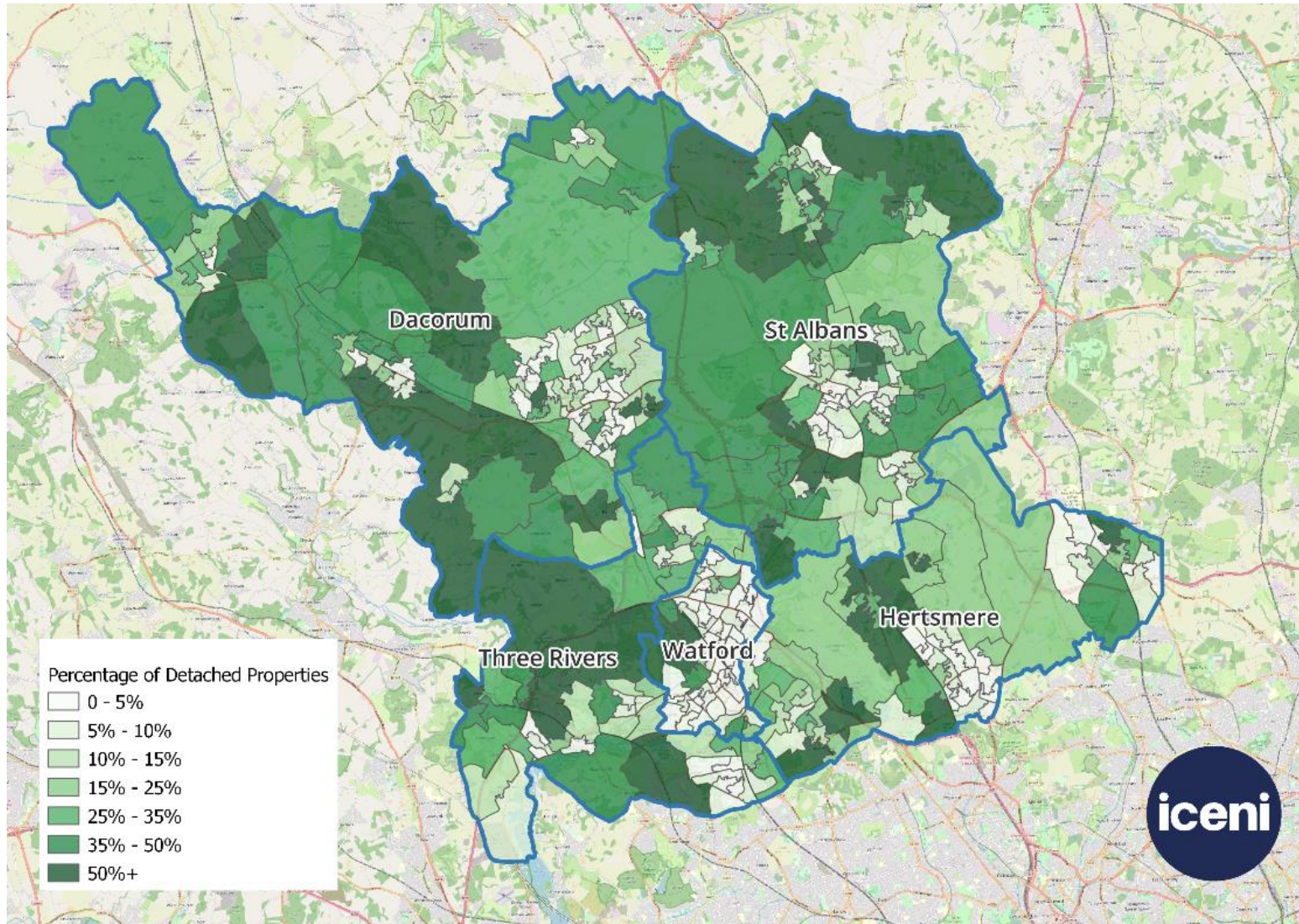
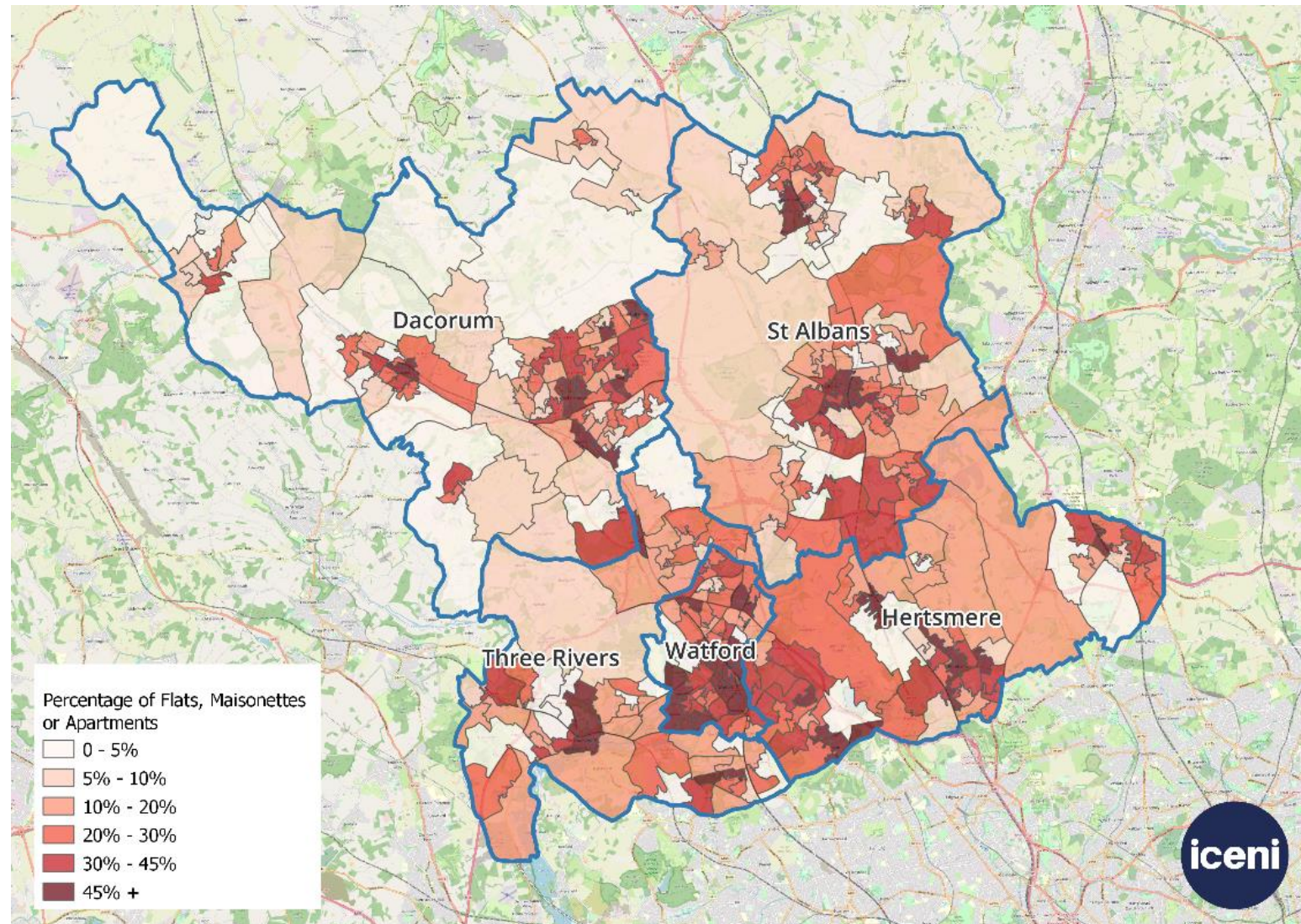


Figure 3.11 Percentage of Flats, Maisonettes or Apartments



3.20 The chart below shows the growth in different types of dwellings over the 2011-21 decade. The strongest growth in flatted accommodation has been in Watford and Hertsmere, however as the graph below shows all authorities have seen a large percentage increase of flatted dwellings and a proportional decrease in other types of dwelling. This is likely to have been influenced by strategic constraints to development in South West Herts and a limited supply of greenfield land which typically supports the delivery of houses (as opposed to flats which are more characteristic of urban brownfield development). It is notable that Dacorum is the only area to see an increase in the proportion of any type of houses (with a modest growth in semi-detached stock).

Figure 3.12 Change in Households by House Type, 2011-21

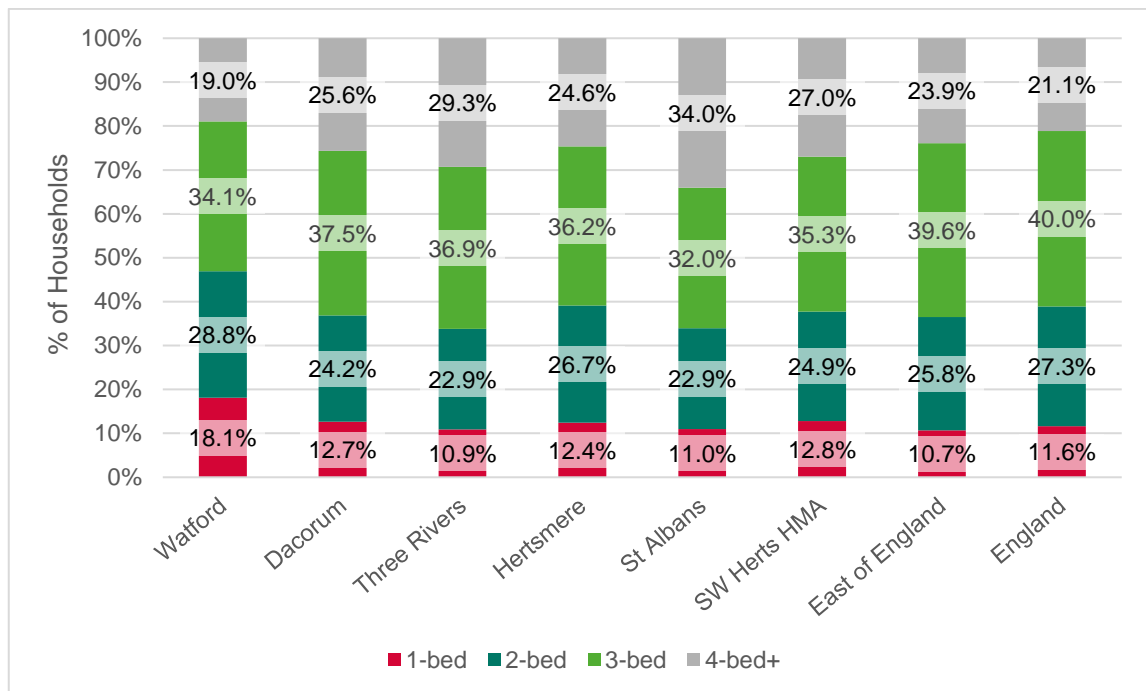


Source: 2011 Census; 2021 Census

3.21 SW Herts has a similar profile of dwellings by size of property to the position across the East of England region. Two and three-bed properties predominate; but there is a slightly higher proportion of homes with 4 or more bedrooms than found at the regional or national level.

3.22 The proportion of larger, 4+ bed properties is highest in St Albans (34.0%) and Three Rivers (29.3%). In contrast it is below the regional average, at 19.0%, in Watford – which has a higher proportion of 1- and 2-bed properties than other areas.

Figure 3.13 Dwelling Stock by Number of Bedrooms (2021)



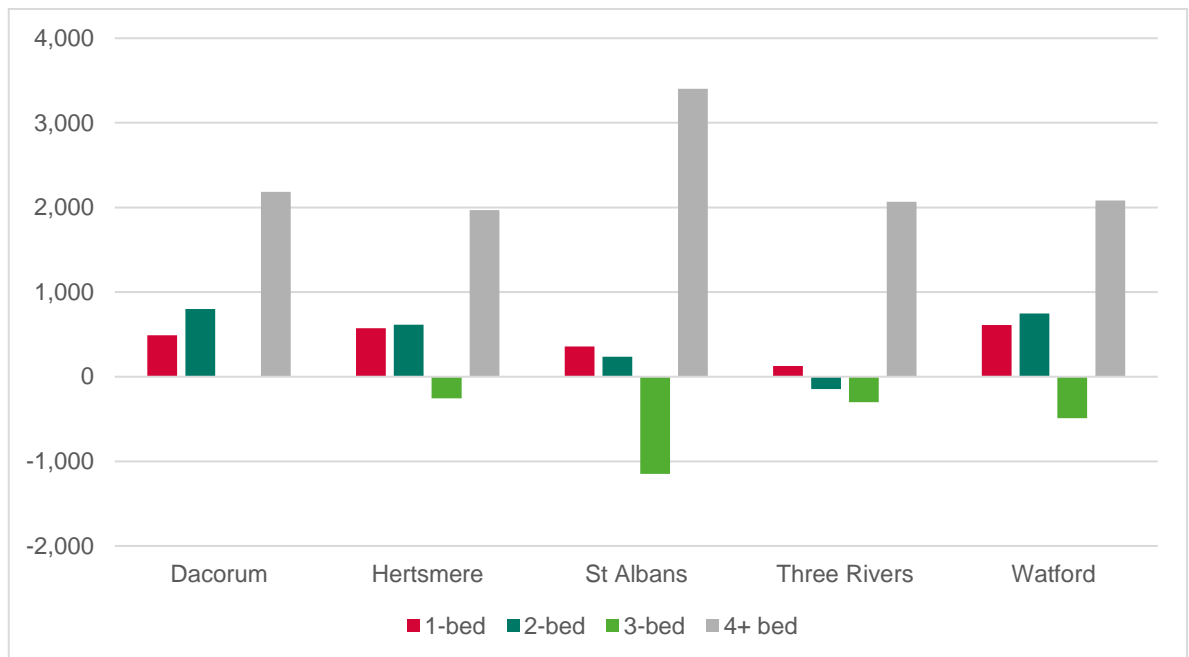
Source: 2021 Census

3.23 Considering the changes in the profile of homes by size between the 2011 and 2021 Census is complicated by slightly different ways in which the stock was measured. Our analysis below suggests that the greatest growth in the total housing stock between 2011-21 has been in 4+ bed dwellings. This appears odd against data on new-build development; but is considered to reflect trends in the extensions of properties – with evidence that households will stay in homes and extend them, such as through adding additional bedrooms through loft conversions, rather than move (in particular given the high transactional costs of moving associated with Stamp Duty). High transactional costs essentially mean that a range of households appear to have sought to extend their existing homes to create additional bedrooms, rather than move, over the 2011-21 decade. These trends are similar to those seen across East of England and England.

3.24 The Census data shown in the figure below suggests that 84% of the growth in occupied homes was of growth in 4+ bed properties, with this part influenced by a decline in 3-bed properties (except in Dacorum) as homes were extended. The drivers of this are thus likely to have included the high transactional costs of moving in particular (including moving costs and Stamp Duty); as well as potentially some impact from changing working patterns (and associated growth in home working) and development of replacement dwellings on existing plots.

3.25 Growth in 1- and 2-bed stock is more modest, and likely to be particularly influenced by development of flats.

Figure 3.14 Changes in Housing Stock by Size, SW Herts 2011-21

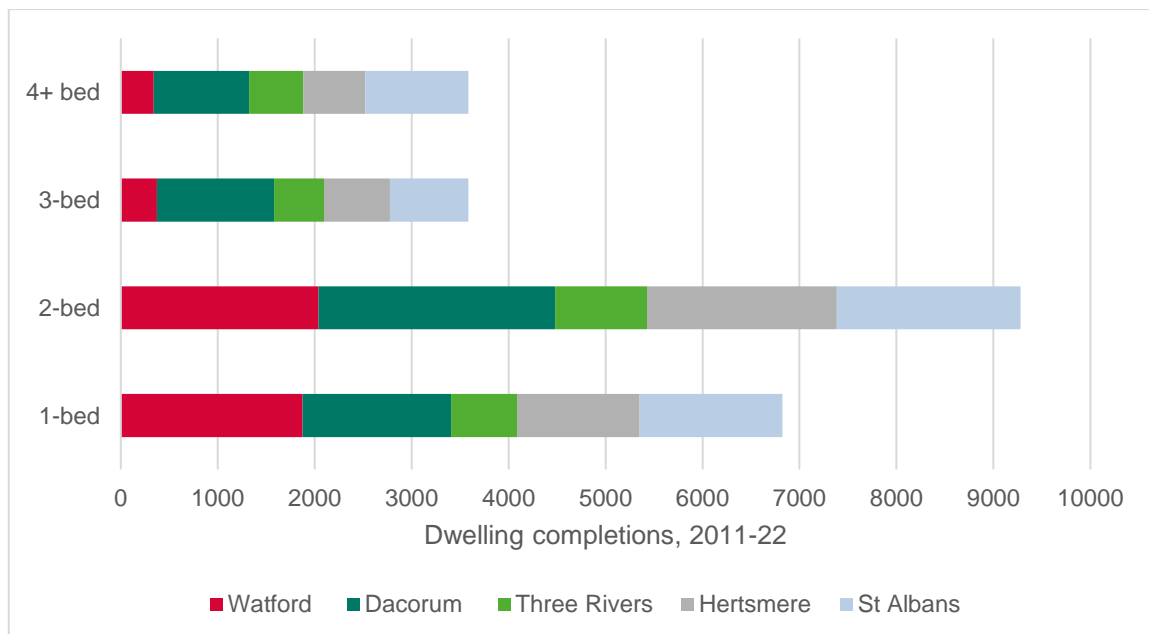


Source: 2001 Census; 2021 Census

3.26

To augment this analysis, IcenI has analysed housing completions over the period since 2011 as shown in the figure below. Over this period, 69% of dwelling completions recorded by Councils have been of 1- and 2-bed properties; with 15% 3-bed and 15% 4+ bed properties. Comparing this to Figure 3.14 above highlights the important role which extensions of properties have been having on the changing size mix of the housing stock in SW Herts.

Figure 3.15 New-build Housing Completions by Size – SW Herts, 2011-22



Source: IcenI analysis of Council monitoring data

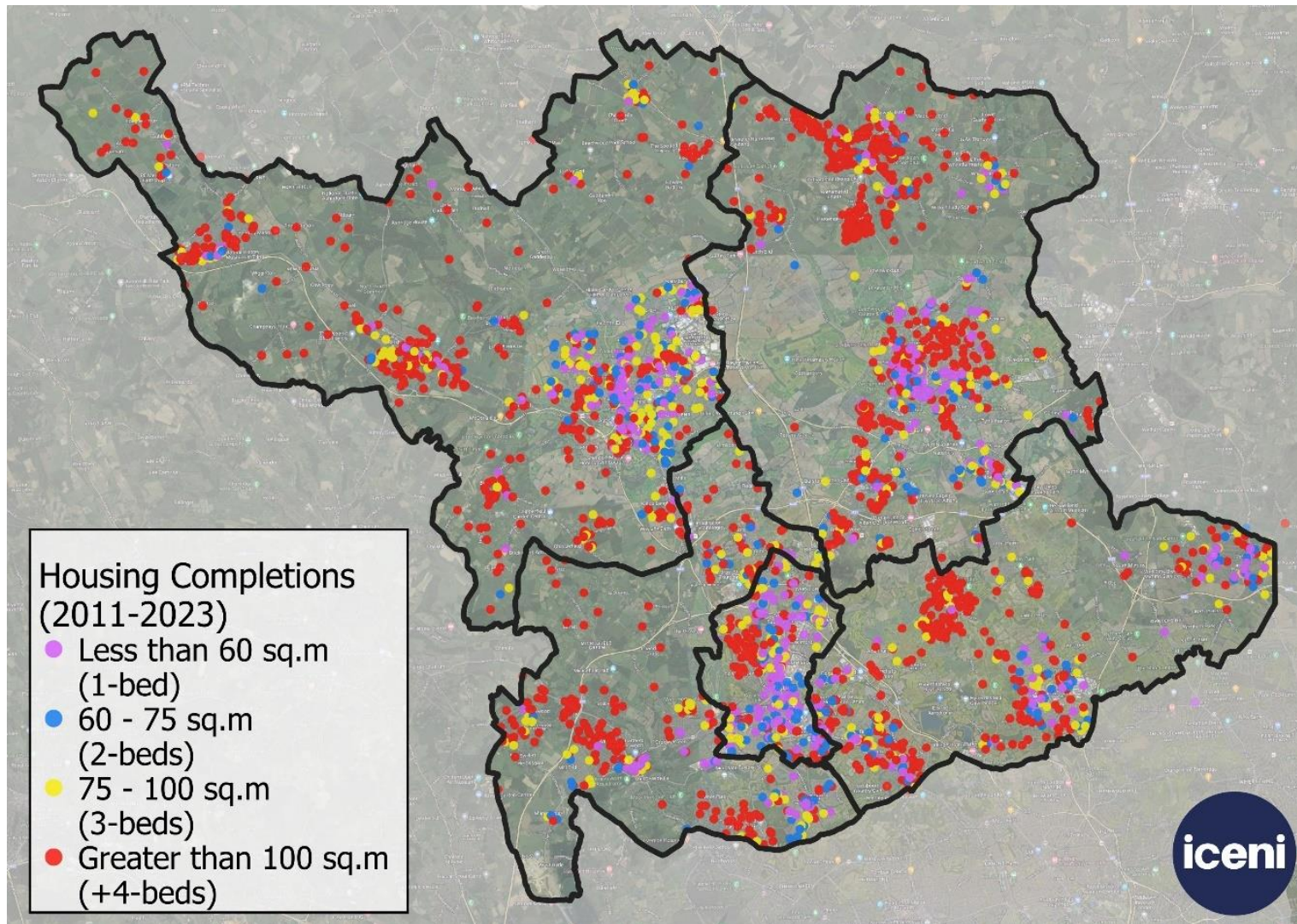
Table 3.6 New-Build Completions by Size, 2011/12 – 2021/22

	1-bed	2-bed	3-bed	4+ bed
Dacorum	25%	40%	20%	16%
Hertsmere	28%	43%	15%	14%
St Albans	28%	36%	15%	20%
Three Rivers	25%	35%	19%	21%
Watford	41%	44%	8%	7%
SW Herts	29%	40%	15%	15%

Source: IcenI analysis of Council monitoring data

- 3.27 Watford, and to a lesser extent Hertsmere, have seen a notably low proportion of delivery of family-sized homes with 3 or more bedrooms, at 15% and 29% respectively; but all authorities have seen delivery focused on smaller dwellings.
- 3.28 The map overleaf shows the spatial distribution of housing completions of different sizes over the period since 2011. The Energy Performance Certificate (EPC) data used provides information on property types but not the number of bedrooms, which IcenI has therefore estimated based on the unit sizes.
- 3.29 Considering the existing housing mix, the towns and cities of SW Herts have the highest number of 2-bedroom properties. Watford, St Albans, Rickmansworth, Hemel Hempstead and Borehamwood for example. Conversely, those rural areas in SW Herts have a higher percentage of 4-bedroom properties.

Figure 3.16 Housing Completions by Estimated Property Size, SW Herts



Source: IcenI analysis of EPC data

Figure 3.17 Percentage of 2-bedroom homes

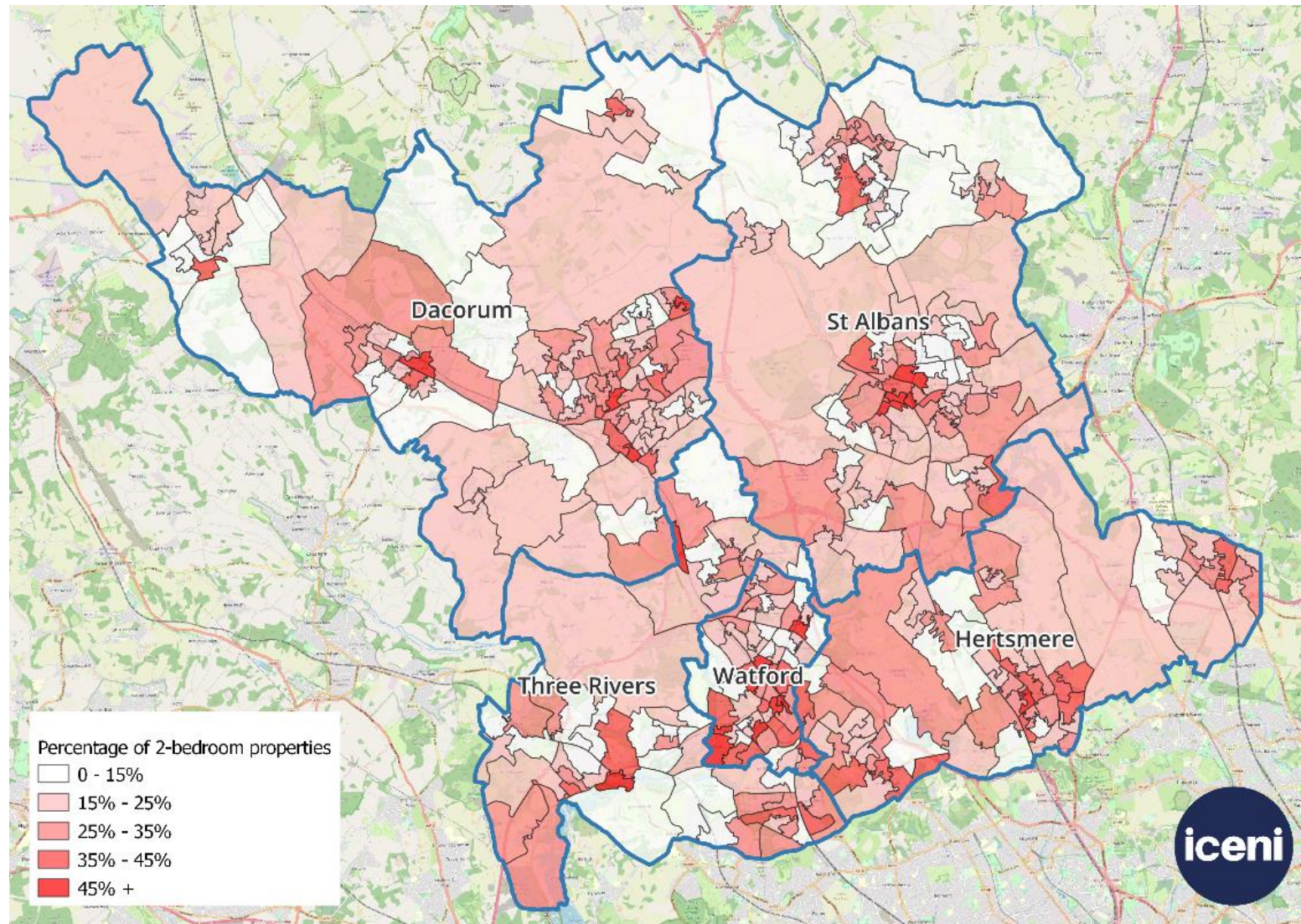


Figure 3.18 Percentage of 3-bedroom Homes

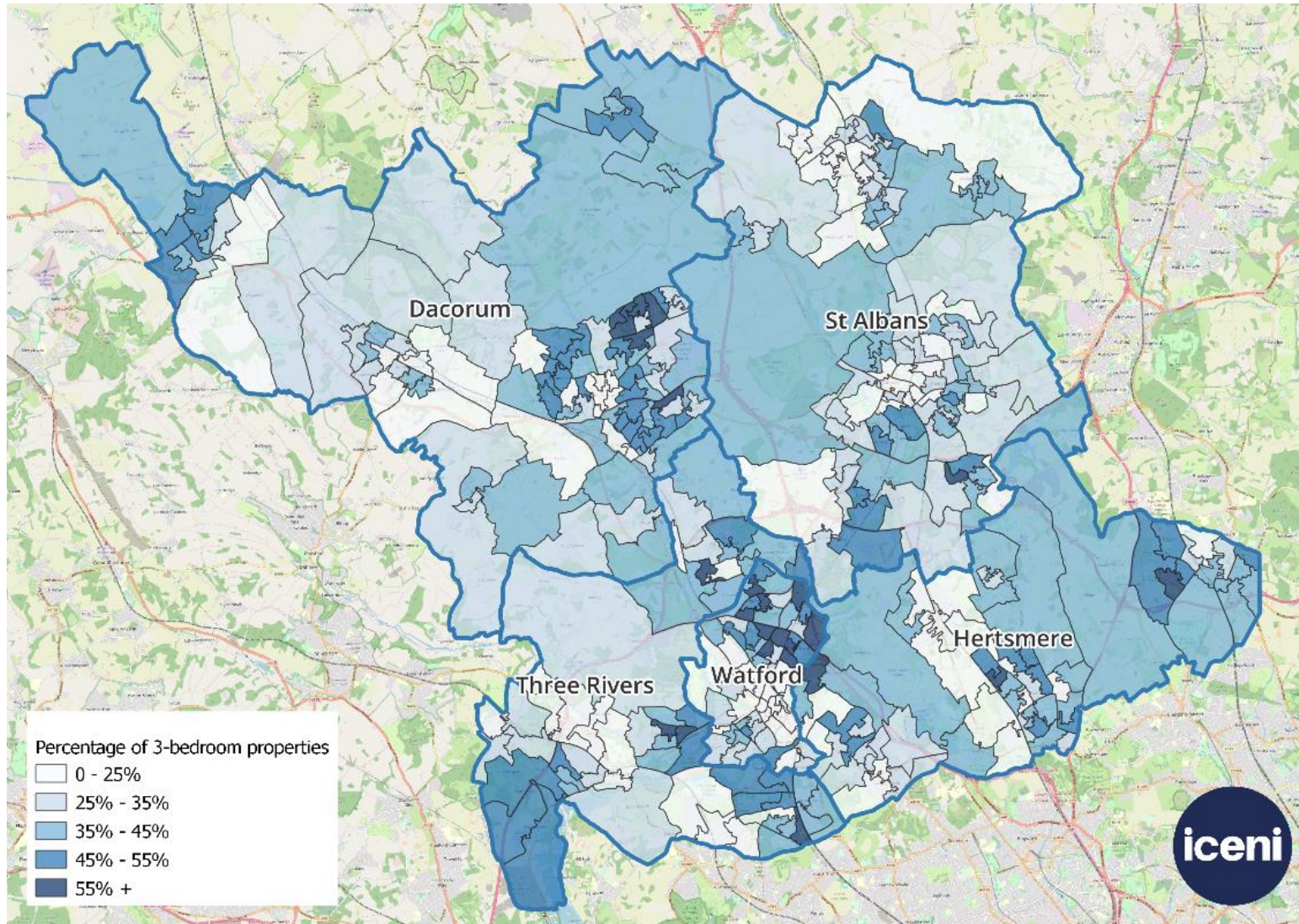
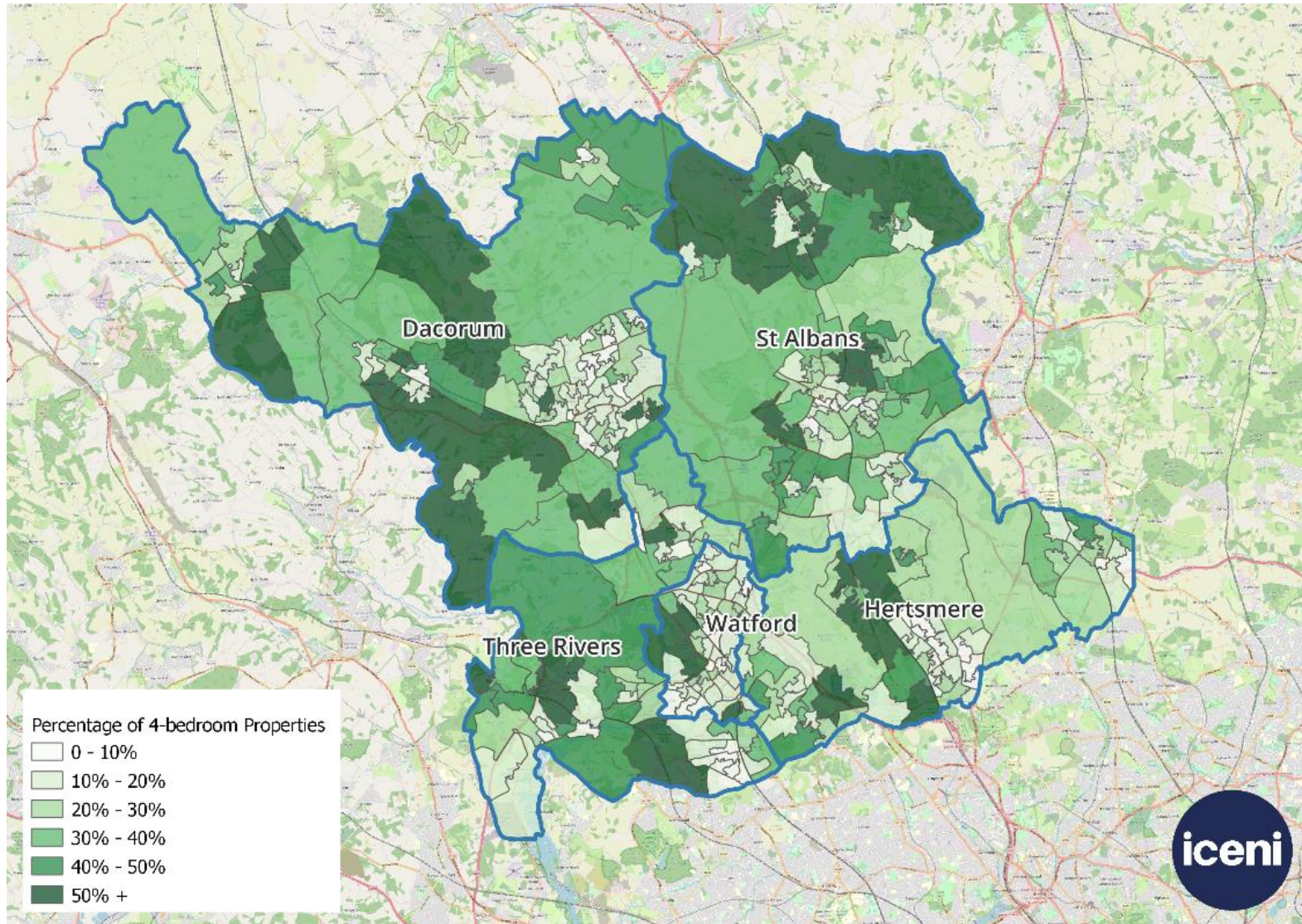


Figure 3.19 Percentage of 4-bedroom Homes



3.30 Many homes in SW Herts are under-occupied, in particular as home ownership is the predominant tenure and households can and do occupy homes which are larger than they necessarily 'need' to provide flexibility for friends, relative or children to come and stay.

3.31 Overcrowding is measured using the 'bedroom standard' which takes account of the structure of households and relationships between people in the household.⁴ The Census data indicates that 67% of homes were under-occupied in 2021 in that they notionally have more rooms than the household might require as a minimum, with 4.5% of households overcrowded. The incidence of overcrowding was however above the regional average in both Hertsmere and (in particular) Watford. These authorities have a higher existing incidence of smaller homes.

Table 3.7 Overcrowding and Under-Occupied Homes in 2021 using Bedroom Standard

	Under-Occupied	Right-Sized	Overcrowded
Dacorum	68.5%	28.4%	3.1%
Hertsmere	66.0%	28.8%	5.2%
St Albans	73.7%	23.2%	3.1%
Three Rivers	70.5%	26.0%	3.5%
Watford	54.6%	36.8%	8.7%
SW Herts	67.4%	28.2%	4.5%
East	71.4%	25.2%	3.4%

Source: 2021 Census

3.32 Overcrowding is however particularly a factor which affects non-home owners. Across SW Herts, the proportion of households living in the Private Rented Sector and Social Rented Sector which are overcrowded – using the bedroom standard – is 10%. In absolute terms, this equates to 3,800 households in the Social Rented Sector; and 4,210 households in the Private Rented Sector.

Table 3.8 Overcrowding by Tenure in SW Herts, 2021

	Under-Occupied	Right-Sized	Overcrowded
Owner Occupied	83.3%	15.0%	1.7%
Private Rented	40.9%	28.8%	9.9%
Social Rented	31.2%	59.2%	9.6%

Source: 2021 Census

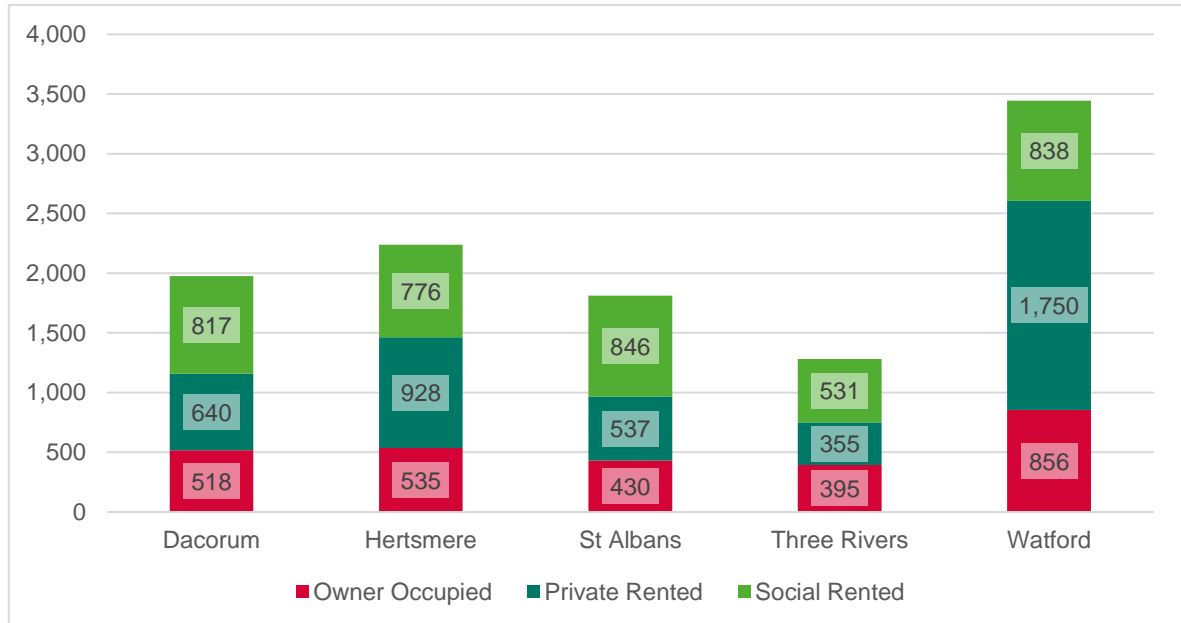
3.33 The chart below shows the profile of overcrowded households by tenure and district/borough across SW Herts. The highest concentration of overcrowding is evidently in Watford, and is

⁴

<https://www.ons.gov.uk/census/census2021dictionary/variablesbytopic/housingvariablescensus2021/occupancyratingforbedrooms>

particularly focused in the Private Rented Sector. It reflects the larger size of this sector in Watford. In St Albans there is a particularly high level of overcrowding in the Social Rented Sector.

Figure 3.20 Overcrowded Households by Tenure and Location, 2021



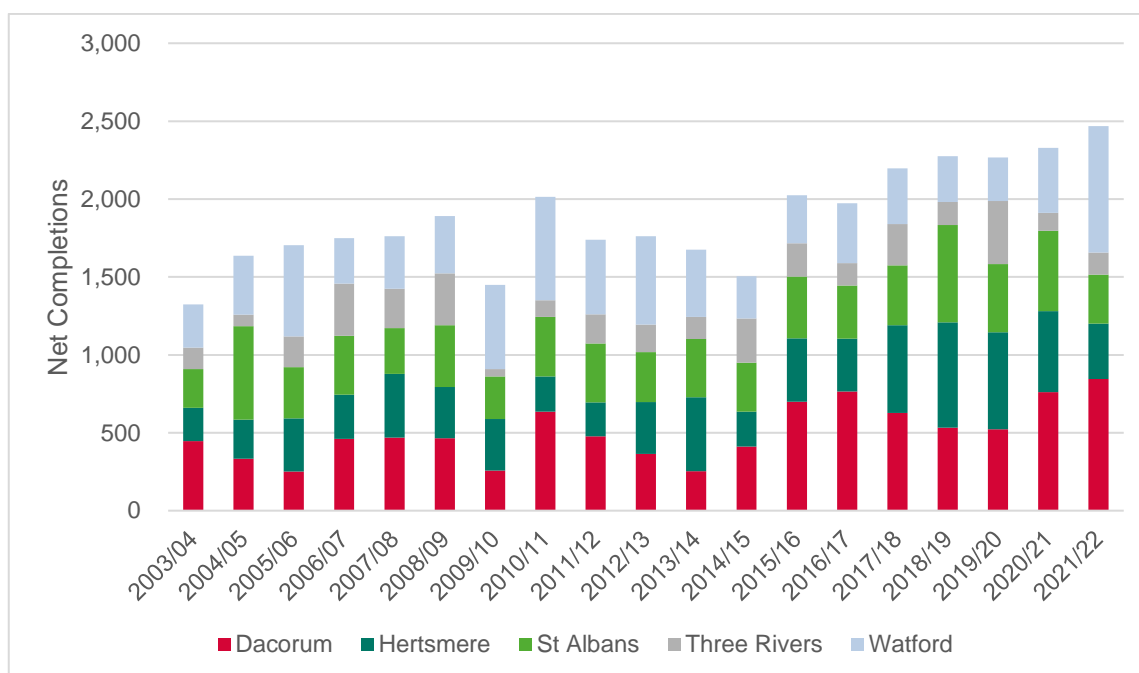
Source: 2021 Census

3.34 There is potential to address overcrowding through the delivery of larger properties, but this can be difficult; and part of the reasons for overcrowding in the rented sectors will be a lack of larger homes which households can afford, or (in the case of the social rented sector) which become available to let. Overcrowding issues are considered and addressed in the Section 8 analysis considering the mix of homes needed.

Housing Delivery Trends

3.35 There has been generally an upward trend in housing delivery in SW Herts over the last 20 years, as the figure below shows. Over the 2003-7 period, net completions averaged around 1,600 homes a year. This increased to 1,771 dpa between 2007-12 despite weaker economic / market conditions (as explored in Section 3); and to 1,778 dpa between 2012-17. It has then increased again, with the latest 5 year period indicating net completions of 2,306 dpa within the sub-region. This represents increased housing delivery in Dacorum, Hertsmere and Watford (and to a lesser extent St Albans).

Figure 3.21 Trends in Net Housing Completions in SW Herts, 2003-22



Source: Council-supplied data/ Authority Monitoring Reports (AMRs)

Table 3.9 Annualised Net Housing Completions (dpa)

	2003-7	2007-12	2012-17	2017-22
Dacorum	373	461	499	657
Hertsmere	273	302	356	548
St Albans	389	345	349	455
Three Rivers	186	185	192	215
Watford	384	478	392	431
SW Herts	1,604	1,771	1,788	2,306

Source: Council-supplied data/ AMRs

3.36 Housing delivery will have been influenced by past local plans, which influence what land is released for housing delivery. The performance of the LPAs in the sub-region in terms of maintaining an up-to-date local plan however varies widely:

- Dacorum BC adopted a Core Strategy in Sept 2013 and then a Site Allocations Plan in July 2017. The Core Strategy fell short of meeting housing need in full over the plan period, and was adopted with the intention that a Partial Review would be adopted by 2017/18. This timetable has not been achieved;
- Hertsmere BC adopted a Core Strategy in Jan 2013, an Area Action Plan for the Elstree Way Corridor in July 2015 and a Site Allocations Plan in Nov 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years. This timetable has not been achieved;

-
- St Albans does not have an up-to-date local plan, having last adopted a Local Plan in 1994. It has one of the oldest local plans of local authorities across England;
 - Three Rivers has an adopted Core Strategy from 2011, which was based on the East of England Plan. It adopted Development Management Policies in 2013 and a Site Allocations Plan in 2014; but again does not have a Local Plan which has been informed by an up-to-date assessment of housing need;
 - Watford adopted a new Local Plan in October 2022, based on the NPPF and an assessment of housing need. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford’s capacity evidence.

3.37 Historical housing targets within the sub-region have thus been influenced by historical policies and strategic constraints to development. Besides Watford, the other sub-regional authorities have not had an adopted Plan since 2012 which has been prepared against the policy framework in the NPPF.

3.38 To provide a comparative analysis of housing delivery performance, Icenl has considered net growth in the housing stock over different 5 year time periods looking back to 2002, and benchmarked this against regional and national trends. Housing delivery performance across SW Herts has essentially been broadly in line with that seen nationally over the last 20 years, with slightly weaker performance over the past 5 years. There is an important context however to interpreting this: firstly, it is commonly recognised that housing delivery nationally has fallen below that which is needed and Government has set out the aim to significantly boost housing supply (NPPF Para 60). However secondly, there are strategic constraints to development in the sub-region, including extensive coverage of Metropolitan Green Belt; and areas which fall within the Chiltern Area of Outstanding Natural Beauty (AONB) / National Landscape. These impact on land supply and housing delivery.

3.39 Achieving Government’s ambition of delivering 300,000 homes per annum over the next decade would equate to an average annual growth rate in the housing stock of 1.1% per annum. In higher value, more economically dynamic areas such as SW Herts, you might expect the market to support higher delivery rates than the national average in the absence of development constraints.

3.40 Growth performance at an individual authority level within the HMA varies, with the weakest relative performance in Three Rivers; and the strongest in Watford. Watford is the only authority in which historical housing delivery has exceeded a growth rate of 1.1% of housing stock per annum. Three Rivers has seen the most consistent rate of growth over time, albeit low compared to other parts of the area.

Table 3.10 Annual Growth Rates in the Housing Stock, SW Herts

	2002-7	2007-12	2012-17	2017-22	Overall 2002-22
Dacorum	0.8%	0.8%	0.6%	0.8%	0.8%
Hertsmere	0.5%	0.6%	0.8%	1.1%	0.7%
St. Albans	0.8%	0.7%	0.6%	0.7%	0.7%
Three Rivers	0.6%	0.5%	0.6%	0.6%	0.6%
Watford	1.2%	1.4%	1.1%	1.1%	1.2%
SW Herts	0.8%	0.8%	0.7%	0.9%	0.8%
East of England	1.0%	0.8%	0.8%	1.0%	0.9%
England	0.9%	0.7%	0.7%	1.0%	0.8%

Source: IcenI analysis based on DLUHC Live Table 125

- 3.41 Overall these are relatively low housing delivery rates for local authorities which sit in a relatively economically dynamic, high value market which is close to London. IcenI consider that they reflect in particular the limited progress with maintaining up-to-date local plans - in the context where Government expects plans to be typically updated every 5 years - and in particular the lack of post-NPPF plans which fully meet housing needs. As above, they are partly a reflection of strategic constraints to development in the sub-region, including land supply constraints in Watford, and coverage by the Green Belt and national landscape, and the influence which these have had on housing land supply.
- 3.42 Turning to consider affordable housing delivery, with increasing overall housing delivery there has been an evident increase in affordable housing delivery in recent years; with on average 523 affordable homes delivered per year over the last 5 years (2017-22) in SW Herts. The highest absolute and relative affordable housing delivery has been in Dacorum and Watford; with the other local authorities seeing delivery numbers of less than 100 affordable homes per year. Hertsmere saw the lowest affordable delivery, at just 11% of gross completions; with Dacorum and Watford the highest at 29% and 27% respectively.
- 3.43 Affordable delivery can be influenced by the proportion of completions coming through on small sites which do not contribute and permitted development schemes. It can also reflect issues associated with residential development viability. Generally, higher levels of affordable housing delivery are achieved on greenfield than brownfield sites (albeit that this can be influenced by infrastructure requirements).

Table 3.11 Affordable Housing Completions per 5 year period, (absolute)

	2003-7	2007-12	2012-17	2017-22	Total
Dacorum	49	109	117	190	465
Hertsmere	34	57	53	59	203
Three Rivers	60	35	53	64	212
St Albans	72	78	58	92	300
Watford	65	159	89	118	431
SW Herts	280	439	370	523	1,612

Source: Council-supplied data/ AMRs

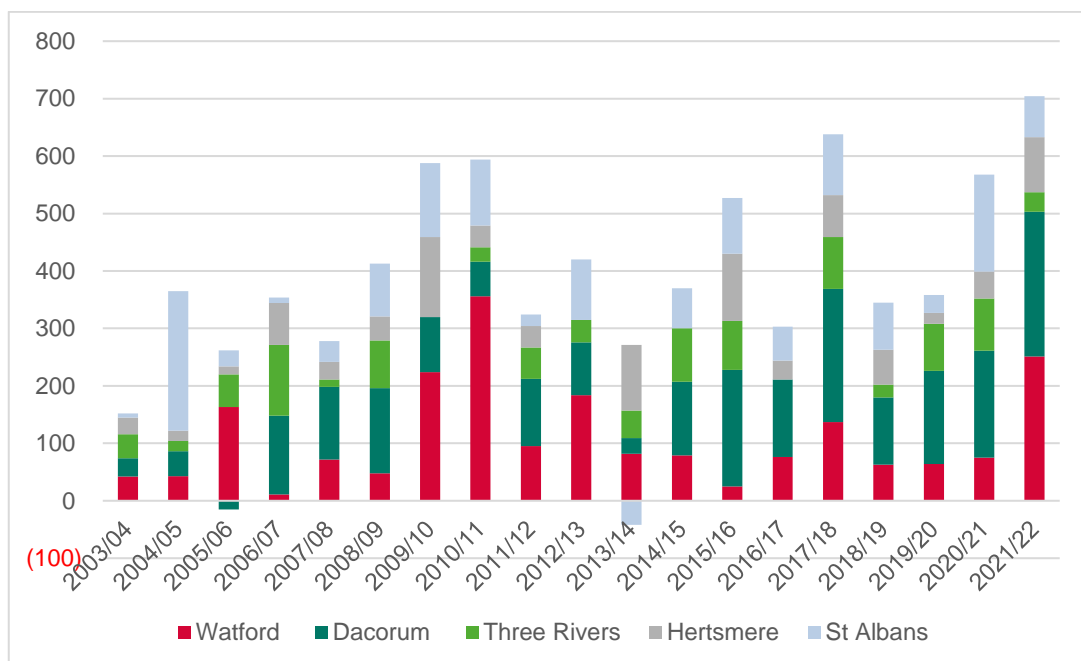
Table 3.12 Affordable Housing Completions as a percentage of Gross completions per 5 year period

	2003-7	2007-12	2012-17	2017-22
Dacorum	13%	25%	23%	29%
Hertsmere	11%	20%	15%	11%
Three Rivers	26%	17%	24%	23%
St Albans	17%	18%	13%	17%
Watford	17%	30%	23%	27%
SW Herts	21%	32%	25%	26%

Source: Council-supplied data/ AMRs

3.44 The figure below shows the annual completions each year in the SW Herts authorities. Affordable home delivery has increased in the most recent 5 years (2017-2022) to an average annual delivery of 523 dwellings from an average of 370 in the years 2012-17.

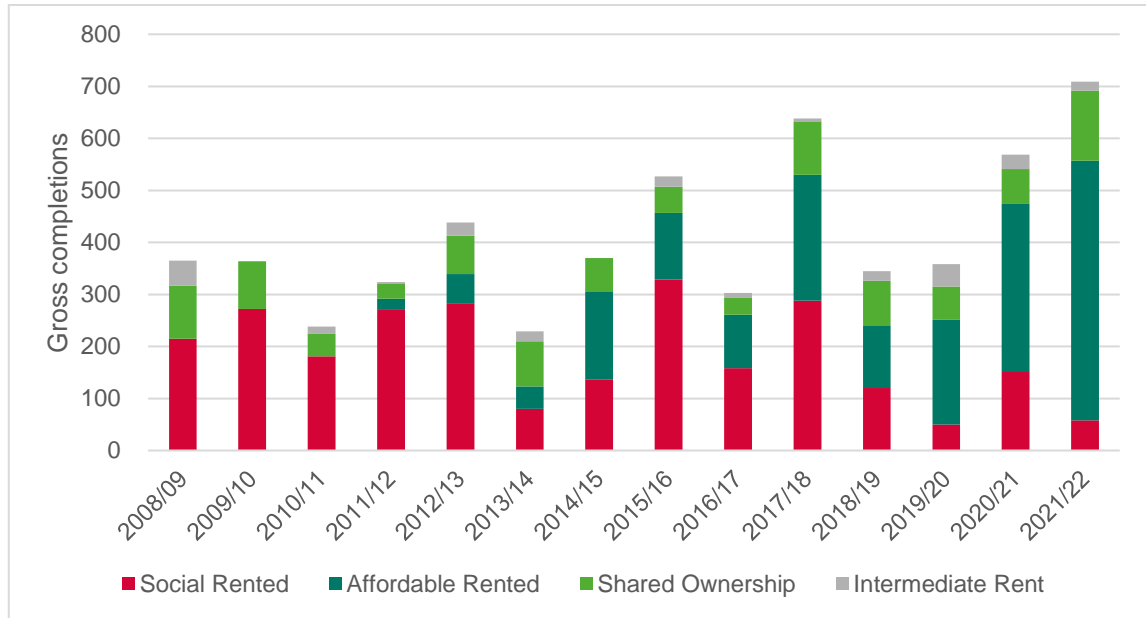
Figure 3.22 Annual Net Completions, Affordable Dwellings



Source: Council-supplied data/ AMRs

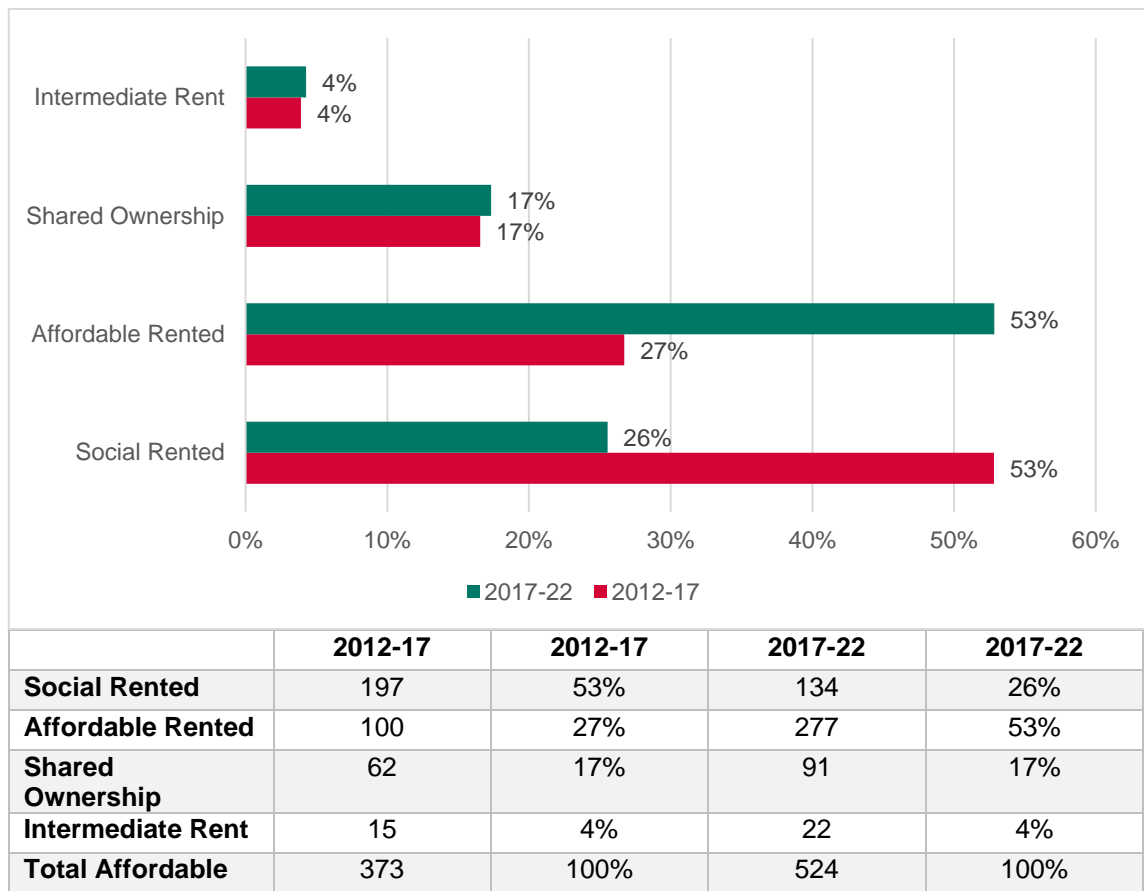
3.45 Analysis of the types of affordable homes being delivered indicates around 78-80% of affordable delivery has been of social/ affordable rented homes, albeit that the profile has shifted towards affordable rented homes over the last 5 years. Intermediate housing provision has been focused on shared ownership homes.

Figure 3.23 Gross Affordable Housing Completions by Type, SW Herts



Source: Council-supplied data/ AMRs

Figure 3.24 Profile of Affordable Housing Completions, SW Herts



Source: Council-supplied data/ AMRs

4. REVIEWING HOUSING MARKET DYNAMICS

- 4.1 This section moves on to review housing market dynamics, considering both the sales market first; and then the rental market.

Sales Market

House Price Trends

- 4.2 In the year to September 2022 the median house price across SW Herts was £513,000. The highest median house price in the HMA is in St Albans, at £625,000; whilst the lowest are £407,000 in Watford.
- 4.3 Median property prices in SW Herts are clearly very high in comparison to the rest of England, likely due to the area's proximity to London, high demand for housing, and strategic constraints which affect the supply of land for residential development.

Table 4.1 Median House Prices, Year ending September 2022

Area	Median Price
Dacorum	£425,000
Hertsmere	£547,500
Three Rivers	£560,000
St Albans	£625,000
Watford	£407,200
SW Herts HMA	£512,940
East of England	£328,000
England	£275,000

Source: ONS Median House Prices for Administrative Geographies

- 4.4 Table 4.2 highlights the house price growth in SW Herts over time. In the year to September 2022, house prices in SW Herts increased by 5.8%, an increase in value of £28,000, whilst across England prices fell by -3.5%.
- 4.5 The longer-term trend, over the last decade, has been of consistent house price inflation, which has averaged £15,800 per annum – notably stronger growth than seen regionally and nationally. In percentage terms, this is slightly below average but reflects the high existing house prices in the area.
- 4.6 Stronger house price growth is evident in St Albans, Hertsmere and Three Rivers over the last 10 years, with price growth exceeding £24,000 per annum; whereas in Watford and Dacorum average prices have grown more modestly (c. £18,000 pa).

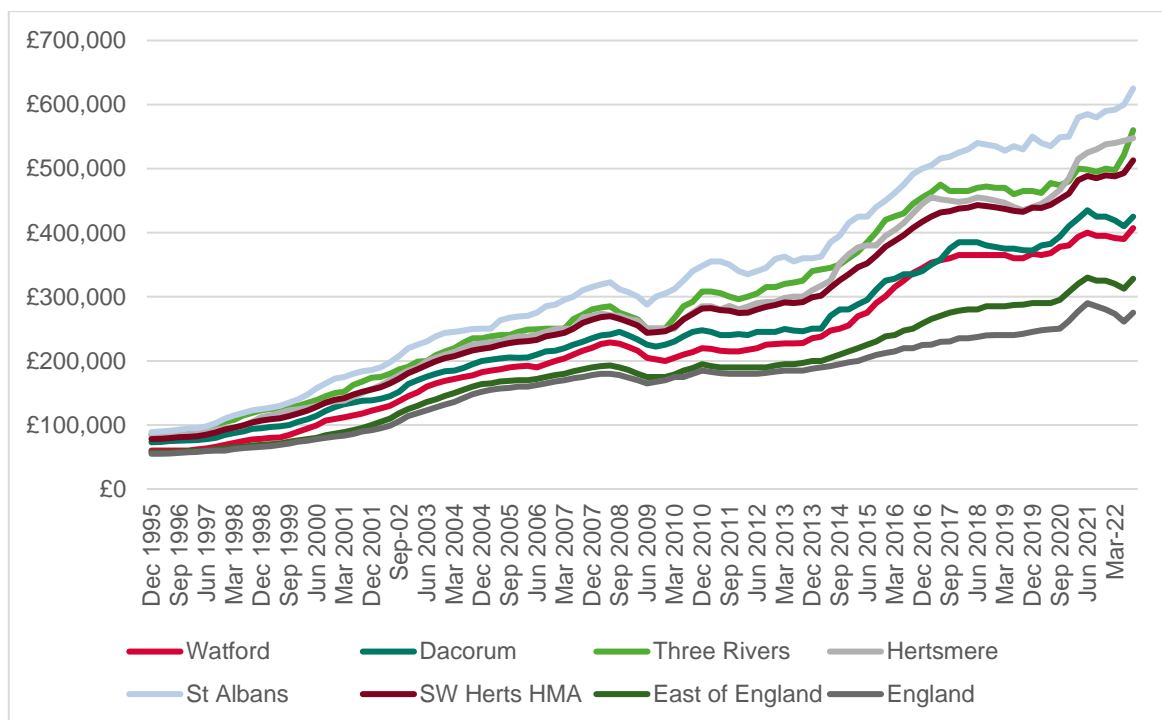
Table 4.2 Annual Growth in Median House Prices

Area	1 year Change		5 year Change		10 year Change	
	Absolute pa	CAGR	Absolute pa	CAGR	Absolute pa	CAGR
Dacorum	0	0.0%	£10,000	2.5%	£18,000	5.7%
Hertsmere	£17,500	3.3%	£19,500	4.0%	£25,600	6.5%
Three Rivers	£65,000	13.1%	£19,000	3.8%	£24,500	5.9%
St Albans	£45,000	7.8%	£21,300	3.8%	£28,000	6.1%
Watford	£12,200	3.1%	£9,440	2.5%	£18,220	6.1%
SW Herts HMA	£27,940	5.8%	£15,848	3.4%	£22,964	6.1%
East of England	£3,000	0.9%	£10,600	3.6%	£13,800	5.6%
England	£-10,000	-3.5%	£9,000	3.6%	£9,350	4.2%

Source: ONS Small Area House Price Statistics (CAGR represents the annual growth rate in house prices as a Compound Annual Growth Rate)

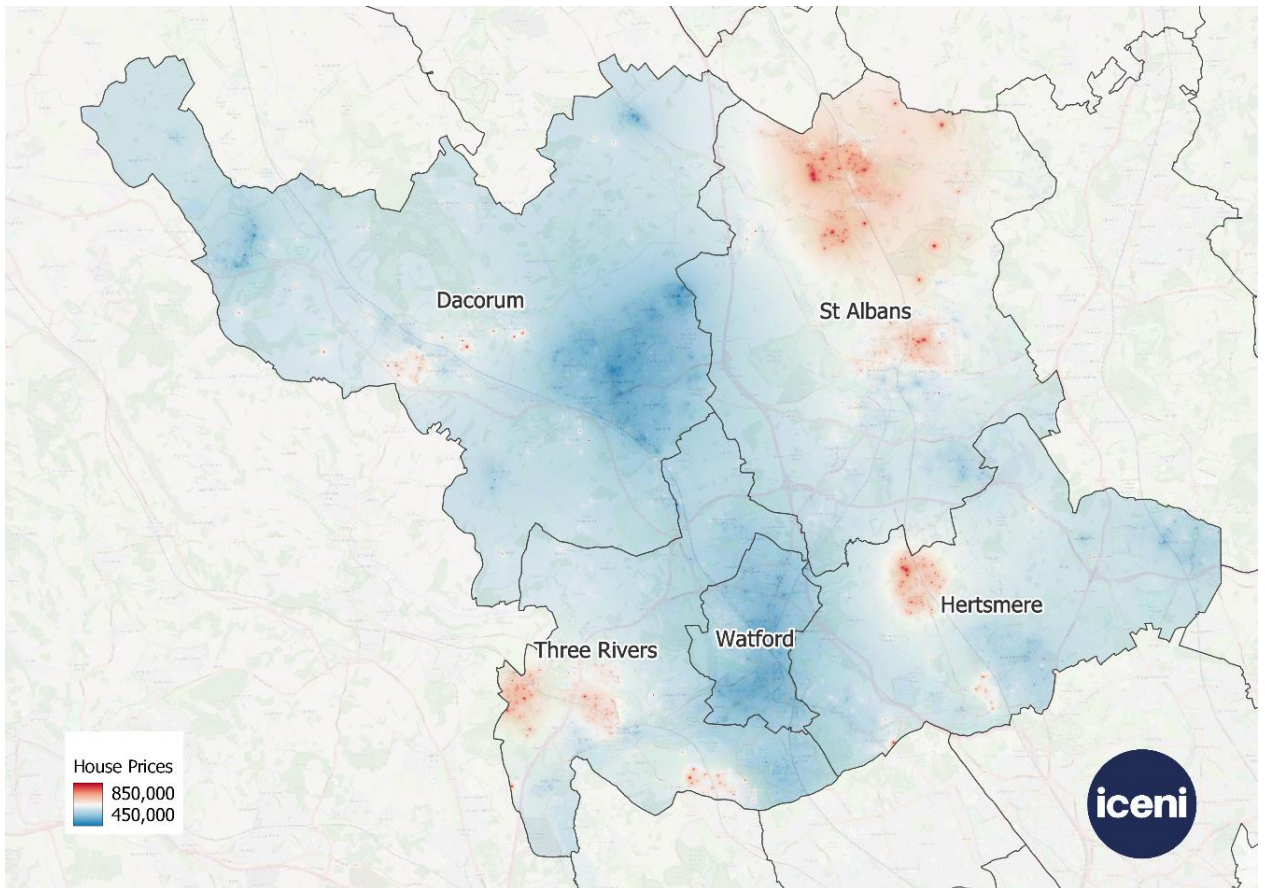
4.7 The graph below highlights the divergence in house price trends which has been seen, even since 2008. Whilst in many areas of the country house price increases between 2008-13 were modest (influenced by more restricted mortgage availability), SW Herts saw median house prices increasing. Since 2013, house prices have grown rapidly: in most areas this was particularly a characteristic of the period to 2017, however St Albans stands out as sustaining strong growth since.

Figure 4.1 Long-term Trends in Median House Prices, 1995-2022



Source: ONS Small Area House Price Statistics

4.8 Overall it is clear that the SW Herts authorities have all seen a significant and sustained increase in



house prices. The absolute increase in prices has exceeded regional and national trends; and it is clear that there has been a sustained imbalance between the supply and demand for homes.

Figure 4.2 House Price Heat Map

Source: Icen analysis of EPC data

4.9 Using data from Rightmove, based on HM Land Registry transactions data, we have profiled below the price geography in the main towns in SW Herts. The cheapest places to buy are Hemel Hempstead, Watford and Tring; whilst the highest prices are in Rickmansworth, and in particular Radlett, Chorleywood and Harpenden.

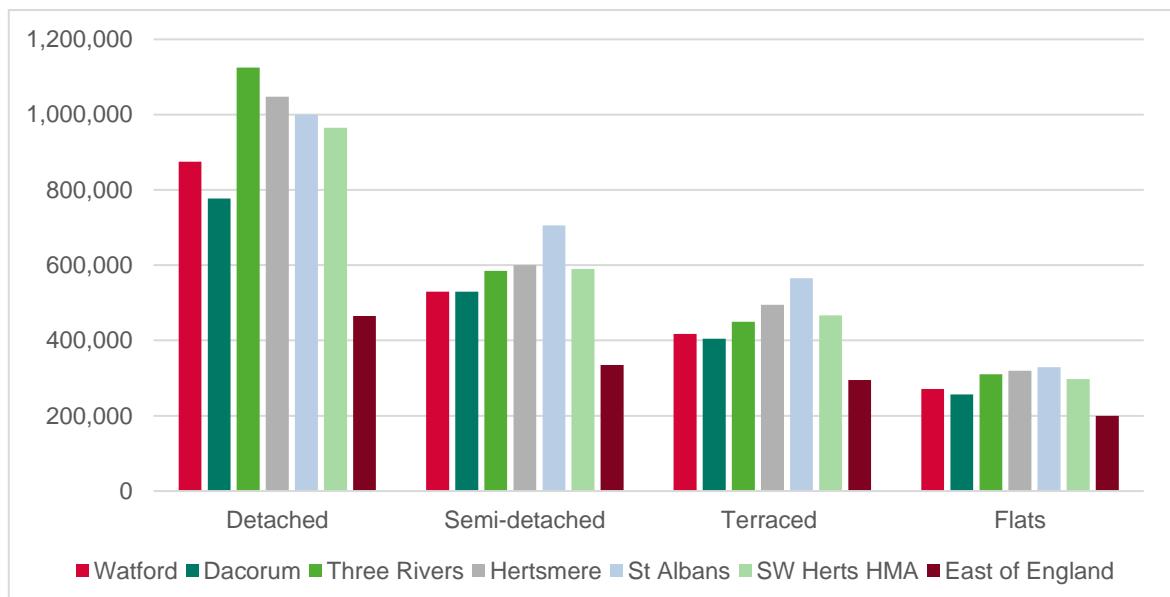
Table 4.3 Average House Prices, Main Towns (Year to May 2023)

	Average price	Change over last Year
Hemel Hempstead	£458,584	10%
Watford	£532,276	7%
Tring	£535,525	-1%
Borehamwood	£543,961	-4%
Potters Bar	£587,501	2%
Bushey	£645,129	8%
St Albans	£668,895	6%
Berkhamsted	£770,074	16%
Rickmansworth	£788,509	7%
Chorleywood	£915,135	8%
Harpenden	£942,947	6%
Radlett	£1,295,020	0%

Source: Rightmove

4.10 We have next analysed house prices by type. The prices of properties varies by size, but it is notable that across all areas there is a marked premium on prices relative to the regional average. This is particularly the case for larger (detached and semi-detached) properties. For most property types, St Albans has the highest comparative house prices; but for detached homes, prices in St Albans are exceeded by those in Hertsmere and Three Rivers. House prices across house types are lowest in Watford and Dacorum.

Figure 4.3 Median House Prices by Type, Year to Sept 2022



Source: ONS Small Area House Price Statistics

Table 4.4 Median House Prices by Type, Year to Sept 2022

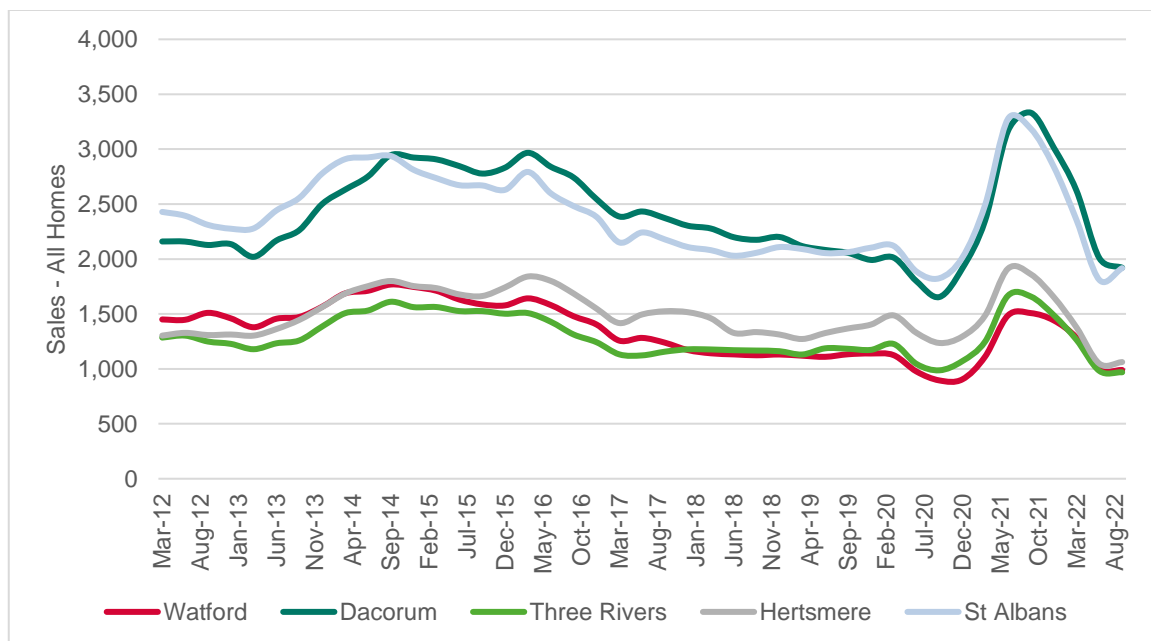
	Detached	Semi-detached	Terraced	Flats	All
Dacorum	£777,000	£530,000	£405,000	£257,000	£425,000
Hertsmere	£1,047,500	£600,000	£495,000	£319,215	£547,500
St Albans	£1,000,000	£705,500	£565,000	£329,000	£625,000
Three Rivers	£1,125,000	£585,000	£450,000	£310,000	£560,000
Watford	£875,011	£530,000	£417,000	£271,500	£407,200
SW Herts HMA	£964,902	£590,100	£466,400	£297,343	£512,940
East of England	£465,000	£335,150	£294,625	£200,000	£328,000

Source: ONS Small Area House Price Statistics

Sales Trends

4.11 Sales trends have varied over time, and have followed similar trends in each area. Sales peaked in 2013/14 as mortgage finance availability increased; and then fell steadily over the subsequent years. The effect of the Covid-19 lockdown in Spring 2020 resulted in a low point in sales in 2020; but the Stamp Duty Holiday, and effects that lockdowns had in causing households to re-evaluate their living circumstances, resulted in a peak of housing market activity in the Year to Sept 2021. The graph does not yet capture the effects of market uncertainty and rising interest rates since mid-2022.

Figure 4.4 Trends in Sales – All Properties



Source: ONS Small Area House Price Statistics

4.12 HM Land Registry data indicates that across England, sales in January 2023 were 55% lower than the number in September 2022. Whilst this will partly reflect market seasonality, it is clear that transactions volumes and the market have been affected by growth in interest rates and a weakening economic backdrop.

4.13 Our experience is that typically 10% of all sales might be of new-build properties. The new-build market has been buoyed over recent years by the Help-to-Buy Equity Loan scheme which has seen a range of areas out-perform this. However besides Hertsmere, in SW Herts most authorities have seen weaker levels of new-build sales (8.5 – 8.6%), with notably low new-build sales in Watford and Three Rivers over the last 5 years.

Table 4.5 Percentage Sales of New-Build Properties

	5 Year Average (2017-22)	10 Year Average (2012-22)
Dacorum	7.0%	8.6%
Hertsmere	10.7%	11.6%
St Albans	8.0%	7.9%
Three Rivers	6.3%	7.5%
Watford	5.0%	7.5%
SW Herts HMA	7.5%	8.6%
East of England	10.7%	10.6%
England	10.5%	10.6%

Source HM Land Registry/Iceni analysis

4.14 With the end of the Help-to-Buy Equity Loan scheme, the year to Sept 2022 saw new-build sales fall to 2.8% of sales across SW Herts (with only Dacorum notably out-performing this).

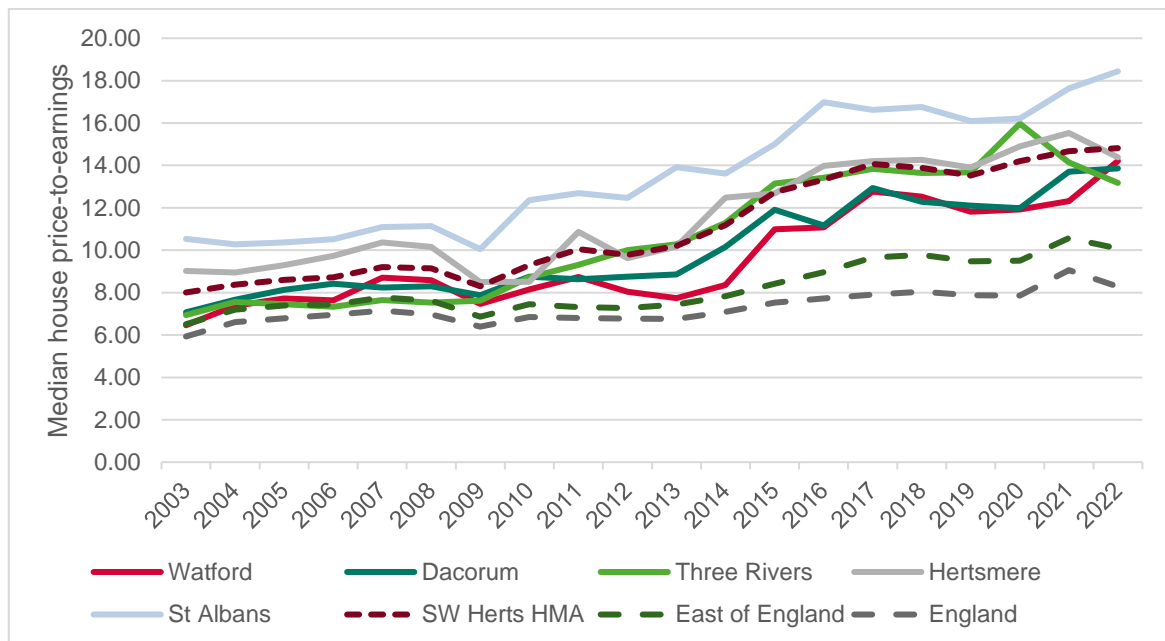
Affordability of Housing for Sale

4.15 Figure 4.5 shows median workplace-based affordability ratios over time. This is the ratio between median house prices and median earnings of those working in SW Herts. In all areas the affordability has worsened between 1997 and 2022 and SW Herts now has a median house price-to-income ratio of 14.81, worse than those seen in East of England and England (10.08 and 8.28 respectively). There is limited difference in the affordability ratios between the local authorities, however, St Albans has consistently shown an affordability ratio that is worse than its neighbouring authorities which is currently at 18.44.

4.16 The SW Herts affordability ratio has remained pretty consistent across time with one dip in 2009 due to the financial crisis and smaller dip in 2019 to 13.52. Since 2019 the ratio has increased year-on-year hitting its all-time high in 2022 at 14.81. However there have been some recent falls in the ratio in Hertsmere and Three Rivers.

4.17 These affordability ratios illustrate the difficulty of securing and funding a mortgage in SW Herts for households that don't already have considerable equity.

Figure 4.5 Median Affordability Ratio (1997 – 2022)



Source: ONS House price to workplace-based earnings ratio

4.18 Table 4.6 shows the latest median and lower quartile (LQ) affordability figures in SW Herts. The lower quartile figures show the ratio of affordability for the lower 25% of house prices to lower 25% of workplace-based earnings. The strongest affordability pressures are in St Albans, but it is evident that there are significant affordability pressures in all parts of SW Herts, where both LQ and median ratios are well above national/ regional averages. Tables 4.6 – 4.7 show the derivation of the headline ratios.

Table 4.6 Median and Lower-Quartile Affordability Figures 2022

Area	Median	Lower-Quartile
Dacorum	13.86	15.23
Hertsmere	14.39	13.98
St Albans	18.44	16.53
Three Rivers	13.17	12.85
Watford	14.21	13.19
SW Herts HMA	14.81	14.36
East of England	10.08	9.90
England	8.28	7.37

Source: ONS House price to workplace-based earnings ratio

Table 4.7 Derivation of Median Affordability Ratios, 2022

	Median House Price	Median Workplace-based Income	Median Affordability Ratio, 2022
Dacorum	£425,000	£30,674	13.9
Hertsmere	£547,500	£38,046	14.4
Three Rivers	£560,000	£42,524	13.2
St Albans	£625,000	£33,895	18.4
Watford	£407,200	£28,651	14.2

Source: ONS House price to workplace-based earnings ratio

Table 4.8 Derivation of LQ Affordability Ratios, 2022

	LQ House Price	LQ Earnings	LQ Affordability Ratio, 2022
Dacorum	£325,000	£21,340	15.2
Hertsmere	£396,000	£28,332	14.0
Three Rivers	£400,000	£31,134	12.8
St Albans	£430,000	£26,015	16.5
Watford	£306,000	£23,193	13.2

Source: ONS House price to workplace-based earnings ratio

- 4.19 This deterioration in housing affordability in SW Herts correlates with reductions in home ownership rates and increasing households living in the Private Rented Sector.
- 4.20 The total savings required to get on the housing ladder include the deposit, moving and solicitors costs and Stamp Duty Land Tax (SDLT). The standard amount of deposit needed for a home for First-time Buyers (FTBs) is 10%. With the Lower Quartile house price in SW Herts currently standing at £371,000, this would mean a deposit of £37,100 would be required. Households' savings are therefore a key barrier for FTBs to get on the housing ladder.
- 4.21 There are however several major lenders that are taking part in the Government's Mortgage Guarantee Scheme that allow access to 95% loan-to-value mortgages.
- 4.22 Moving costs can vary depending on various factors such as the distance of the move and the amount of belongings you have. Hiring a removal company or van costs can range from a few hundred pounds to over a thousand pounds. Packing materials and insurance also add expense. There are typically also fees for conveyancing which need to be paid by First-time Buyers.
- 4.23 Stamp Duty Land Tax (SDLT) is a tax paid when purchasing a property in England. The rates and thresholds for Stamp Duty vary depending on the value of the property. At the time of this report, the following rates applied in England:
- Up to £250,000 – Zero rate

- The portion from £250,001 to £925,000 – 5% rate
- The portion from £925,001 to £1.5 million – 10% rate
- The portion above £1.5 million – 12% rate

4.24 If you are purchasing a first home there is Stamp Duty relief up to £425,000. There is a 5% SDLT on the portion from £425,001 to £625,000. If the price is over £625,000, you cannot claim the relief.

4.25 The average First-time Buyer (FTB) seeking to buy a home in SW Herts would therefore need between £17,000 - £22,000 in savings to purchase with a 5% deposit and upwards of £33,000 of savings to buy with a 10% deposit.

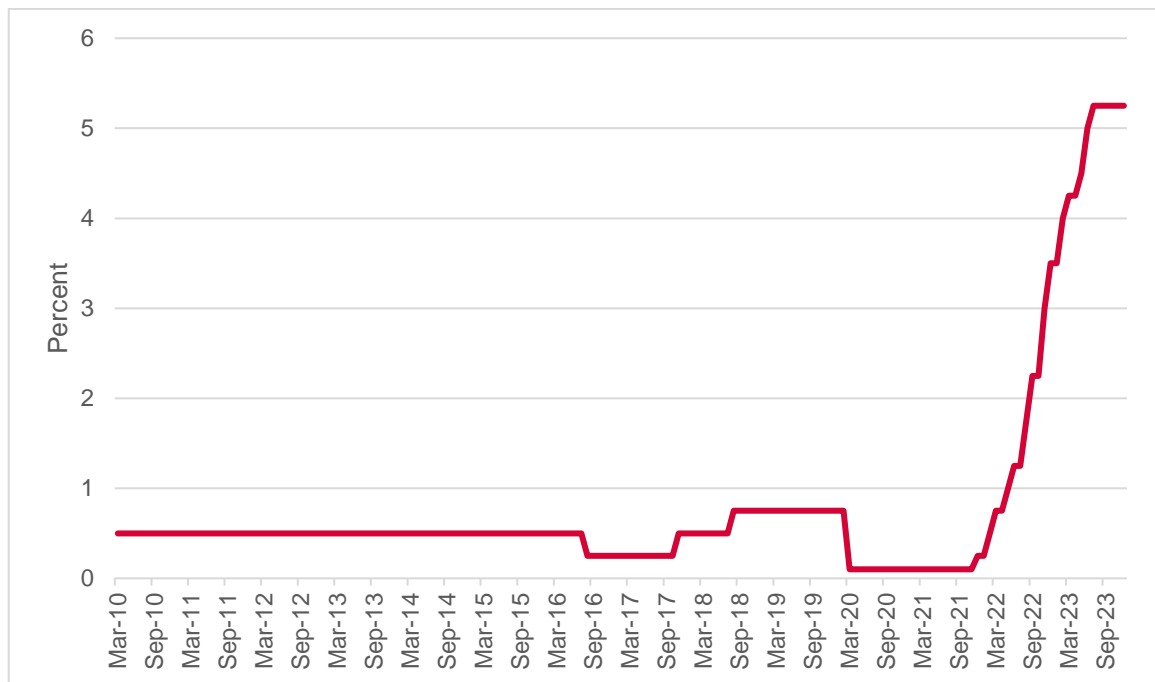
Table 4.9 Savings needed to Buy a new home with 10% Deposit

	LQ Price, Yr to Sept 22	10% Deposit	FTB Stamp Duty	Moving and Solicitors Costs	Savings Required
Dacorum	£325,000	£32,500	£0	£2,000	£34,500
Hertsmere	£396,000	£39,600	£0	£2,000	£41,600
St Albans	£430,000	£43,000	£250	£2,000	£45,250
Three Rivers	£400,000	£40,000	£0	£2,000	£42,000
Watford	£306,000	£30,600	£0	£2,000	£32,600

Source: HM Land Registry/Iceni Calculations

4.26 A further major issue currently affecting the housing market is interest rates. The UK's 'base rate' as set by the Bank of England, at the time of writing this report, stood at 5.25%. The Bank of England's Monetary Policy Committee has now raised interest rates in each of 14 consecutive meetings.

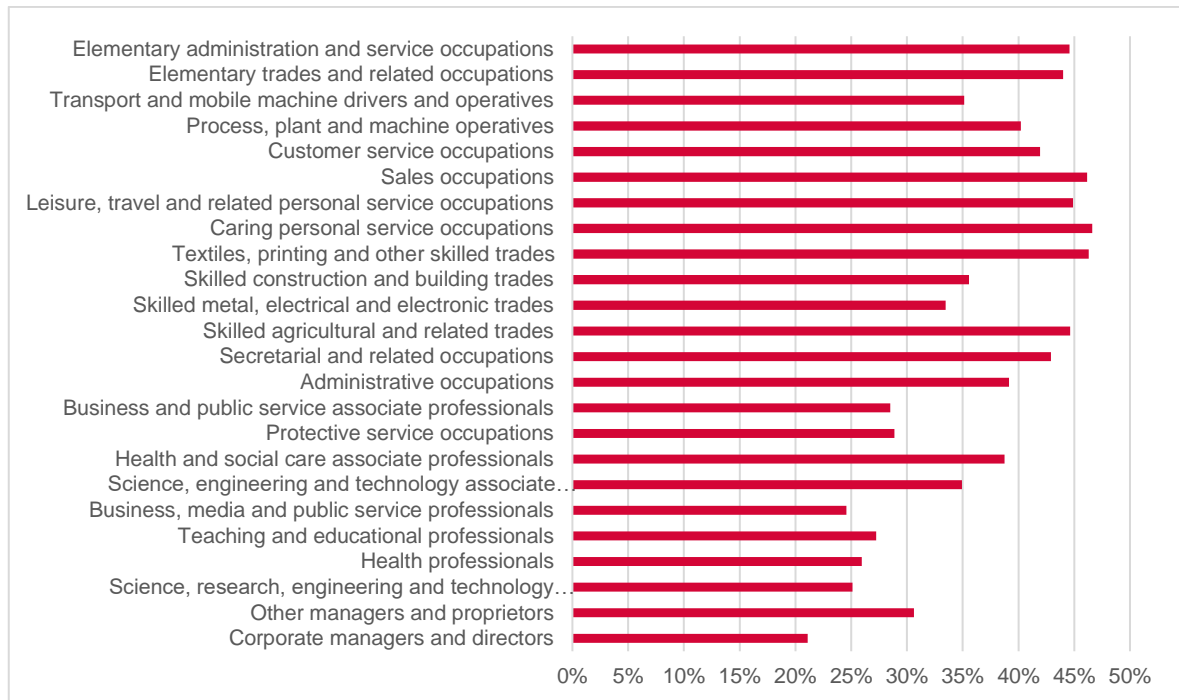
Figure 4.6 UK Interest Rate Since 2010



Source: Bank of England

- 4.27 The rise in interest rates are aimed at bringing down inflation. The Consumer Price Index (CPI) measures the average change in prices paid over a period of time by consumers for goods and services. The Consumer Price Index reading stood at 8.7% in the 12 months to April 2023, down from 10.1% in March. This has fallen from its peak in October 2022 where it stood at 11.1%; but then fell to 4.0% at year end. The latest data from February 2024 shows a figure of 3.4% which provides some prospect that interest rates could fall relatively rapidly over the next year.
- 4.28 Figure 4.7 shows the different first time buyer mortgage repayments as a percentage of different workers take home pay in 2022. It is a national analysis but shows that for many occupations, mortgage repayments in 2022 were above 30% of take-home pay.

Figure 4.7 First Time Buyer Mortgage Repayments as a Percentage of Take Home Pay, 2022



Source: Nationwide House Price Index

4.29 Thus whilst we may see some short-term correction in house prices (which may fall short-term), the effect of rising interest rates does not mean that this will improve affordability for non-home owners.

Market Outlook – Housing for Sale

4.30 Targeted telephone engagement with local estate agents in SW Herts took place in June 2023. This included discussions with agents in the main towns across the HMA. The following section collates these views although it should be caveated that not all views were universal, and the views are also anecdotal. However they provide a useful up-to-date and current position on market circumstances at the time of the assessment in Summer 2023.

4.31 The agents reported that sales demand across SW Herts is varied but the highest demand (at this point) is for one- and two-bed flats, typically close to town centres and rail stations. This will be in part reflected by the stock available in these locations; and market dynamics at the time of the assessment. There is also demand for three-bed properties within school catchment areas.

4.32 Almost all estate agents reported that there is a lack of stock of all types of homes, but there is a particular high demand for one- and two-bed properties when they become available, with these properties taking between four to eight weeks to sell on average. A few of the estate agents pointed to the difficulty in the rental market leading singles and couples to purchase their first homes out of necessity. This is in contrast to the owners of larger, more expensive properties who

are deciding not to move in the current climate with higher interest and mortgage rates, with resultant impacts on market activity. Many of those moving are doing so out of necessity.

- 4.33 Agents indicated that it is individuals, young couples and young families who are the buyers present in the market and that there has been a huge drop in the number of buy-to-let investors. Whereas post Covid-19 buyers were looking in more rural areas, there is now demand around town centres and stations as workers are finding that they are expected to commute into work more regularly. Many of the buyers are coming from London and looking for fast connections, larger properties at a cheaper price than in London and for good primary and secondary schools. The SW Herts area offers the benefit of proximity to London while also offering access to the countryside. Agents reported that there was an approximate split of 50% of buyers relocating, primarily from London; and 50% moving within the relevant local authority.
- 4.34 There is still demand in the market but there is a lack of supply of all properties, all the agents contacted reported. Buyers are significantly more cautious in light of rising interest rates, inflation and the cost of living crisis, which is leading to fewer offers and sales since the Summer of 2022. In addition, due to recent changes to legislation, agents are seeing an increase in the number of landlords selling their properties as renting out is becoming less profitable. This is having particular implications for the rental market (which is considered further later in this section).
- 4.35 Agents commented that there has always been a strong demand in their areas with a wide range of buyers and properties. There seems to be, at this time, a particularly strong demand for one- and two-bed properties. This translates to these properties having 20 to 30 viewings over two weeks and offers received and sold on average between one and two months.
- 4.36 Finally, in terms of the new build market, agents largely commented that there is a limited supply of new build properties coming to market, but those that do sell quickly.
- 4.37 Nationwide's House Price Index has recorded, at a national level, month-on-month falls in house prices since the Government's mini budget in September 2022 through to March 2023, before returning to positive growth in April 2023 pointing to a gradual return of confidence to the market. Market activity had reduced significantly, but again is showing some signs of recovery with new sales agreed in April 2023 at -6% below the 2017-19 average for the month, according to TwentyCI/ Savills; with mortgage approvals showing a similar trend but remaining 15% below the pre-Covid figure.

-
- 4.38 The RICS May 2023 UK Residential Market Survey⁵ points to a subdued trend in buyer demand. It reported some improvement in market sentiment and activity relative to previous months, but noted that the recovery could be affected by further interest rate rises. Nationally many agents were reporting that house prices were falling, although the picture for London appeared to have stabilised; and the outlook was generally flat.
- 4.39 The improvement in market conditions through Spring 2023 is similarly noted in Savills market research, from June 2023,⁶ which notes agreed sales coming within 2% of the pre-pandemic norm in May 2023; but noted that the recovery in mortgage approval rates appeared to have stalled and persistent upwards inflationary pressures are putting further upward pressure on mortgage rates and the housing market is therefore likely to remain price sensitive over the remainder of 2023 and into 2024.

Lettings Market

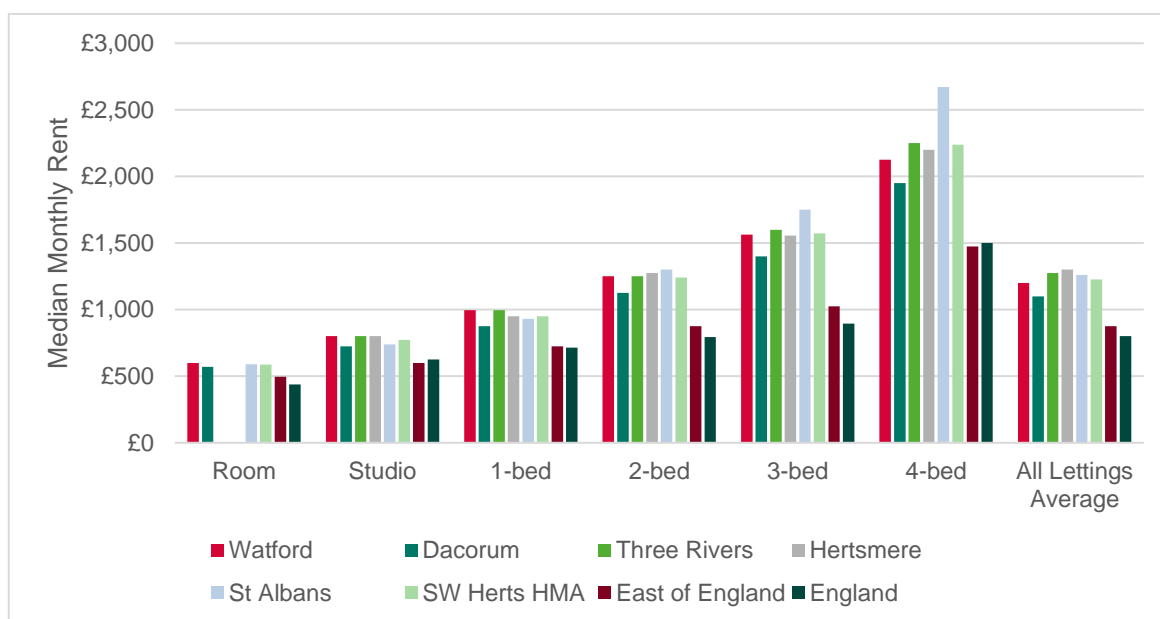
Rents and Rental Trends

- 4.40 The median monthly rent remains fairly consistent in price across the SW Herts local authorities ranging from £1,100 in Dacorum to £1,300 in Hertsmere. This is however considerably above that of East of England (£875) and England (£800 PCM).
- 4.41 The figure below shows the median rent for different sizes of property. It indicates a premium for larger properties (3 and 4+ bed) in St Albans.

⁵ <https://www.rics.org/news-insights/market-surveys/uk-residential-market-survey>

⁶ https://www.savills.co.uk/research_articles/229130/347940-0

Figure 4.8 Median Rents in SW Herts, Year to September 2022



Source: ONS, Private Rental Market Summary Statistics

Table 4.10 Median Rents in SW Herts, Year to September 2022

	Room	Studio	1-bed	2-bed	3-bed	4-bed	All
Dacorum	£570	£725	£875	£1,125	£1,400	£1,950	£1,100
Hertsmere	-	£800	£950	£1,275	£1,555	£2,200	£1,300
Three Rivers	-	£800	£995	£1,250	£1,600	£2,250	£1,275
St Albans	£590	£738	£932	£1,300	£1,750	£2,670	£1,260
Watford	£600	£800	£995	£1,250	£1,563	£2,125	£1,200
SW Herts HMA	£580	£766	£938	£1,238	£1,576	£2,268	£1,234
East of England	£495	£600	£725	£875	£1,025	£1,475	£875
England	£438	£625	£715	£793	£895	£1,500	£800

Source: ONS Private Market Rental Statistics

4.42 The table below shows rental growth over the year to September 2022, and on average over the previous five years. It is clear that recent growth in rents has been particularly strong, albeit there is variation between authorities. The longer-term trend has stronger relative growth in rents in Watford and Dacorum in proportional terms than other areas. In absolute terms, growth in rents in Watford (of £125 per month) over the last 5 years has matched the national average; with absolute growth in other areas lower than this.

Table 4.11 Rental Growth per Annum, SW Herts

	1 Year Change (2021-22)	5 year Change (2017-22) CAGR
Dacorum	0.0%	2.0%
Hertsmere	4.0%	1.6%
Three Rivers	6.3%	1.2%
St Albans	0.8%	1.0%
Watford	4.3%	2.2%
SW Herts HMA	3.1%	1.6%
East of England	2.9%	3.1%
England	6.0%	3.5%

Source: ONS Private Market Rental Statistics (CAGR describes the growth in rents using a Compound Annual Growth Rate)

Market Outlook – Lettings

- 4.43 Targeted telephone engagement with local Letting Agents took place in June 2023. The following section collates their views although it should be caveated that not all views were universal, and the views are also anecdotal.
- 4.44 Lettings agents reported that the rental property market across SW Herts is very buoyant, with landlords demanding increasingly high rents as they seek to pass on the cost of mortgage/interest rate increases to renters. Agents suggested that proposed changes to the Renters Reform Bill as well as investors avoiding buy-to-let properties had led to there being very strong demand and a shortage of rental housing across SW Herts. These factors have combined to mean renters are having to bid for properties allowing landlords to secure record rents.
- 4.45 Agents reported strong demand for a range of property sizes through SW Herts but particularly for 1 and 2 bed flats and 3 bed houses. There is a particular demand for rental accommodation close to stations and within school catchment areas.
- 4.46 Agents indicated that there is a wide range of renters present in the market, including young professionals, couples and families. A large proportion of renters are young couples and families opting to move out of London to find more space, or move from Watford and Harrow to find good schools.
- 4.47 Agents reported that depending on the area, there could be between 5 and 30 viewings in a few days before properties are taken. The average tenancy agreement was 12 months.
- 4.48 There has been a trend of renters who moved to rural locations post Covid-19 pandemic needing to be closer to good train connections and public transport as some businesses require employees to return to the office. This is influencing demand in Watford and St Albans in particular. This has led to the return of strong demand for rental properties in city and town centres.

-
- 4.49 The RICS Residential Market Survey in May 2023 reported strong growth in tenant demand, but generally falling new landlord instructions and almost two-thirds of survey participants reported seeing an increase in the number of buy-to-let landlords looking to sell their properties. This is resulting in a continuing mismatch between rising demand and falling supply, which is driving rental growth. The Survey expects rental price growth to average just below 6% per annum over the next 5 years.
- 4.50 It is evident that the attractiveness of housing as an investment has weakened over recent years. The Government reformed mortgage interest relief in 2016, allowing landlords to claim tax relief only at the basic rate of income tax. The Renters Reform Bill, which at the time of writing is working through Parliament, proposes the abolition of Section 21 of the Housing Act 1988 (ending so called 'no fault evictions') whilst at the same time strengthening landlord powers to recover possession of property where there has been a breach of tenancy terms, or where the landlord intends to sell the property. The formalisation of the process for rent reviews is also proposed, requiring in effect landlords to justify rent increases using market evidence. More significantly, many landlords have mortgages on their properties – and with rising interest rates, the cost of servicing the debt is increasing, putting returns under pressure. This is having the greatest effect on smaller, more indebted landlords.
- 4.51 These dynamics mean that there are more landlords currently exiting the sector than buying properties; whilst demand is buoyant in particular given the barriers for younger households or those on lower incomes who might wish to buy a home. The resultant supply/demand imbalance can be expected to drive further rental growth.
- 4.52 Savills forecasts (Jan 2023) for the 'prime commuter zone' around London are for 3.0% growth in rents in 2023, and 2.0% in 2024, before easing to 1.0 – 1.5% in the subsequent years. The mainstream market outside of London is expected to see stronger growth of 6.5% in 2023, 4.0% in 2024 before easing to between 2.0 – 2.3% over the subsequent years to 2027.
- 4.53 The growth in rental costs is likely to put pressure on the ability of the Councils in SW Herts to discharge homelessness duties through the offer of private rental market properties.

5. STANDARD METHOD FIGURES FOR SW HERTS

Context: Standard Method Starting Point

- 5.1 The Government implemented a new “standard method” for assessing housing need through a revision to the National Planning Policy Framework (NPPF) in July 2018. This replaced the process of defining an area’s ‘objectively assessed housing need’ (OAN) under the 2012 NPPF and associated Planning Practice Guidance (PPG) which was the approach considered in the Councils’ 2016 Strategic Housing Market Assessment (SHMA).
- 5.2 The new standard method was informed by a review of the plan-making progress which the Government commissioned from a number of experts – the Local Plans Expert Group (LPEG) – and which reported to Government in March 2016.⁷ LPEG identified that agreeing housing needs was one of the principal difficulties affecting the plan-making process and that the preparation of Strategic Housing Market Assessments (SHMAs) had “*become one of the most burdensome, complex and controversial aspects of plan making.*” It recommended a shorter, simplified standard methodology for assessing housing need, with the aim of saving time and resources and removing what Government considered to be unnecessary debate; with the aim that this would speed up the plan-making process.
- 5.3 Government endorsed these sentiments in its 2017 Housing White Paper and initiated a process of reviewing national planning policies and the process for calculating housing need, which culminated in the publication in July 2018 of a revised NPPF and associated changes to the Planning Practice Guidance on ‘Housing and Economic Needs Assessments’.
- 5.4 The standard method was designed around the Government’s 2014-based Household Projections, with the aim of meeting 300,000 homes nationally. The Government’s core ambitions in reforming the method were to establish an approach which was ***simpler, quicker and more transparent*** than the approach to calculating OAN which it replaced, with the aim of speeding up plan-making. In doing so, the assessment takes account of less specific local information; but also removes much of the scope for ‘professional judgement’ in what scale of housing provision should be sought in a local authority.
- 5.5 Since the preparation of these (2014-based) household projections, Government has transferred responsibility for preparing official household projections to the Office for National Statistics (ONS).

⁷ Local Plans Expert Group Report to the Secretary of State

<https://www.gov.uk/government/publications/local-plans-expert-group-report-to-the-secretary-of-state>

ONS made a number of methodological changes to how household growth was projected in its 2016-based Household Projections, which were released in September 2018.⁸ The overall result when these were inputted to Government's standard method formula was to reduce significantly the aggregate level of housing need across England (to around 213,000 homes). These equally affect other subsequent national household projections (such as the 2018-based household projections).

5.6 Government consulted on changes to the standard method in Autumn 2018.⁹ It set out its views on the way forward in February 2019¹⁰, concluding that the 2014-based Household Projections (around which the method was designed) should continue to be used to provide the demographic baseline within the assessment. Government's argument was that:

- Household projections are constrained by housing supply: if new homes are not built, households are unable to form; and the projections are trend-based;
- The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall;
- Other things being equal, a more responsive supply of homes through local authorities planning for more homes where we need them will help to address the effects of increased demand, such as declining affordability, relative to a housing supply that is less responsive.
- Population changes are only one aspect of the driver for housing supply. Rising incomes, changing social preferences and factors such as real interest rates and credit availability contribute to demand for housing.

5.7 Government set out on this basis that its judgement was that there is no need to change its aspirations for housing supply (to deliver 300,000 homes pa). It set out that the continued use of the 2014-based Household Projections provided **stability and certainty for the planning system**.

5.8 Government has since consulted on changes to the standard method in Autumn 2020¹¹, proposing adjustments to the formula which placed enhanced emphasis on affordability issues and introduction of a baseline related to an area's housing stock. However it did not take these forward,

⁸ These equally affect the 2018-based Household Projections which ONS released in June 2020

⁹ MHCLG (Oct 2018) *Technical consultation on updates to national planning policy and guidance*

¹⁰ MHCLG (Feb 2019) *Government response to the technical consultation on updates to national planning policy and guidance*

¹¹ MHCLG (Aug 2020) *Changes to the current planning system*

and instead in April 2021¹² introduced a 35% ‘urban and cities uplift’ which is applicable on top of the previous stages to London and 19 other large urban areas/cities across England. This does not specifically affect SW Hertfordshire.

5.9 The most recent consultation – *Reforms to National Planning Policy* – ran between December 2022 and March 2023. This set out that it remains important that there is a clear starting point for the plan-making process and did not propose any changes to the standard method formula itself.

5.10 Government then published revisions to the NPPF in December 2023. These emphasise that the outcome of the standard method is an ‘advisory starting point’ for establishing a housing requirement through the plan-making process (Paras 61 and 67). Read alongside the Government’s Consultation Response, it is clear that Government continues to expect local housing need to be determined using the standard method, unless there are exceptional circumstances, such as related to the demographic characteristics of the area, which justify an alternative approach.

5.11 The additional wording emphasises the difference between the ‘housing need’ and a ‘housing requirement’. A housing requirement figure may be different from the housing need as:

- There are strategic constraints, as set out in Para 11b or Footnote 7 in the NPPF, which affect the ability to sustainably accommodate housing need in full; or
- There is unmet need that cannot be accommodated in neighbouring areas, as established through Statements of Common Ground (see Para 11b and Footnote 6); and/or
- It reflects growth ambitions linked to economic development or infrastructure, which for instance might justify planning for higher housing provision. This is now explicitly recognised in the NPPF.

The insertion of references to an ‘advisory starting point’ are therefore focused on making the distinction between the assessment of housing need (which neither takes account of land availability, constraints, policy ambitions or unmet need) and the requirement or target (which does take into account these factors). It simply confirms the long-standing distinction between these which can be traced back to the Hunston Properties judgement in the Court of Appeal in 2013.¹³

¹² MHCLG (April 2021) *Government’s response to the local housing need proposals in ‘Changes to the current planning system’*

¹³ *St Albans Council v Hunston Properties* [2013] EWCA Civ 1610

-
- 5.12 This Local Housing Needs Assessment provides an assessment of housing need. The housing needs assessment has to be undertaken on a ‘unconstrained’ basis, i.e. setting aside development constraints. Constraints are then however overlaid by the Councils through the plan-making process in determining if housing need can be met in full, and setting the housing requirement/target. It is not the role of this LHNA to set the housing requirement.

Standard Method Calculations for SW Herts

- 5.13 The analysis below considers the level of local housing need for South West Herts using the Standard Method. The methodology for calculating housing need is clearly set out by Government in Planning Practice Guidance and follows a four-step process worked through in the following sub-sections. We consider first the implications of use of the 2014-based Household Projections, which is required in the Planning Practice Guidance.

Step One: Setting the Baseline

- 5.14 The first step in considering housing need against the Standard Method is to establish a demographic baseline of household growth. This baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten-year period, with the current year being the first year i.e. 2023 to 2033. This results in growth of 28,901 households (2,890 per annum) over the ten-year period.
- 5.15 Although this figure is calculated over a ten-year period from 2023 to 2033, Paragraph 12 of the PPG states that this average household growth and the local housing need arising from it can then “be applied to the whole plan period” in calculating housing need.

Step Two: Affordability Adjustment

- 5.16 The second step of the standard method is to consider the application of an uplift on the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available.

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

- 5.17 The latest (workplace-based) affordability data is for 2022 and was published by ONS in March 2023. The Government’s Guidance states that for each 1% increase in the ratio of house prices to earnings, above 4, the average household growth should be increased by 6.25%, with the calculation being shown below. For South West Herts, the ratio for 2022 ranges from 13.17 in

Three Rivers up to 18.44 in St Albans, giving an uplift of between 57% and 90% - this leads to a housing need of 4,862 dwellings per annum.

Step Three: The Cap

- 5.18 The third step of the Standard Method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:
- The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.
 - The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.
- 5.19 In all areas in South West Herts outside Watford this points to a 40% cap on the household projections. In Watford, the need is capped at 40% above the housing requirement figure in the Plan of 784 dpa, and therefore no cap is applicable.

Step Four: Urban Uplift

- 5.20 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift ensures that the Governments stated target of 300,000 dwellings per annum is met and that “homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.” (Paragraph: 035 Reference ID: 2a-035-20201216). None of the authorities in South West Herts are listed within the top 20 urban areas in the country and therefore there is no additional uplift.

Standard Method Calculation using 2014-based Household Projections

- 5.21 The table below works through the Standard Method calculations for the study area and each local authority at the time when this Study was prepared. This confirms a minimum local housing need for 4,045 dwellings per annum across South West Herts; ranging from 637 homes a year in Three Rivers up to 1,017 in Dacorum.

Table 5.1 Standard Method Housing Need Calculations using 2014-based Household Projections (2023)

	Dac- orum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Households 2023	69,134	45,302	63,651	40,162	44,158	262,407
Households 2033	76,401	50,490	69,990	44,710	49,717	291,308
Change in households	7,267	5,188	6,339	4,548	5,559	28,901
Per annum change	727	519	634	455	556	2,890
Affordability ratio (2022)	13.86	14.39	18.44	13.17	14.21	
Uplift to household growth	62%	65%	90%	57%	64%	
Uncapped need (per annum)	1,175	856	1,206	715	911	4,862
Capped need	1,017	726	887	637	911 ¹⁴	4,178

- 5.22 It is notable that the cap affects all of the local authorities in SW Herts besides Watford. The effect of this is to cap the affordability uplift which is applied within the calculation and reduce the minimum housing need by 14% across SW Herts as a whole.
- 5.23 Planning Practice Guidance sets out that the standard method figures may change over time as the inputs are variable and therefore the number needs to be kept under review.¹⁵ It is fixed for two years on submission of the Plan for examination. These changes are however often modest; and tend to be more significant only where the affordability calculation changes.
- 5.24 However for the SW Herts authorities, the effect of the cap means that any short-term improvements in affordability (or conversely any deterioration) is unlikely to have any material effect on the minimum local housing need as it will not reduce the capped figure. For example, taking Three Rivers the latest provision data indicates that the house price to earnings ratio has marginally improved from 13.2 to 12.5. This would reduce the affordability uplift applied from 57% to 53% and generated an uncapped housing need figure of 698 dpa; however this is still above the capped figure of 637 dpa and therefore the minimum local housing need does not change.
- 5.25 The introduction of the standard method has standardised the method for calculating the affordability uplift within the calculation of housing need. Iceni is not aware of any Local Plans which have been examined against the 2018 NPPF (or subsequent iterations) which have successfully argued in favour of using any alternative approach to calculating the affordability uplift.

¹⁴ Watford's adopted Plan sets out a housing requirement of 784 dpa and it is this figure, rather than the local housing need, which is expected to be used for monitoring housing land supply where relevant.

¹⁵ ID: 2a-008-20190220

The LHNA thus focuses on interrogating the demographic inputs to the calculation which are taken forwards in the next Section.

Updating the Calculations for 2023 Affordability Ratios

- 5.26 New affordability data was released by ONS on 25th March 2024 just prior to the finalisation of this LHNA. These show that the uncapped need across SW Herts has dropped by 3% - from 4,862 to 4,711 dpa – but that taking account of the cap, the minimum Local Housing Need has barely changed: falling from 4,178 to 4,122 dpa. This is a 1.4% difference which has is considered to have no fundamental effect on the wider conclusions on this report.

Table 5.2 Standard Method Housing Need Calculations using 2014-based Household Projections (2024)

	Dac- orum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Households 2024	69,859	45,813	64,294	40,607	44,717	265,290
Households 2034	77,114	51,031	70,612	45,179	50,280	294,216
Change in households	7,255	5,218	6,318	4,572	5,563	28,926
Per annum change	726	522	632	457	556	2893
Affordability ratio (2023)	13.12	14.49	17.61	12.11	12.45	-
Uplift to household growth	57%	66%	85%	51%	53%	
Uncapped need (per annum)	1,139	864	1,169	689	850	4,711
Capped need	1,016	731	885	640	850	4,122

- 5.27 Councils need to take account of changes up to the point of submission of a Local Plan at which point the figures are 'fixed' for a period of two years. The Councils will need to monitor changes over time, which arise particularly on release of new affordability data each March.

6. DEMOGRAPHIC REVIEW AND IMPLICATIONS FOR OVERALL HOUSING NEED

Scope for Divergence from the Standard Method

- 6.1 Table 5.1 sets out housing need using the Standard Method and whilst this is a relevant consideration Planning Practice Guidance does allow for divergence from these figures (in both an upward and downward direction) where exceptional circumstances can be demonstrated.
- 6.2 The December 2023 revisions to the NPPF set out that such exceptional circumstances may relate to the particular demographic characteristics of an area which may justify an alternative approach; in which case the alternative approach should also reflect current and future demographic trends and market signals. This is set out in Para 61.
- 6.3 It is also relevant to consider Government's Guidance on this topic. This can be found in Planning Practice Guidance 2a on 'Housing and Economic Needs Assessments' and below are some key quotes for the purposes of this document.

"Is the use of the standard method for strategic policy making purposes mandatory?"

No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances." - Paragraph: 003 Reference ID: 2a-003-20190220.

"If authorities use a different method how will this be tested at examination?"

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination. Any method which relies on using household projections more recently published than the 2014-based household projections will not be considered to be following the standard method." - Paragraph: 015 Reference ID: 2a-015-20190220 (whole paragraph not replicated).

- 6.4 Paragraph 2a-010 also sets out circumstances where it might be appropriate to plan for a higher housing need figure than the standard method indicates; this includes noting that the method:

'does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates'.

-
- 6.5 NPPF Para 67 now sets out that the requirement figure within a Plan may be higher than the identified housing need if, for example, it includes provision for neighbouring areas, or reflects growth ambitions linked to economic development or infrastructure investment.
- 6.6 National policy and guidance are therefore quite clear: there is an expectation that the 2014-based Sub-National Household Projections (SNHP) and the standard method should be used but that an alternative approach can be applied where exceptional circumstances can be demonstrated. When using an alternative approach, it is necessary to take account of demographic growth and market signals, but this cannot include simply using more recent versions of published SNHP.
- 6.7 The PPG does not specifically set out examples of exceptional circumstances, but it is considered (having regard to the NPPF amendments) that there are likely to be two main considerations:
- Firstly, that demographic data on which projections are based is demonstrably wrong and cannot realistically be used for trend-based projections on which the Standard Method is based; and
 - Secondly that demographic trends have changed so much that it is unrealistic to use a set of projections based on information in a trend period to 2014, which is now over 9-years old.
- 6.8 The analysis below principally focuses on population projections as these are the main driver of household growth. The analysis additionally does not seek to challenge the market signals (affordability) element of the Standard Method.

Data used in 2014-based projections

- 6.9 On the 22nd March 2018 ONS released *revised* population estimates for England and Wales: mid-2012 to mid-2016. The main justification ONS listed for this were that improvements had been made to international emigration and foreign armed forces dependents and that the distribution of people aged in their 20s and 30s has changed more than for other age groups.
- 6.10 By updating previous estimates of population change and migration (including in the period 2011-14) ONS were essentially changing the data used to underpin part of the 2014-based projections. It is therefore worthwhile seeing how significant these changes were for South West Herts and if updated information points to the 2014-based Projections as being substantially wrong.
- 6.11 The table below shows estimated population in 2014 from the original and revised Mid-Year Estimates (MYE) (as revised by ONS in 2018). For the whole of South West Herts the revised population estimate for 2014 is slightly higher than for previous data (data used for the 2014-SNPP). This would actually suggest the 2014-based projections could have slightly underestimated population growth, except in Dacorum. However, the scale of difference, both overall and for

individual authorities is not at all substantial and would be unlikely to have a notable impact on projections. This factor alone does not therefore justify deviation from 2014-based Projections.

Table 6.1 Original & Revised Estimate of Population in 2014 – South West Herts

	Original estimate	Revised estimate	Difference
Dacorum	149,741	149,515	-226
Hertsmere	102,427	102,540	113
St Albans	144,834	145,208	374
Three Rivers	90,423	90,525	102
Watford	95,505	95,553	48
South West Herts	582,930	583,341	411

Source: ONS

Population Trends

- 6.12 The analysis below looks at population trends across the study area. Two main sources are initially used, these are:
- MYE (unadjusted) – unadjusted ONS mid-year population estimates (MYE) – these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2021-based SNPP); and
 - MYE (Census adjusted) – these are estimates of population in 2021 that take account of 2021 Census data. Essentially, ONS use the Census (which dates from March 2021) and roll forward to mid-year estimates based on births, deaths and migration in the subsequent 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.
- 6.13 Eventually, ONS will revise the full back series of data from 2011 to take account of the new 2021 MYE. However, at the time of writing this had not been done; and so there are only two reasonable data points (2011 and 2021) – much of the analysis to follow therefore looks at trends in this 10-year period.

A Note on Demographics

With demographic data, births and deaths tend to be well recorded as there are legal requirements to register births and deaths. Migration can be more difficult to accurately record as people and households are not required to officially register when they move home or to an area. Between Censuses, ONS model migration using a range of administrative data sources. Census data trends however tend to be more reliable and therefore ONS typically review its back series of MYE estimates following the publication of Census data.

- 6.14 The standard method is informed by 2014-based demographic projections. In this section we are examining whether the trends that have actually occurred in the intervening period (2014-21) are substantially different from those projected back in 2014; and then considering whether this divergence is influenced by factors which are specific to SW Herts (i.e. locally exceptional factors) or relate to changes in demographic trends more broadly (which we consider would be less likely to constitute exceptional circumstances for divergence, as they are not 'exceptional').
- 6.15 One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.
- 6.16 The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of South West Herts to reach 627,688 by 2021 and ONS in their monitoring of data had actually estimated (in the MYE timeseries) a substantially lower population figure (599,617). Following publication of the 2021 Census, ONS has revised upwards slightly its estimate of population in 2021 to 608,366: but this is a figure still some way below where the 2014-SNPP had projected.

Table 6.2 Estimated Population in 2011 and 2021 – range of sources – South West Herts

	2011	2021	Change	% change
2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
MYE (unadjusted)	565,499	599,617	34,118	6.0%
MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

- 6.17 There is clearly a notable difference between the projections as used in the Standard Method and the reality of what seems to have happened in the 2011-21 period. It is evident that population growth has been notably weaker than shown in the 2014-based Projections. Whilst nationally the same trend has been seen (see table below) it is the case that differences in South West Herts are more marked than across England.

Table 6.3 Estimated Population in 2011 and 2021 – range of sources – England

	2011	2021	Change	% change
2014-based SNPP/SNHP	53,107,200	57,248,400	4,141,200	7.8%
MYE (unadjusted)	53,107,200	56,536,400	3,429,300	6.5%
MYE (Census adjusted)	53,107,200	56,334,700	3,227,600	6.1%

Source: ONS

- 6.18 The table below shows the same information for each local authority in SW Herts. In each case, the 2014-SNPP shows the highest level of population growth. It is also notable that areas do differ substantially in terms of the two different MYE estimates of population in 2021. In particular for Watford, whereas the ONS monitoring of data estimated a population of 95,900 in 2021, this was revised substantially upwards as a result of Census data (to 102,500).

Table 6.4 Estimated Population in 2011 and 2021 -range of sources – local authorities

		2011	2021	Change	% change
Dacorum	2014-based SNPP/SNHP	145,298	160,570	15,272	10.5%
	MYE (unadjusted)	145,298	155,622	10,324	7.1%
	MYE (Census adjusted)	145,298	155,217	9,919	6.8%
Hertsmere	2014-based SNPP/SNHP	100,379	109,318	8,939	8.9%
	MYE (unadjusted)	100,379	105,325	4,946	4.9%
	MYE (Census adjusted)	100,379	108,105	7,726	7.7%
St Albans	2014-based SNPP/SNHP	141,248	155,580	14,332	10.1%
	MYE (unadjusted)	141,248	148,912	7,664	5.4%
	MYE (Census adjusted)	141,248	148,641	7,393	5.2%
Three Rivers	2014-based SNPP/SNHP	87,921	96,432	8,511	9.7%
	MYE (unadjusted)	87,921	93,853	5,932	6.7%
	MYE (Census adjusted)	87,921	93,952	6,031	6.9%
Watford	2014-based SNPP/SNHP	90,653	105,769	15,116	16.7%
	MYE (unadjusted)	90,653	95,905	5,252	5.8%
	MYE (Census adjusted)	90,653	102,451	11,798	13.0%
South West Herts	2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
	MYE (unadjusted)	565,499	599,617	34,118	6.0%
	MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

- 6.19 On the basis of the data above, the first question to consider is to test which of the two MYE figures look to be most realistic as this will determine the trend in population growth in the 2011-21 decade. For this we are particularly interested in how population has changed rather than absolute numbers and one source we can look at is the Patient Register (PR) data. The PR measures the number of patients registered at NHS GP surgeries. Typically the PR shows higher estimates of population than other sources as some people are registered in more than one place (e.g. if they have moved home, registered with a new GP but not unregistered with a previous one). The PR can however be a good source to look at changes over time.

6.20 The table below shows estimated population growth in both the MYE and the PR for each area along with the East of England region and England – the data for this analysis covers the 2011-20 period. For South West Herts as a whole, the data shows an increase in the number of people on the PR of 67,900 over the 9-year period, compared with 35,400 in the MYE, and a higher figure from Census data (albeit we do not have a 2020 figure from the Census). This would potentially point to issues with population change shown by the MYE.

Table 6.5 Comparing ONS mid-year population estimates with estimates of population from the Patient Register

		2011	2020	Change	% change
Dacorum	MYE	145,300	155,490	10,190	7.0%
	Patient Register	148,580	164,150	15,570	10.5%
Hertsmere	MYE	100,390	105,520	5,130	5.1%
	Patient Register	106,660	117,880	11,220	10.5%
St Albans	MYE	141,250	149,330	8,080	5.7%
	Patient Register	148,160	162,810	14,650	9.9%
Three Rivers	MYE	87,920	93,960	6,040	6.9%
	Patient Register	91,370	100,130	8,760	9.6%
Watford	MYE	90,690	96,610	5,920	6.5%
	Patient Register	94,490	112,220	17,730	18.8%
South West Herts	MYE	565,550	600,910	35,360	6.3%
	Patient Register	589,260	657,190	67,930	11.5%
East of England	MYE	5,862,420	6,269,170	406,750	6.9%
	Patient Register	6,026,910	6,697,610	670,700	11.1%
England	MYE	53,107,200	56,550,160	3,442,960	6.5%
	Patient Register	55,312,750	60,870,990	5,558,240	10.0%

Source: ONS

6.21 Taking the whole of SW Herts, the East of England and England, it can be seen that growth shown in the PR is typically around 60% higher than shown in the MYE, although this does vary for individual areas. It is not entirely clear why proportionate growth in the PR is higher than the MYE, but is likely to be linked to people still appearing on GP system despite having registered with a new GP – the analysis of Patient Registers is useful and interesting but has to be recognised as being influenced by the quality of data provided by GPs.

6.22 For Watford, the Patient Register data provides supporting evidence that MYE timeseries data has under-estimated population growth quite substantially.

6.23 For the purposes of comparison the table below shows (adjusted) PR population growth at 62.5% of the level recorded (i.e. broadly consistent with regional and national difference from MYE and calculated as $100 \div 160$), which is again compared with the change recorded in the 2021 MYE (adjusted for Census data).

6.24 These estimates, based on adjusted patient register data, shows a closer alignment with the Census adjusted data than the MYE (unadjusted) data, although with some differences for specific authorities. In interpreting the data below it needs to be remembered the PR data is for a 9- and not a 10-year period but it is nonetheless helpful to consider how the two datasets align and assess whether there are particularly substantial differences. There is a greater difference shown for St Albans, which could indicate that the 2021 Census data under-estimated the population growth, or there could be particular issues with the Patient Register data for this Authority. It is difficult to draw precise conclusions on this based on the quality of data available.

Table 6.6 Comparing estimated population change in mid-year population estimates and with adjusted Patient Register data (note different time periods)

	MYE Census adjusted (2011-21)	PR (adjusted) – 2011-2020	Difference
Dacorum	9,919	9,731	-188
Hertsmere	7,726	7,013	-713
St Albans	7,393	9,156	1,763
Three Rivers	6,031	5,475	-556
Watford	11,798	11,081	-717
South West Herts	42,867	42,456	-411

Source: Derived from ONS data

6.25 Overall, it is concluded from this analysis that levels of population change shown by the Census are more likely to be realistic than previous ONS estimates (through the MYE).

6.26 The Census population change, whilst higher than the MYE is still some way lower than was projected in the 2014-SNPP and so the analysis now moves on to see if this lower growth can be considered as exceptional and therefore point to a lower housing need.

Components of Population Change

6.27 The analysis above points to population growth in SW Herts in the period to 2021 as being notably lower than had been projected in the 2014-based projections. The analysis below looks at the reasons for this difference with population growth being split into two broad components of change:

- Natural change (births minus death); and
- Implied net migration – by subtracting natural change from total change in population an estimate of net migration can be generated. This has been called ‘implied’ as the data is not directly drawn from ONS monitoring of migration and therefore could differ slightly from that source

6.28 For South West Herts as a whole, **the analysis shows a significant reduction in natural change from the level projected in the 2014-SNPP**. In the 2011-21 period the 2014-SNPP projected for

there to be around 32,000 more births than deaths, but actual recording of this data shows a figure of just 25,300. All areas see a lower level of natural change than was projected.

6.29 **Net migration figures are also notably lower in the recorded trend than was projected** – net migration was projected to run at 30,200 over the 2011-21 decade, but actually recorded as 17,600. Again for all areas net migration looks to have been lower than was projected (albeit with very little difference in Hertsmere).

Table 6.7 Broad components of population change (2011-21) – South West Herts

		Population change 2011-21	Natural change	Implied net migration
Dacorum	2014-based SNPP/SNHP	15,272	7,463	7,809
	MYE (Census adjusted)	9,919	6,228	3,691
	Difference	5,353	1,235	4,118
Hertsmere	2014-based SNPP/SNHP	8,939	4,386	4,553
	MYE (Census adjusted)	7,726	3,335	4,391
	Difference	1,213	1,051	162
St Albans	2014-based SNPP/SNHP	14,332	9,050	5,282
	MYE (Census adjusted)	7,393	6,458	935
	Difference	6,939	2,592	4,347
Three Rivers	2014-based SNPP/SNHP	8,511	2,830	5,681
	MYE (Census adjusted)	6,031	2,207	3,824
	Difference	2,480	623	1,857
Watford	2014-based SNPP/SNHP	15,116	8,285	6,831
	MYE (Census adjusted)	11,798	7,087	4,711
	Difference	3,318	1,198	2,120
South West Herts	2014-based SNPP/SNHP	62,170	32,014	30,156
	MYE (Census adjusted)	42,867	25,315	17,552
	Difference	19,303	6,699	12,604

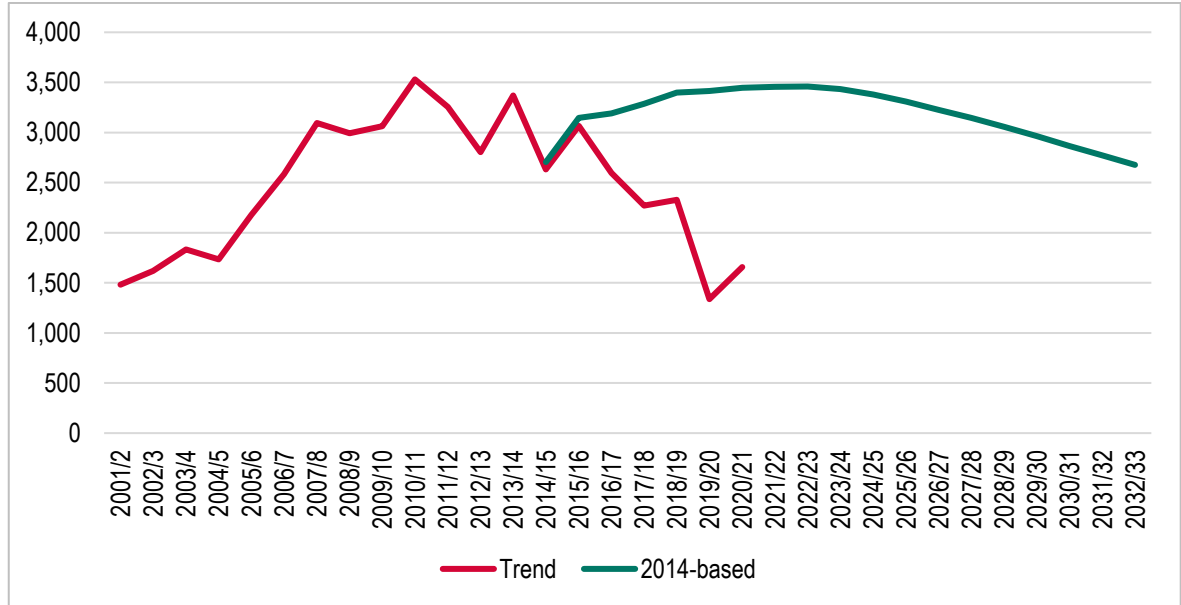
Source: Derived from ONS data

6.30 The question to follow is whether or not this is exceptional and below we consider each of these two broad components of change.

6.31 Firstly the figures below present data for natural change. The information shown is the recorded trend and the trajectory projected in the 2014-SNPP – data is provided for both South West Herts (SWH) and England. From this it is clear that the general trend across SWH is similar to England and whilst the trend has moved significantly away from the projection, a similar pattern can be seen for both areas. On this basis **it is not considered there is anything exceptional about the reduction in natural change in the study area: whilst this is a clear demographic phenomenon, it is seen nationally and across a range of areas across England.** If reduced

natural change was to constitute exceptional circumstances, there would be a case for deviation from the standard methodology for many local authorities across England.

Figure 6.1 Past Trends and Future Projections of Natural Change – South West Herts



Source: ONS

Figure 6.2 Past Trends and Future Projections of Natural Change – England



Source: ONS

6.32 For net migration, it is difficult to provide charts similar to those above. This is because we have looked at implied net migration based on the difference between population growth and natural change over the 2011-21 period. Therefore no equivalent time series of data exists. However, it is possible to look at data for this whole 10-year period to see if national figures have seen a significant decline (as is the case in South West Herts).

6.33 For clarity, the analysis above pointed to net migration in the 2011-21 period being around 17,600 people, but the 2014-SNPP had projected this to be 30,200. For England, the 2014-SNPP projected net migration to be 201,800 per annum (2011-21) and the recorded trend is actually slightly higher (but not dissimilar) at 209,700 per annum.

6.34 Hence the reduction in net migration across the study area, and the scale of it, is arguably exceptional in a local context and in demographic terms. However before consideration is given to whether exceptional circumstances exist, there is a need to consider the reasons why net migration may have been lower.

Housing Completions

6.35 The analysis above suggests there has been a shift in levels of migration in the 2011-21 period with the analysis below looking to see if lower levels of migration might be due to low levels of completions, essentially if homes are not built then the opportunity for households to move to an area is reduced. We have looked at three time periods:

- 2009-14 – the five year period to 2014 reflecting the main trend period used by ONS in the 2014-based projections;
- 2016-21 – the last five years (to provide a consistent time period to above and to compare with it);
- 2011-21 – a ten year period used to reflect that much of the data assessed has these two dates as data points (due to the Census).

6.36 Overall, the data suggests completions have actually been stronger in the recent past than in the 2009-14 period (Watford being the only exception).

Table 6.8 Average net housing completions for a range of time periods

	2009-14	2016-21	2011-21
Dacorum	359	600	500
Hertsmere	272	499	396
St Albans	346	460	409
Three Rivers	132	216	208
Watford	501	325	347
South West Herts	1,610	2,100	1,859

Source: Data supplied by Councils

6.37 Consideration however also needs to be given to how completions sit against the projected household growth in the 2014-based Household Projections. This is particularly important in a context in which Government has previously set out its view (see Para 4.6) that:

-
- Household projections are constrained by housing supply: if new homes are not supplied, households are unable to form; and the projections are trend-based; and
 - The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall.

6.38 The table below shows that over the 2011-21 decade, net completions fell 34% below the projected household growth in the 2014-based Household Projections. Completions were particularly low in relative terms in Three Rivers and Watford; but also in St Albans and Dacorum.

6.39 There is a correlation between lower relative delivery and the progress of development plans, specifically:

- Dacorum adopted its Core Strategy in 2013 and a Site Allocations Development Plan Document (DPD) in July 2017, but the CS fell short of meeting needs in full and was subject to a 'partial review' requirement which was originally intended to be adopted by 2017/18;
- Hertsmere adopted a Core Strategy in January 2013, following by an Area Action Plan (AAP) for the Elstree Corridor; and a Site Allocations and Development Management policies DPD in November 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years (which hasn't been achieved);
- St Albans last adopted a local plan in 1994. It has one of the oldest local plans of local authorities across England;
- Three Rivers adopted its Core Strategy in 2011 (prior to the NPPF) and a Site Allocations Plan in 2014. Housing provision within these were based on the East of England Plan rather than an up-to-date assessment of housing need;
- Watford adopted a new Local Plan in October 2022, after the period considered. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford's capacity evidence.

6.40 Dacorum, Hertsmere and Watford are therefore the only authorities with a post-NPPF Plan within the sub-region. However Dacorum's plan did not fully meet needs and was subject to a requirement for a review to address this; whilst Hertsmere's Core Strategy was not informed by an up-to-date assessment of housing need.

6.41 Watford is the only local authority which has been examined since the introduction of the standard method in 2018. In other areas, plans are more than a decade old and there has been a lack of an up-to-date planning framework, and in the context of strategic constraints to development

(including Green Belt) it is reasonable to conclude that a lack of housing supply will have influenced the lower migration. There is a correlation between the scale of under-delivery and the scale of lower migration, which is logical – as migration can be constrained by housing delivery. Across the sub-region housing delivery fell below projected household growth by a third.

Table 6.9 Completions compared to Projected Household Growth, 2011-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	500	752	67%
Hertsmere	396	438	90%
St Albans	409	602	68%
Three Rivers	208	393	53%
Watford	347	624	56%
South West Herts	1859	2,808	66%

Source: LPA Monitoring Data/ 2014 Household Projections

6.42 For reference, the table below provides a similar analysis for the more recent 5 year period. A similar picture is evident, with annual housing delivery in line with the projected household growth in Hertsmere; but with lower delivery in the other authorities, and in particular in Three Rivers and Watford.

Table 6.10 Completions compared to Projected Household Growth, 2016-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	600	768	78%
Hertsmere	499	501	100%
St Albans	460	665	69%
Three Rivers	216	430	50%
Watford	325	606	54%
South West Herts	2,204	2970	74%

Source: LPA Monitoring Data/ 2014 Household Projections

Alternative Population and Household Projections

6.43 The analysis above suggests that there has been a shift in levels of migration in the 2011-21 period. It is an evident demographic trend, but does appear to have been influenced by land supply and planning constraints.

6.44 We consider in this sub-section the notional implications of modelling forward the lower population growth implied by more recent projections.

6.45 Essentially, we have tested what population change and household growth might be if we modelled a lower level of migration. Because the trends in natural change are not exceptional, figures for this continue to be drawn from the 2014-based projections, whilst concerns about suppressed household formation being included in recent trends (and in projections developed since 2014) mean that data about household representation (the chances of a person of a particular age being a 'head of household' also continues to be drawn from 2014-based projections. In summary the method used has been to:

- Set up a model using 2014-based data – this means that we maintain the higher levels of natural change and also the more positive Household Representative Rate (HRR) data; and
- Reduce migration in the modelling by the estimated difference between the 2014-SNPP and the observed trend. As noted, across SWH this is around 1,260 per annum with individual LA figures being (Dacorum – 412, Hertsmere – 16, St Albans – 435, Three Rivers – 186, Watford – 212).

6.46 This modelling gives the following estimates of household growth (2023-33) to which we have added an adjustment based on the latest affordability ratio and also a capped adjustment of 40%. With the uncapped figures the need drops from 4,862 dpa in the Standard Method to 3,934 dpa based on the uncapped figures in the updated projections.

6.47 If the alternative projection is capped, the reduction in need is more notable (reducing by 759 dwellings per annum). We do not however consider this to be a robust or justifiable approach, as it is applying a capped affordability uplift to a constrained (and thus effectively capped) figure for household growth, and does not represent an approach which considers the unconstrained housing need as required by the PPG.

6.48 There are differences for authorities with the uncapped need being slightly lower than the Standard Method in all areas apart from Hertsmere; and the capped need being notably lower (apart from in Hertsmere).

Table 6.11 Standard Method Housing Need Calculations with remodelled projections (including 2022 affordability ratios)

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SWH
SM as published – Uncapped	1,175	856	1,206	715	911	4,862
SM as published – Capped	1,017	726	887	637	778	4,046
Change in households (pa)	546	512	449	379	462	2,348
Uncapped need	882	844	854	596	757	3,934
Difference in uncapped need	-293	-12	-352	-119	-154	-928
Capped need	764	716	629	530	647	3,287
Difference in capped need	-253	-10	-258	-107	-131	-759

Source: Demographic projections; and affordability uplift from Table 5.1

6.49 The largest relative differences between the calculations using the alternative projections and those using the standard method are in St Albans and Dacorum. However both authorities have seen sustained house price inflation; have market signals which point to comparatively strong housing demand and high affordability barriers and as a result have seen declining home ownership. They have both seen trend-based housing growth which is below the national average and out of context with the wider demand evidence.

6.50 Drawing the evidence together, Icenl does not consider that there is a strong 'exceptional circumstances' case to justify the use of the figures in this table, and in particular the capped need, given the lack of an up-to-date (post standard method) planning policy framework in many areas which is focused on meeting objectively assessed housing need over the period from which the projections were derived and evidence of historical constraints on housing supply which will have constrained net migration to the area and growth in home ownership.

Relationship to Forecast Economic Growth

6.51 The analysis to follow considers the relationship between housing and economic growth; seeking to understand what level of jobs might be supported by changes to the local labour supply (which will be influenced by population change). To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply);
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections.

6.52 To inform this analysis we have developed bespoke demographic projections which align to a) the minimum level of housing need shown in the standard method; and b) the level of housing need shown by the 2014-based demographic projections, **these are further detailed in Appendix A2**. The latter has been modelled to test the implications of lower housing provision on workforce growth to help inform decisions on housing provision as part of the plan making process. It does not imply that this is a suitable assessment of overall housing need.

Growth in Resident Labour Supply

6.53 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the

Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report) – this data has then been rebased to information in the 2021 Census (for an updated estimate of the number of people who are economically active).

6.54 The table below shows the assumptions made for the HMA with data specific to local authorities being used in the modelling. The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Table 6.12 Projected changes to economic activity rates (2021 and 2041) – South West Herts

	Males			Females		
	2021	2041	Change	2021	2041	Change
16-19	31.0%	30.9%	-0.1%	32.5%	32.4%	-0.1%
20-24	80.8%	80.5%	-0.3%	77.4%	77.2%	-0.2%
25-29	90.4%	90.4%	0.0%	84.3%	84.3%	0.0%
30-34	92.3%	92.1%	-0.2%	82.3%	82.9%	0.5%
35-39	93.1%	92.7%	-0.4%	81.6%	83.1%	1.5%
40-44	93.0%	91.7%	-1.3%	82.2%	85.3%	3.1%
45-49	92.3%	91.6%	-0.7%	82.4%	86.6%	4.2%
50-54	89.9%	89.0%	-0.9%	80.3%	83.8%	3.5%
55-59	83.9%	83.4%	-0.5%	73.7%	75.8%	2.1%
60-64	70.2%	77.0%	6.8%	56.9%	65.4%	8.5%
65-69	38.2%	51.1%	12.8%	26.5%	42.2%	15.6%
70-74	17.7%	19.9%	2.3%	9.6%	16.2%	6.6%
75-89	6.7%	7.6%	0.9%	3.0%	6.0%	3.0%

Source: Based on OBR and Census data

6.55 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the study area – this is set out in the table below. The analysis shows that the projection linked to 2014-based household growth results in an increase in the economically-active population of 63,600 people – a 20% increase. Linked to the Standard Method, the increase is higher (79,400 people – 25%). This arises as in the modelling of the demographic implications of the standard method, we have modelled an improvement in household formation (with age specific household formation for younger households for instance modelled to move back towards the 2011 position).

Table 6.13 Estimated change to the economically active population (2021-41) – linked to 2014-based household growth

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	95,714	14,966	18.5%
Hertsmere	55,584	66,303	10,719	19.3%
St Albans	75,994	90,321	14,327	18.9%
Three Rivers	49,133	58,966	9,833	20.0%
Watford	55,926	69,654	13,727	24.5%
South West Herts	317,386	380,958	63,572	20.0%

Source: Derived from demographic projections

Table 6.14 Estimated change to the economically active population (2021-41) – linked to Standard Method

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	99,493	18,744	23.2%
Hertsmere	55,584	69,355	13,771	24.8%
St Albans	75,994	93,529	17,535	23.1%
Three Rivers	49,133	61,962	12,829	26.1%
Watford	55,926	72,463	16,537	29.6%
South West Herts	317,386	396,803	79,417	25.0%

Source: Derived from demographic projections

Linking Changes to Resident Labour Supply and Job Growth

6.56 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa

Commuting Patterns

- 6.57 The two tables below show summary data about commuting to and from South West Herts (and local authorities) from the 2011 and 2021 Census. The 2011 data is presented as well as 2021 data as the most up-to-date information is likely to be influenced by Covid-19 resulting in increased home-based working.
- 6.58 The 2011 data shows the HMA having a level of net out-commuting; the number of people resident in the area who are working being about 9% higher than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). All areas other than Watford see net out-commuting.
- 6.59 The 2021 Census data on the other hand indicates that for the HMA there is a degree of net in-commuting, with the biggest change being seen in St Albans, which goes from seeing out-commuting of 16% to in-commuting of 12%. As expected the big difference here is a sizeable increase in home workers (and those of no fixed workplace).
- 6.60 In interpreting this data it is considered the 2011 data is somewhat dated, whilst data from 2021 is a reflection of commuting at the point in time of the Census which coincided with a Covid-19 lockdown (when people were encouraged to work from home if they could) and is unlikely to be fully reflective of current patterns.
- 6.61 It is difficult therefore to draw precise conclusions on commuting dynamics, and we have elected instead to model what workforce growth would result and the number of jobs which this could support. Given the inter-relationship between SW Herts authorities and London and public transport connections between the two, it may be quite reasonable to expect labour supply to exceed labour demand within individual authorities.

Table 6.15 Commuting patterns (2011)

	Daco- rum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Live and work in Local Authority (LA)	27,003	10,378	20,475	7,297	14,428	-
Home workers	9,021	6,292	9,411	5,540	4,093	-
No fixed workplace	6,852	4,907	5,303	4,245	4,411	-
In-commute	31,045	28,356	36,629	27,251	24,903	-
Out-commute	23,852	25,276	26,862	18,636	28,814	-
Total working in LA	66,728	46,853	62,051	35,718	51,746	263,096
Total living in LA (and working)	73,921	49,933	71,818	44,333	47,835	287,840
Commuting ratio	1.11	1.07	1.16	1.24	0.92	1.09

Source: 2011 Census

Table 6.16 Commuting patterns (2021)

	Daco- rum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Live and Work in District	17,325	7,107	13,304	4,931	10,830	-
Home Workers or No Fixed Workplace	41,861	28,798	45,424	26,326	26,083	-
In Commute	16,050	18,795	24,013	12,822	17,074	-
Out Commute	18,029	16,865	14,129	15,688	15,948	-
Total Working in LA	75,236	54,700	82,741	44,079	53,987	310,743
Total Living in LA and Working Anywhere	77,215	52,770	72,857	46,945	52,861	302,648
Commuting Ratio	1.03	0.96	0.88	1.07	0.98	0.97

Source: 2021 Census

Double Jobbing

6.62 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the HMA divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) for the past 5-years suggests that typically about 4.5% of workers in SW Herts have a second job and this has been used in the assessment.

6.63 For the purposes of this assessment it has been assumed that around 4.5% of people will have more than one job moving forward. A double jobbing figure of 4.5% gives rise to a ratio of 0.955 (i.e. the number of jobs supported by the workforce will be around 4.5% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

Unemployment

6.64 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers. Given the estimates of economic activity and job growth are taken from 2021 it is considered that there is no need to include a further adjustment to take account of the pandemic. Essentially it is assumed that people who lost employment through the pandemic will have remained economically active in 2021.

6.65 There is some evidence nationally that some people, particularly in older age groups, left the labour force (such as taking early retirement) precipitated by the pandemic. There is a need to monitor this, given the Government's desire to draw people who stopped working through Covid back into the labour force to support economic growth, and consider how effective initiatives to do so are – particularly in relatively affluent areas such as SW Herts.

Jobs Supported by Growth in the Resident Labour Force

6.66 The tables below show how many additional jobs might be supported by population growth under the two projections developed. It is estimated that around 66,600 additional jobs could be supported by the changes to the resident labour supply over the 2021-41 period when linked to the 2014-based household projections with a higher figure (83,200) if linking to the Standard Method.

Table 6.17 Jobs supported by demographic projections (2021-41) – linked to 2014-based household growth

	Total change in economically active	Allowance for double jobbing
Dacorum	14,966	15,671
Hertsmere	10,719	11,224
St Albans	14,327	15,002
Three Rivers	9,833	10,296
Watford	13,727	14,374
South West Herts	63,572	66,568

Source: JGC and Icení modelling

Table 6.18 Jobs supported by demographic projections (2021-41) – linked to Standard Method

	Total change in economically active	Allowance for double jobbing
Dacorum	18,744	19,628
Hertsmere	13,771	14,420
St Albans	17,535	18,362
Three Rivers	12,829	13,434
Watford	16,537	17,316
South West Herts	79,417	83,159

Source: JGC and Icení modelling

Comparison of Labour Demand and Supply

6.67 Next we have sought to consider whether projections of jobs growth could drive demand for higher numbers of homes. To do this, we have compared the potential labour supply which could be supported by the two scenarios considered above with a projection of employment growth (net changes in total employment) being used in the preparation of the economic study/ employment land evidence for SW Herts. The projections have been prepared by Hatch, the Economy Study consultants, using forecast data from Cambridge Econometrics as an input; with adjustments to reflect inaccuracies with input BRES data. They provide estimates of future growth in employment in each of the SW Herts districts, which represent an assessment of labour demand.

6.68 Icení has considered whether the potential labour supply is sufficient to support these projections. The analysis, as shown in the table below, indicates that in both scenarios for housing provision,

there is sufficient labour supply to support the projected jobs growth. This is the case at both a HMA level across SW Herts, and for individual authorities within the sub-region.

Table 6.19 Comparison of Labour Demand and Supply, 2021-41

	Projected Labour Demand	Employment Growth Supported	
		2014 Household Projections	Standard Method
Dacorum	10,200	15,671	19,628
Hertsmere	7,100	11,224	14,420
St Albans	10,000	15,002	18,362
Three Rivers	6,800	10,296	13,434
Watford	7,700	14,374	17,316
South West Herts	41,700	66,568	83,159

Source: Cambridge Econometrics and JGC/Iceni modelling

Wider Considerations in Drawing Conclusions on Housing Need

- 6.69 The Planning Practice Guidance in Para 2a-010-20201216 sets out that in addition to changing economic circumstances (as considered above), there may be other situations where housing need is likely to exceed past trends, which can include where there are growth strategies for the area, strategic infrastructure improvements; or an authority has agreed to take on unmet need from neighbouring areas. It also identifies that there may be occasions where previous housing delivery has significantly exceeded the standard method which may provide some basis for considering higher housing delivery. As discussed, NPPF Para 67 also enables Councils to set housing targets above the housing need to reflect economic growth ambitions or infrastructure investment.
- 6.70 There are no specific 'growth strategies' in place which affect the SW Herts local authorities and at the current time we are not aware that any of the 5 authorities have agreed to take on unmet need from adjoining areas.
- 6.71 As the table below shows, the standard method housing need figures are over 80% higher than recent housing completions rates, and are above historical completions over both a 5 and 10 year period in each of the SW Herts authorities.

Table 6.20 Comparing Standard Method and Historical Completions

Homes per year	Daco- rum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need (2023)	1,017	726	887	637	778	4,046
10 year average net completions (2012-22)	535	420	402	204	381	1,942
5 year average net completions (2017-22)	616	525	455	215	406	2,217

Source: Icen analysis of Council Data

6.72 **Appendix A3** has considered other factors which could have a potential bearing on housing need. Major infrastructure investment schemes identified are not currently committed or have funding in place. Nonetheless the main impacts of them would be to support the potential for additional employment growth.

6.73 The analysis identifies some potential major employment generating schemes which, if taken forwards, could support additional job creation – ultimately of up to c. 15,000 jobs; but the job creation associated with these is not of a scale which makes it likely that employment growth would exceed the labour supply shown in Table 6.19 above such that it generated an additional need for housing. The gap between jobs growth and labour supply therein points to considerable flexibility to support additional jobs growth before there is an impact on housing need.

6.74 Having regard to the balance between jobs and homes, the analysis does not therefore identify specific considerations which have an immediate bearing on conclusions on the overall need for homes in SW Herts.

Conclusions on Overall Housing Need

6.75 Drawing together the evidence on overall housing need:

- The sub-region has seen sustained and consistent house price inflation, which has been strongest in St Albans but affects all local authorities;
- House prices are now very significant, with the average house price now exceeding £0.5 million, presenting substantial barriers to local households from getting on the housing ladder. Prices are now almost 15 times earnings for those working locally; and households need £30,000+ in savings to be able to buy without financial support;
- Housing stock growth has been generally below the regional and national averages, except in Hertsmere and Watford, influenced by strategic development constraints and a lack of up-to-date local plans providing for development needs in some areas;

-
- Influenced by these constraints, there has been a particular focus of growth in flatted properties; with larger dwellings delivered partly by extensions to existing dwellings;
 - The housing supply and affordability constraints which are evident have led to declining home ownership, with the rate of home ownership falling from 69.2% to 65.9% of households across the HMA. Growth has particularly been seen in the Private Rented Sector.
 - Significant overcrowding is also evident, with 10% of households in rented tenures living in overcrowded homes.
 - The standard method is based on 2014 household projections which are now dated. The evidence shows that population growth has been notably weaker, growing by 7.6% over the 2011-21 decade compared to 11.0% projected in the 2014-based projections. These differences relate to two factors: lower natural change, and lower net migration.
 - The lower natural change is a factor which is not specific to SW Herts, and indeed is seen in many areas nationally. SW Herts is not exceptional in these terms.
 - Migration has been weaker, and this can be expected to feed into lower population growth in future ONS projections, but this correlates relatively closely to housing delivery; with the evidence suggesting that lower net migration has been influenced by a lack of up-to-date plans providing for objectively assessed housing needs. It does not provide a firm basis for divergence from the standard method.
 - When affordable housing provision is overlaid (as considered in the next section), it is clear that there is a very substantial need for affordable housing with the evidence pointing to a need for 2,279 rented affordable homes a year, and over 1,400 affordable home ownership properties. Whilst there is not a direct relationship to overall housing provision, and the affordable need is sensitive to changes in housing costs relative to incomes, there would be clear adverse consequences on affordable delivery from reducing overall housing need below the standard method levels which would not be justified on the evidence.

6.76 We do not therefore find that the evidence points towards housing need being below the standard method or exceptional circumstances for deviation from the standard method as a means of assessing housing need. As identified at the beginning of this Section, it is for the Councils to draw together the evidence of housing need with wider considerations, including development constraints, in setting a housing requirement. In doing so, the Councils should consider (amongst other factors) the effects of different growth options on the delivery of affordable housing in line with the PPG which sets out that an increase in total housing figures in plans may be considered whether it could help to deliver the required number of affordable homes. Affordable housing delivery may be an important consideration in some areas, recognising that a lack of affordable housing supply can have direct social consequences as well as economic consequences for

Councils who can end up seeing rising costs of housing people in temporary accommodation if there is insufficient supply of affordable housing to meet priority needs.

7. AFFORDABLE HOUSING NEED

- 7.1 This section provides an assessment of the need for affordable housing in South West Herts. It considers two categories of affordable housing need, linked to Annex 2 of the NPPF:
- Need for social or affordable rented housing – the need from households unable to buy, who need social or affordable rented homes or affordable private rented homes;
 - Need for affordable home ownership – which includes shared ownership / equity, first homes, and other local cost home ownership products.
- 7.2 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented/ affordable private rented) and therefore the analysis looks at the need for *'affordable housing for rent'* as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:
- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of secondary data sources – this figure is then annualised so as to meet the current need over a period of time;
 - **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
 - **Existing households falling into need:** based on studying past trends in the types of households who have accessed different types of affordable housing; and
 - **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock of the relevant type.
- 7.3 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing.
- 7.4 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households

to afford private rents has influenced whether or not they are in need of social/ affordable rented housing.

- 7.5 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG on 'Housing and Economic Needs Assessment' includes households that "*cannot afford their own homes, either to rent, or to own, where that is their aspiration*" as having an affordable housing need. This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so.
- 7.6 The analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).
- 7.7 Data on housing costs and incomes based on the latest information at the time of the modelling provides an input into the process. This is set out in **Appendix A4**.

Affordability Thresholds

- 7.8 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 7.9 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

- 7.10 At £900-£1,075 per calendar month, lower quartile rent levels in South West Herts are above average in comparison to those seen nationally (a lower quartile rent of £610 for England in the year to September 2022). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). On balance, it is considered that a threshold of 30% is reasonable in a local context: to afford a £1,000 pcm rent would imply a gross household income of about £40,000 (and in net terms the rent would likely be around 38% of income).
- 7.11 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 7.12 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.13 For the purposes of this assessment, the income thresholds for accessing owner-occupation without financial support assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis. Whilst some mortgages are available at a 95% loan-to-value ratio, these tend to be accompanied by higher interest rates.
- 7.14 The table below shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable ‘gap’ in all areas across the Study area, particularly locations with higher house prices. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 7.1 Estimated Household Income Required to Buy and Privately Rent by local authority

	To buy	To rent (privately)	Income gap
Dacorum	£66,400	£36,000	£30,400
Hertsmere	£79,000	£42,000	£37,000
St Albans	£84,600	£40,000	£44,600
Three Rivers	£82,000	£43,000	£39,000
Watford	£61,600	£40,000	£21,600

Source: Based on Housing Market Cost Analysis

Need for Social/ Affordable Rented Housing

- 7.15 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the Study area. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

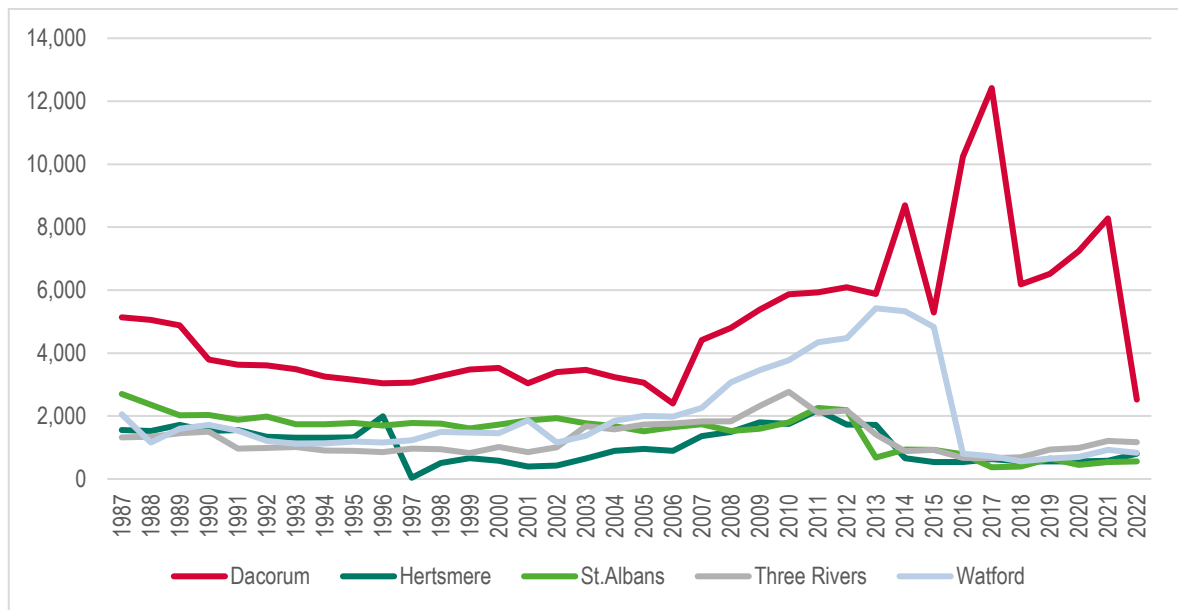
Contextual Data

- 7.16 The analysis below looks at some contextual data about affordable housing need, drawing on a number of published sources.

Housing Register

- 7.17 The figure below shows trends in the number of people on each Council's Housing Register. The main takeaway from this is how highly variable figures can be from year to year, particularly in Dacorum, which is more likely to reflect allocations policy rather than any measure of housing need. Taking Dacorum as an example, there were 12,400 people registered in 2017, with the figure now being just over 2,500. This reflects a review of Dacorum's Housing Allocations policy and data cleansing of the Housing Register. The Council consider that the number of applicants on the Housing Register is now more accurate measure of need in the Borough. Likewise, Watford saw a larger drop between 2015 and 2016.
- 7.18 The size of the Register in different areas can be a reflection more of how the Register is managed, including the policies on who can join the Register, rather than underlying differences in the affordable housing need. The current (2022) numbers on the register are:
- Dacorum – 2,518;
 - Hertsmere – 799;
 - St Albans – 559;
 - Three Rivers – 1,165; and
 - Watford – 835.

Figure 7.1 Number of Households on Council Housing Registers (1987-2022)



Source: DLUHC Live Table 600

7.19 Given the difficulty in having too much confidence in the Housing Register as providing a consistent measure of need, the main estimates of current affordable need (to follow) are based on a range of secondary data sources, although the current figures can still be considered to provide some context.

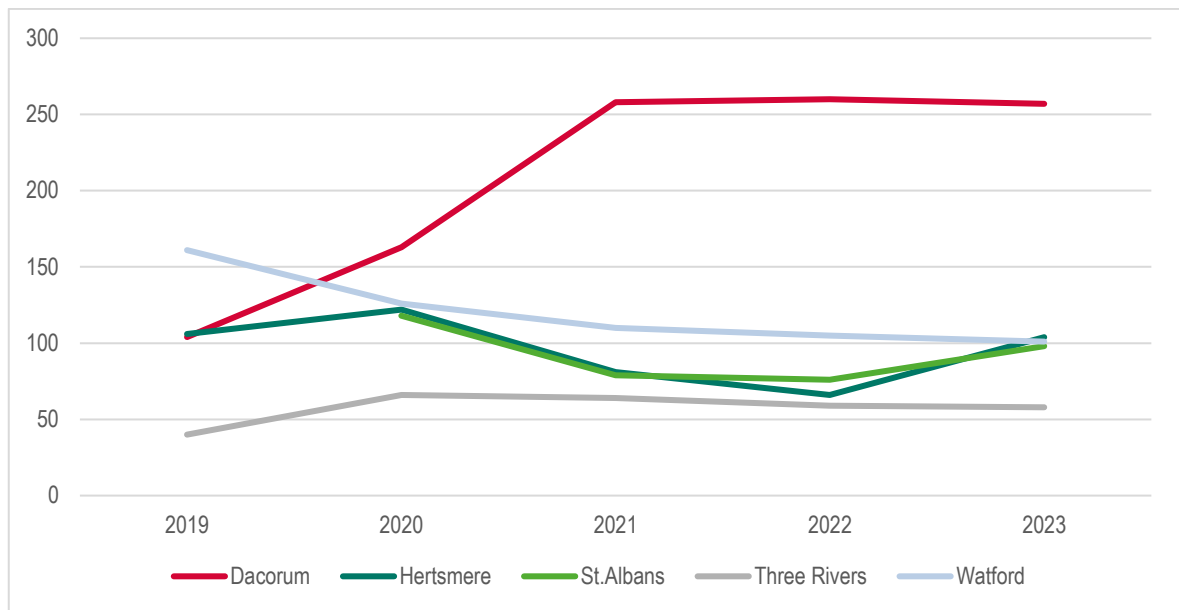
Temporary Accommodation

7.20 The figure below shows the number of households living in temporary accommodation in each Council area (figures include those for which the Council has a duty but are housed in another authority). Data is taken from Statutory Homelessness Statistics, which provide quarterly information about those who local authorities have a duty to accommodate as they are homeless through no fault of their own, eligible for assistance, and have a 'priority need'. This primarily includes those with children or a vulnerability, including disability or mental ill-health. The data presented is for March in each year from 2019 to 2023 with the start date reflecting data releases since the Homelessness Reduction Act (2017).

7.21 As with the Housing Register, the data shows some variation year-on-year in the number of households in temporary accommodation – there looks to have been a notable rise in Dacorum, but some reduction in Watford. As of March 2023, the number of households in temporary accommodation were:

- Dacorum – 257
- Hertsmere – 104
- St Albans – 98
- Three Rivers – 58
- Watford – 101

Figure 7.2 Number of Households living in Temporary Accommodation (2019-2023)



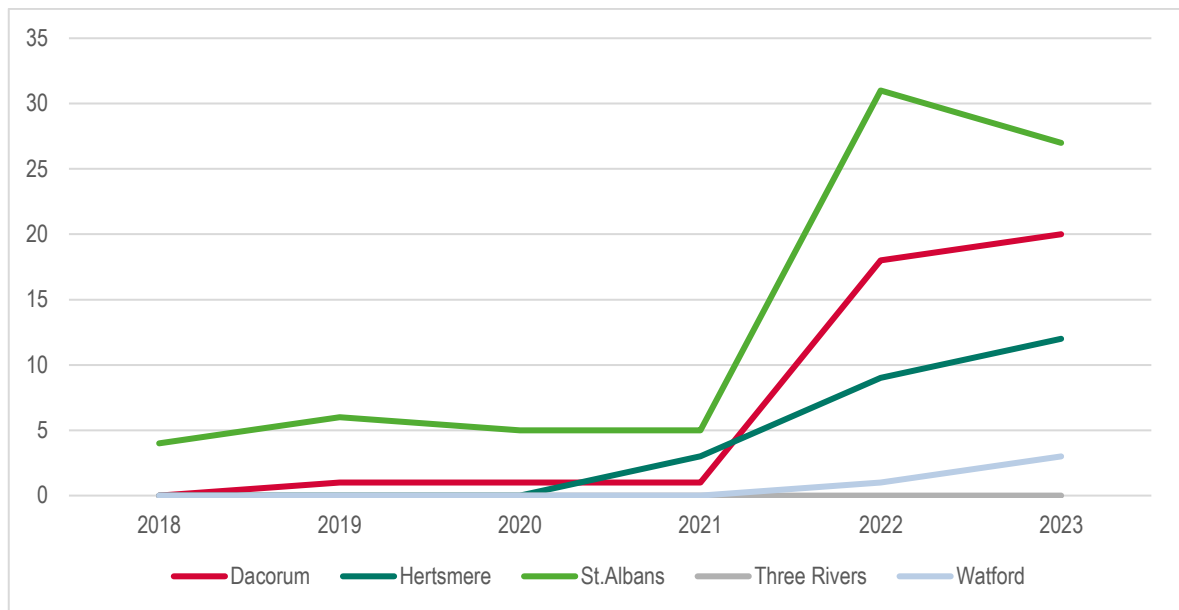
Source: DLUHC Statutory Homelessness Statistics

7.22 The final analysis below looks at trends in the number of asylum seekers in each local authority. This is based on data for ‘Dispersal accommodation’ which is described as accommodation provided to Asylum Seekers whose claim for Asylum Support has been agreed. Generally the number of asylum seekers across South West Herts is quite low, however there is a clear upward trend. As of March 2023 the number of asylum seekers housed in each authority was:

- Dacorum – 20
- Hertsmere – 12
- St Albans – 27
- Three Rivers – 0
- Watford – 3

7.23 The rise in asylum seeker numbers shown is likely to have been influenced by the launch of the Homes for Ukraine scheme and Ukraine Family Scheme in March 2022, in response to the Russian invasion; following on from the launch of the Afghan Relocations and Assistance Scheme and Hong King Nationals Scheme in 2021.

Figure 7.3 Number of asylum seekers housed in Dispersal Accommodation



Source: Home Office Asylum and Resettlement Datasets

- 7.24 In addition, there are more significant numbers living in contingency accommodation described as temporary accommodation (including hotels) used when there is insufficient Initial or Dispersal accommodation available. As of March 2023, there were 510 people in such accommodation in Dacorum, 40 in Hertsmere and 187 in St Albans.
- 7.25 Overall, the background data provides some indication of an affordable housing need. Whilst the Housing Register numbers are variable, it is clear there are many households seeking housing in all areas. This coupled with notable numbers living in temporary accommodation and a clear increase in the number of asylum seekers does point to pressures on the affordable housing stock across the HMA.

Current Need

- 7.26 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).
- 7.27 Where the source shown is ‘modelled data linking to past survey analysis’, this is based on looking at surveys carried out nationally by Icen and JGC to seek to establish prevalence rates. These are mainly relevant to the private rented sector where there will be households who have a need due to a range of issues – the main ones generally being the threat of homelessness due to a tenancy ending, and housing costs leading to rent arrears. From national data applied to the size of different

housing sectors it is possible to establish a reasonable estimate of the likely number of households with a need currently.

Table 7.2 Main Sources for Assessing the Current Need for Affordable Housing

	Source	Notes
Homeless households (and those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing¹⁶	2021 Census table RM099	Analysis undertaken by tenure
Concealed households¹⁷	2021 Census table RM009	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

7.28 The table below shows the estimated number of households in each of these categories (concealed and homeless households taken together as there is an overlap). This suggested a need from around 21,000 households in the SW Herts area, with just over half of these being overcrowded.

Table 7.3 Estimated housing need by category of household

	Households	% of households
Concealed/homeless household	4,269	20.3%
Households in overcrowded housing	10,752	51.2%
Existing affordable housing tenants in need	859	4.1%
Households from other tenures in need	5,138	24.4%
TOTAL	21,018	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

7.29 In taking this estimate forward, the data modelling next estimates the need by tenure and considers affordability. The affordability in different groups is based on estimates of how incomes are likely to

¹⁶ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2199>

¹⁷ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2109>

vary, for owner-occupiers there is a further assumption about potential equity levels. For homeless and concealed households it is assumed incomes will be low and households unlikely to be able to afford. The table below shows over half of those households identified above in the SW Herts area are unlikely to be able to afford market housing to buy OR rent and therefore there is a current need from 11,800 households.

Table 7.4 Estimated housing need and affordability by tenure

	Number in need	% unable to afford¹⁸	Current need after affordability
Owner-occupied	4,580	4.5%	207
Affordable housing	4,667	83.1%	3,877
Private rented	7,502	45.9%	3,443
No housing (homeless/concealed)	4,269	100.0%	4,269
TOTAL	21,018	56.1%	11,797

Source: Derived from a range of sources as outlined in Table 7.2

7.30 Finally, from these estimates, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The total current need is therefore estimated to be around 7,900. For the purposes of analysis, it is assumed that the local authorities would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2041, the need is annualised by dividing by 20 (to give an annual need for 396 dwellings across all areas). This does not mean that some households would be expected to wait 20-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time. It provides an affordable housing figure which can be compared against the overall housing need on a like-for-like basis.

7.31 The table below shows this data for local authorities – this includes the number in need (once taking account of affordability), the number once excluding housing in affordable housing and the annual figure this represents.

¹⁸ The % unable to afford column is based on looking at an estimated income distribution for each group of households and testing what proportion have an income sufficient to access market housing without some form of subsidy. For owner-occupiers there is an additional assumption around equity levels being able to be used towards accessing housing.

Table 7.5 Estimated current housing need by local authority

	Number in need	Number in need, excluding those in affordable housing	Annualised
Dacorum	2,575	1,690	85
Hertsmere	2,398	1,563	78
St. Albans	1,984	1,205	60
Three Rivers	1,614	1,064	53
Watford	3,226	2,397	120
SW Herts	11,797	7,919	396

Source: Derived from a range of sources as outlined in Table 7.2

Newly-Forming Households

- 7.32 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation (the number of households which form each year). The calculation of newly-forming households thus is different from considering net household growth (the net change in households).
- 7.33 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 7.34 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by Justin Gardner Consulting (JGC). This establishes that the average income of newly forming households is around 84% of the figure for households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.35 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.

7.36 The assessment suggests overall that 46.8% of newly forming households will be unable to afford market housing (to rent privately) and this equates to a total of 2,241 newly forming households who will have a need per annum on average across the Study area.

Table 7.6 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Dacorum	1,272	44.5%	566
Hertsmere	749	55.5%	415
St Albans	1,181	39.7%	469
Three Rivers	724	48.4%	350
Watford	867	50.7%	440
SW Herts	4,793	46.8%	2,241

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

7.37 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. Data has been drawn from a number of sources, including Local Authority Housing Statistics (LAHS) and Continuous Recording of Sales and Lettings (CoRe). Households in this category will include existing households who for instance fall into need as they are evicted from a private rented sector property; or others who can no longer afford market housing because of changes in their financial circumstances.

7.38 In the absence of any guidance in the PPG, this method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that '*Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)*'. Following the analysis through suggests a need arising from 502 existing households each year across the Study area.

Table 7.7 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Dacorum	175	34.7%
Hertsmere	86	17.0%
St Albans	123	24.4%
Three Rivers	48	9.6%
Watford	71	14.2%
SW Herts	502	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

Supply of Social/Affordable Rented Housing Through Relets

- 7.39 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 7.40 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from a range of sources (mainly LAHS and CoRe) has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 7.41 On the basis of past trend data it has been estimated that 881 units of social/affordable rented housing are likely to become available to let to new tenants each year moving forward for occupation by households in need.

Table 7.8 Analysis of Past Social/Affordable Rented Housing Supply, 2019/20 – 2021/22 (average per annum) – South West Herts

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2019/20	1,604	85.2%	1,367	53.6%	732
2020/21	1,525	84.4%	1,287	63.9%	823
2021/22	2,154	76.9%	1,657	65.6%	1,087
Average	1,761	81.6%	1,437	61.5%	881

Source: CoRe

- 7.42 The table below shows the estimated supply of affordable housing from relets in each local authority – figures varying from 88 per annum in Three Rivers, up to 331 in Dacorum.

Table 7.9 Estimated supply of affordable housing from relets of existing stock by local authority (per annum)

	Annual supply	% of supply
Dacorum	331	37.6%
Hertsmere	146	16.6%
St Albans	203	23.1%
Three Rivers	88	10.0%
Watford	113	12.8%
SW Herts	881	100.0%

Source: CoRe

- 7.43 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable Rented Housing

- 7.44 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 2,258 dwellings per annum across the area – an affordable need is seen in all local authorities. The net need is calculated as follows:

Net Need = Current Need (allowance for) + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 7.10 Estimated Need for Social/Affordable Rented Housing (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Dacorum	85	566	175	825	331	494
Hertsmere	78	415	86	579	146	433
St. Albans	60	469	123	652	203	449
Three Rivers	53	350	48	451	88	364
Watford	120	440	71	631	113	518
SW Herts	396	2,241	502	3,139	881	2,258

Source: Affordable Housing Needs Modelling

- 7.45 When compared with a similar assessment carried out in 2020, this report points to a higher net need for affordable housing (an annual figure of 1,994 in 2020). The difference between figures is

largely driven by a reduction in estimated future relet supply due to turnover of stock having been notably lower in the recent past. This difference is in part due to the 2020 report including supported housing relets (although there is a knock-on effect of also including some existing households falling into need for supported housing). Supported housing (mostly older persons housing) is dealt with separately in this report.

7.46 Overall, the difference is not considered to be substantial, with both reports clearly pointing to the need to provide as much rented affordable housing as opportunities allow.

Table 7.11 Estimated Need for Social/Affordable Rented Housing (per annum) – comparing key data from 2020 SHMA report

		Total Gross Need	Relet Supply	Net Need
Dacorum	2020	993	630	363
	This study	825	331	494
Hertsmere	2020	585	228	356
	This study	579	146	433
St. Albans	2020	745	303	443
	This study	652	203	449
Three Rivers	2020	483	133	350
	This study	451	88	364
Watford	2020	712	230	482
	This study	631	113	518
SW Herts	2020	3,517	1,523	1,994
	This study	3,139	881	2,258

Source: Affordable Housing Needs Modelling and 2020 Study (Table 37)

Split Between Social and Affordable Rented Housing

7.47 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented). The analysis in this section considers the affordability of rented housing taking account of local incomes. This is intended to be an input to the consideration of policies for the delivery of rented affordable housing (alongside issues related to development viability and available funding).

Current Rents for Different Products

7.48 The tables below show current (2023) rent levels in the Study area for a range of products along with relevant Local Housing Allowance (LHA) rates. South West Herts is split across a number of Broad Rental Market Areas (BRMA) for the purposes of LHA, but the majority of the area (including key settlements of Watford, Hemel Hempstead and St Albans) are all within the South West Herts

BRMA. All relevant LHA rates are included in the tables although it should be noted this does not have any impact on the analysis to follow and should be seen as included for reference purposes.

7.49 Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH), which records average social and affordable rents being charged in each local authority, and this is compared with lower quartile and median market rents (from ONS data). The LHA rates for all sizes of home are typically below lower quartile market rents and notably below median figures. This does potentially mean that **households seeking accommodation in many locations may struggle to secure sufficient benefits (through Local Housing Allowance) to cover their rent.**

7.50 In November 2023 the Chancellor of the Exchequer took the decision to unfreeze Local Housing Allowance. This will allow people to claim more support for their rental costs going forwards.

Table 7.12 Comparison of rent levels for different products – Dacorum

	1- bedroom	2- bedrooms	3- bedrooms	4- bedrooms	All
Social rent	£437	£513	£572	£612	£519
Affordable rent (AR)	£664	£810	£994	£1,135	£797
Lower quartile (LQ) market rent	£825	£995	£1,300	£1,600	£900
Median market rent	£875	£1,125	£1,400	£1,950	£1,100
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Aylesbury)	£673	£798	£1,047	£1,392	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-

Source: RSH, ONS and VOA

Table 7.13 Comparison of rent levels for different products – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£441	£523	£594	£653	£536
Affordable rent (AR)	£680	£865	£987	£992	£826
Lower quartile (LQ) market rent	£895	£1,175	£1,450	£1,850	£1,050
Median market rent	£950	£1,275	£1,555	£2,200	£1,300
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Outer North London)	£1,067	£1,296	£1,596	£1,895	-
LHA (South East Herts)	£748	£922	£1,197	£1,396	-

Source: RSH, ONS and VOA

Table 7.14 Comparison of rent levels for different products – St Albans

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£454	£547	£623	£693	£541
Affordable rent (AR)	£711	£917	£1,133	£1,096	£888
Lower quartile (LQ) market rent	£850	£1,150	£1,500	£2,200	£1,000
Median market rent	£932	£1,300	£1,750	£2,670	£1,260
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

Table 7.15 Comparison of rent levels for different products – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£415	£503	£566	£623	£504
Affordable rent (AR)	£613	£753	£850	£990	£748
Lower quartile (LQ) market rent	£900	£1,125	£1,450	£1,950	£1,075
Median market rent	£995	£1,250	£1,600	£2,250	£1,275
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-
LHA (North West London)	£997	£1,247	£1,546	£1,845	-

Source: RSH, ONS and VOA

Table 7.16 Comparison of rent levels for different products – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£436	£496	£546	£610	£506
Affordable rent (AR)	£699	£880	£999	£1,102	£835
Lower quartile (LQ) market rent	£900	£1,185	£1,400	£1,875	£1,000
Median market rent	£995	£1,250	£1,563	£2,125	£1,200
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

7.51 To some extent it is easier to consider the data above in terms of the percentage one housing cost is of another and this is shown in the tables below. Caution should be exercised when looking at the overall averages as these will be influenced by the profile of stock in each category: as such the averages will be skewed slightly towards 2-bedroom homes, which make up the majority of rented stock. This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) and that affordable rents (as currently charged) represent 68%-84% of a current lower quartile market rent (62%-76% if comparing with a median rent). Whilst affordable rents are up to 80% of market rent (including service charges), the rent can be set lower and is evidently set based on the estimated market rent for individual properties.

Table 7.17 Difference between rent levels for different products – Dacorum

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	66%	53%	50%	81%	76%	94%
2-bedrooms	63%	52%	46%	81%	72%	88%
3-bedrooms	58%	44%	41%	76%	71%	93%
4-bedrooms	54%	38%	31%	71%	58%	82%
All	65%	58%	47%	89%	72%	82%

Source: RSH, ONS and VOA

Table 7.18 Difference between rent levels for different products – Hertsmere

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	65%	49%	46%	76%	72%	94%
2-bedrooms	60%	44%	41%	74%	68%	92%
3-bedrooms	60%	41%	38%	68%	64%	93%
4-bedrooms	66%	35%	30%	54%	45%	84%
All	65%	51%	41%	79%	64%	81%

Source: RSH, ONS and VOA

Table 7.19 Difference between rent levels for different products – St Albans

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	64%	53%	49%	84%	76%	91%
2-bedrooms	60%	48%	42%	80%	71%	88%
3-bedrooms	55%	42%	36%	76%	65%	86%
4-bedrooms	63%	32%	26%	50%	41%	82%
All	61%	54%	43%	89%	70%	79%

Source: RSH, ONS and VOA

Table 7.20 Difference between rent levels for different products – Three Rivers

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	68%	46%	42%	68%	62%	90%
2-bedrooms	67%	45%	40%	67%	60%	90%
3-bedrooms	67%	39%	35%	59%	53%	91%
4-bedrooms	63%	32%	28%	51%	44%	87%
All	67%	47%	40%	70%	59%	84%

Source: RSH, ONS and VOA

Table 7.21 Difference between rent levels for different products – Watford

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	62%	48%	44%	78%	70%	90%
2-bedrooms	56%	42%	40%	74%	70%	95%
3-bedrooms	55%	39%	35%	71%	64%	90%
4-bedrooms	55%	33%	29%	59%	52%	88%
All	61%	51%	42%	84%	70%	83%

Source: RSH, ONS and VOA

Affordability of Current Social/Affordable Rents

- 7.52 An analysis has been undertaken to compare the income distribution of households with the cost of different products – initially based on actual affordable and social rents as published by the Regulator of Social Housing. For comparative purposes a lower quartile market rent is used to determine the group of households who cannot afford a market rent and would therefore benefit from a subsidised rent.
- 7.53 For the affordability test, a standardised average rent for each product has been used based on the proportion of stock in each size category and looks at the estimated income distribution of households likely to be seeking rented affordable housing. The table below suggests that across SW Herts around 15% of households who cannot afford to rent privately could afford an affordable rent, with a further 29% being able to afford a social rent (but not an affordable one). In both cases this is without benefit support. A total of 55% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).
- 7.54 There is some variation by area, with affordable rents looking to be most affordable in Three Rivers and less so in Dacorum. It should be remembered that this finding is based on current affordable rent levels and the proportions would be different if rent levels are higher or lower than current averages.

Table 7.22 Estimated need for affordable rented housing (% of households able to afford)

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
Dacorum	12%	29%	59%	100%
Hertsmere	14%	26%	60%	100%
St Albans	16%	33%	51%	100%
Three Rivers	25%	24%	51%	100%
Watford	13%	32%	55%	100%
SW Herts	15%	29%	55%	100%

Source: Affordability analysis

- 7.55 The finding that only 15% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. In particular, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent (with their income being supported by benefits) – hence a higher proportion of affordable rented housing might be appropriate. Indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.

7.56 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.

7.57 To illustrate this, the table below provides an **indicative** assessment of the capital values associated with social rent and affordable rented properties. This takes the average rental figures shown for each area in Tables 7.12 – 7.16 and assumes 20% of the rent is consumed by operating costs and a 4% yield. There is inevitably a trade-off between the delivery of affordable housing which is genuinely affordable as against how much affordable housing can be delivered.

Table 7.23 Indicative Capital Values for Social Rent and Affordable Rented Properties, SW Herts

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Capital value - Social Rent	£124,560	£128,640	£129,840	£120,960	£121,200	£125,040
Capital Value - Affordable Rent	£191,280	£198,240	£213,120	£179,520	£198,000	£196,032
Difference per Unit	£66,720	£69,600	£83,280	£58,560	£76,800	£70,992

Source: Icenl high-level estimates

7.58 **There are therefore policy choices to be made by individual authorities around how policies are crafted**, recognising that on the one hand there is a case for delivering higher proportions of social rented provision which is more ‘genuinely affordable’ having regard to incomes; whilst on the other hand, providing more homes at affordable rent could help to support stronger overall delivery of rented affordable homes with households being able to supplement their income with LHA. The analysis is however clear that there is need for both social and affordable rented homes.

7.59 Decisions should be influenced by individual authorities’ priorities, the results of viability evidence and funding availability.

Affordable Rents at 60%, 70% and 80% of the Market

7.60 The analysis below seeks to investigate the potential impact of providing affordable rents at a 20%, 30% and 40% discount from market rents (i.e. rents at 60%, 70% and 80%). The analysis considers housing costs at percentage discounts to median rents and compares these to incomes in order to assess the proportion of households who need rented affordable housing who could afford these rents without benefit support. In reality, it is possible that the open market rents (prior to any discount) could be even higher than the median values, if they have a premium due to being a newbuild product.

Table 7.24 Estimated Monthly Rental Costs at Different Levels of Discount – Dacorum

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£700	£613	£525
2-bedrooms	£900	£788	£675
3-bedrooms	£1,120	£980	£840
4-bedrooms	£1,560	£1,365	£1,170

Source: Derived from ONS data

Table 7.25 Estimated Monthly Rental Costs at Different Levels of Discount – Hertsmere

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£760	£665	£570
2-bedrooms	£1,020	£893	£765
3-bedrooms	£1,244	£1,089	£933
4-bedrooms	£1,760	£1,540	£1,320

Source: Derived from ONS data

Table 7.26 Estimated Monthly Rental Costs at Different Levels of Discount – St. Albans

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£746	£652	£559
2-bedrooms	£1,040	£910	£780
3-bedrooms	£1,400	£1,225	£1,050
4-bedrooms	£2,136	£1,869	£1,602

Source: Derived from ONS data

Table 7.27 Estimated Monthly Rental Costs at Different Levels of Discount – Three Rivers

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,280	£1,120	£960
4-bedrooms	£1,800	£1,575	£1,350

Source: Derived from ONS data

Table 7.28 Estimated Monthly Rental Costs at Different Levels of Discount – Watford

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,250	£1,094	£938
4-bedrooms	£1,700	£1,488	£1,275

Source: Derived from ONS data

- 7.61 These figures have been modelled in the same way as for existing rent levels to look at the proportion of households (who need rented affordable homes) able to afford different rent levels. In all cases the social rent is as previously set out and so it is only the first two categories in the tables below that vary. The proportion of households who require benefit support remain consistent across the rent levels tested. The outputs based on existing rents have also been included for reference – this is the outputs shown above and shows proportions able to afford current lower quartile market rents, current affordable rents and current social rents, the latter two figures being drawn from data from the Regulator of Social Housing.
- 7.62 The analysis suggests when looking at a 20% discount from median rents that very few additional households (additional to those able to afford the market) are now able to afford housing based on their incomes (just 5-6% in all areas) although higher discounts do see a greater proportion of households being able to afford an affordable rent without benefit support. Put simply, if the affordable rent is set at a lower proportion of market rents, more households are able to afford it (without financial support).
- 7.63 The tables below thus show the effect of setting affordable rent levels at different levels on the proportion of households who can afford affordable rented housing without financial support. With lower affordable rents, the proportion who can afford these increases; reducing those who would need social rented homes (as opposed to affordable rents).

Table 7.29 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Dacorum

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	12%	6%	13%	21%
% Afford social rent	29%	35%	28%	19%
% Need benefit support	59%	59%	59%	59%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.30 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Hertsmere

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	14%	5%	11%	19%
% Afford social rent	26%	35%	30%	22%
% Need benefit support	60%	60%	60%	60%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.31 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – St Albans

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	16%	5%	14%	24%
% Afford social rent	33%	44%	35%	25%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.32 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Three Rivers

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	25%	5%	13%	22%
% Afford social rent	24%	44%	36%	27%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.33 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Watford

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	13%	5%	11%	18%
% Afford social rent	32%	40%	34%	27%
% Need benefit support	55%	55%	55%	55%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

7.64 On the basis of this analysis, and taking into account the likelihood that the open market rent of new-build homes is likely to be at or above the median, where Councils seek to set rents at levels which are ‘genuinely affordable’ having regard to local incomes, the evidence suggests that rental costs at 60% of market values (inclusive of service charges) would be a sensible starting point. Providing rented affordable housing at these levels would see a reasonable proportion of households in need being able to afford their rent without subsidy (in the form of housing benefit support).

7.65 These issues need however to be considered against the effects on residential development viability in setting policies. As above, there are potential trade-offs between Councils’ expectations on rents, the extent to which households need benefit support to afford their rent, and the volume of rented affordable housing delivered. Different Councils within the HMA may have different positions on these issues.

Current Rent Levels at 60% of Market Rent

7.66 The tables below indicate what rents would be if set at 60% of market rents for different property sizes and local authorities.

Table 7.34 Affordable Rent Levels based on 60% of median market rents – Dacorum

Per Calendar Month	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£437	£825	£525
2-bedrooms	£513	£995	£675
3-bedrooms	£572	£1,300	£840
4-bedrooms	£612	£1,600	£1,170

Source: Based on RSH and ONS data

Table 7.35 Affordable Rent Levels based on 60% of median market rents – Hertsmere

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£441	£895	£570
2-bedrooms	£523	£1,175	£765
3-bedrooms	£594	£1,450	£933
4-bedrooms	£653	£1,850	£1,320

Source: Based on RSH and ONS data

Table 7.36 Affordable Rent Levels based on 60% of median market rents – St Albans

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£454	£850	£559
2-bedrooms	£547	£1,150	£780
3-bedrooms	£623	£1,500	£1,050
4-bedrooms	£693	£2,200	£1,602

Source: Based on RSH and ONS data

Table 7.37 Affordable Rent Levels based on 60% of median market rents – Three Rivers

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£415	£900	£597
2-bedrooms	£503	£1,125	£750
3-bedrooms	£566	£1,450	£960
4-bedrooms	£623	£1,950	£1,350

Source: Based on RSH and ONS data

Table 7.38 Affordable Rent Levels based on 60% of median market rents – Watford

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£436	£900	£597
2-bedrooms	£496	£1,185	£750
3-bedrooms	£546	£1,400	£938
4-bedrooms	£610	£1,875	£1,275

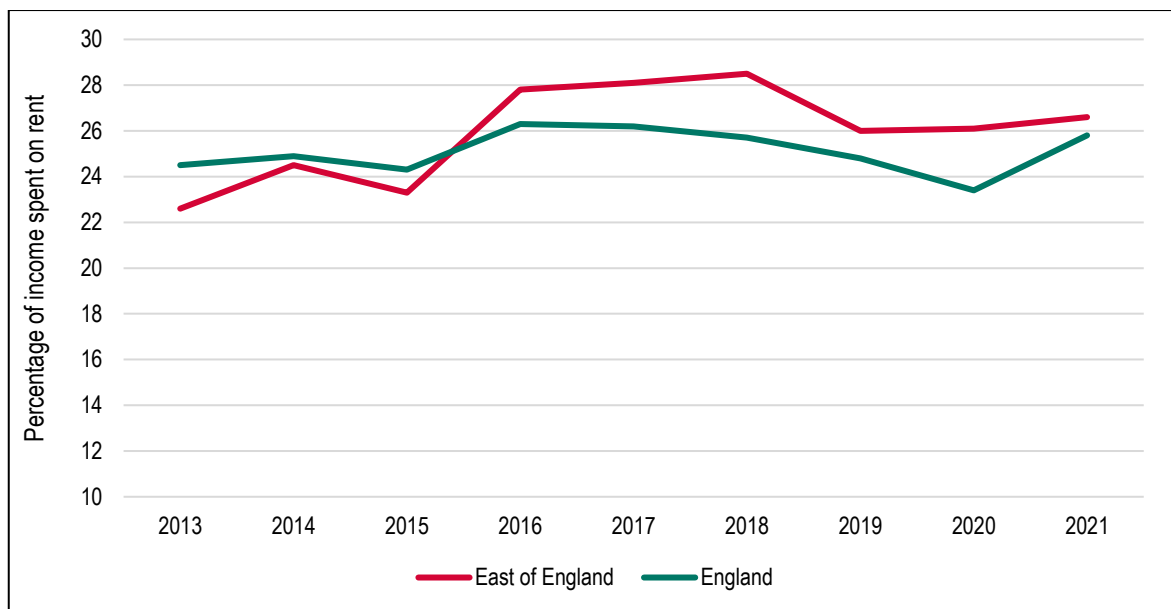
Source: Based on RSH and ONS data

Future Proofing

7.67 The analysis is based on data at a point in time (largely data relating to 2022). It is possible that the percentages calculated and therefore the conclusions drawn could change over time, for example if market rents were to increase faster than social rents then the discount from the market might need to increase to keep rents affordable. Likewise, if private rents were to increase at a different rate to local incomes then the proportions able to afford would change, which in turn could lead to a different conclusion about how much discount is required to be affordable.

7.68 It is however reasonably likely that incomes and rents are likely to increase at a similar rate over time (as affordability tends to cap growth in rents considered over a number of years). The figure below shows estimated change to the private rental affordability ratio in England and the East of England for the 2013-21 period. This is a dataset published by ONS and the period used is the full period studied. The ratio shown is comparing monthly rents with estimated monthly incomes. The analysis shows for the East of England an increase in this ratio from 2015 to 2016 but that since then the ratio has declined. For England, a more modest increase was shown for 2015-16 and subsequently a greater decline before increasing in the 2020-21 period. Overall, for the period studied there does not appear to be any notable trend with the ratio between private sector rents and incomes remaining at broadly the same level.

Figure 7.4 Percent of income spent of privately renting – East of England and England (2013-21)



Source: ONS Private Rental Affordability data

Affordable Private Rent

7.69 The NPPF, within the Glossary, identified that for Build to Rent schemes, affordable housing for rent is expected to be delivered as Affordable Private Rent. It does not require the involvement of a Registered Provider and envisages that such schemes will have single ownership and management control. Build to rent schemes are exempt from the requirement for 10% of homes to be provided for affordable home ownership (see NPPF Para 66).

7.70 The Build to Rent Planning Practice Guidance sets out that affordable housing should be provided by default as affordable private rent and managed by the built to rent landlord. The Guidance outlines that generally 20% is a suitable benchmark for the level of affordable housing provision; with a minimum rent of 20% discount on the private market rent for equivalent properties (which is

calculated when the home is let or tenancy renewed) and is expected to increase over time in line with the market rates achieved in the scheme. The PPG essentially envisages it as an intermediate rent product.

- 7.71 The analysis in Chapter 10 considers the demand for build to rent development. It is evidently a relatively embryonic market in South West Herts at the current time; with initial schemes coming forwards in central locations in Hemel Hempstead and Watford. The PPG position seeks to recognise the immature position of this market; and provide a policy framework which will enable it to grow and contribute to increasing housing delivery. These are also relevant considerations in setting affordable housing policies.
- 7.72 Icenis's experience is that the economics of a build-to-rent scheme differ from that of standard build-to-sale schemes. The financial model is fundamentally different; with returns achieved on the investment spread over a number of years (rather than in the short-term on a build to sale scheme). There can also be higher build costs associated with developments which are 'built to last', differences in net/gross floorspace ratios (as schemes include communal space and services), and higher operational (opex) costs. The development risk profile is also different, not least as an immature market, impacting on the Internal Rate of Return (IRR). Fundamentally this means that viability evidence needs to consider the specific economics of Build to Rent development. In the context of viability differences and the Planning Practice Guidance, this may justify a differential affordable housing policy position – such as a lower % affordable housing requirement - being applied to Build to Rent schemes.
- 7.73 Rent levels expected for affordable private rent should be set out in policies in terms of the percentage discount to market rents (inclusive of service charge). Whilst the affordability analysis above could support discounts of 40% or more on market rents to make properties 'genuinely affordable', this needs to be balanced against what can viably be supported – with the PPG specifically referencing effective trade-offs between the rental discount and proportion of units provided at affordable private rent. There will be policy judgements within this regarding what different local authorities want to see; which can be tested through the viability evidence as part of the plan-making process.

Establishing a Need for Affordable Home Ownership

- 7.74 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including households '*that cannot afford their own homes, either to rent, or to own, where that is their aspiration*'. However, at the time of writing, there is no guidance about how the number of households with a need for affordable home ownership should be measured.

-
- 7.75 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 7.76 The analysis has been developed in the context of First Homes with national policy now requiring that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant ‘First Homes’ PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

- 7.77 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the Study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 7.78 Using the income distributions developed (as set out in Appendix A4) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 23% already have sufficient income to buy a lower quartile home, with 33% falling in the rent/buy ‘gap’. The final 44% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing whilst others will have their income supplemented by housing benefits.
- 7.79 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in the sector or who might be expected to access it (e.g. newly forming households).

Table 7.39 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing without support (2023)

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Dacorum	26%	32%	42%
Hertsmere	15%	32%	53%
St Albans	22%	41%	37%
Three Rivers	20%	34%	46%
Watford	28%	24%	48%
SW Herts	23%	33%	44%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 7.80 The finding that a proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests for some households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.81 To study current need, an estimate of the number of households living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2021 Census there were some 38,300 households living in the sector across the Study area (renting from private landlord or letting agency).
- 7.82 Additional data from the English Housing Survey (EHS) suggests that 60% of all PRS households expect to become an owner at some point (23,000 households if applied to South West Herts) and of these some 40% (9,200 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 7.83 As noted above, on the basis of income it is estimated that around a third of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 2,930 affordable home ownership units (146 per annum if annualised over a 20-year period).
- 7.84 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 1,800 dwellings (1,570 from newly forming households and 220 from existing households in the private rented sector).

7.85 Bringing together the above analysis suggests that there is a need for around 1,938 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the Study area. This is before any assessment of the potential supply of housing is considered.

Table 7.40 Estimated Gross Need for Affordable Home Ownership (arising per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Dacorum	32	402	47	481
Hertsmere	25	235	38	298
St Albans	43	487	64	593
Three Rivers	17	245	26	288
Watford	30	203	44	277
SW Herts	146	1,572	220	1,938

Source: Derived from a range of data

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

7.86 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG on 'Housing and Economic Needs Assessments' does not include any suggestions about how the supply of housing to meet these needs should be calculated.

7.87 One source is likely to be resales of low cost home ownership products with data from the Regulator of Social Housing showing a total stock in 2022 of 1,922 homes. If these homes were to turnover at the same rate seen for the social housing stock then they would be expected to generate around 39 resales each year. These properties would be available for these households and can be included in the potential supply.

7.88 In addition, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in South West Herts there were a total of 6,667 resales (i.e. excluding newly-built homes) in the last year (year to September 2022) and therefore around 1,667 would be priced below the lower quartile. This is 1,667 homes that would potentially be affordable to the target group for affordable home ownership products.

7.89 It is then possible to provide a best estimate of the supply of lower quartile homes that are bought by the target group of households (assumed to be first-time buyers). Whilst dated, a report by Bramley and Wilcox in 2010 (Evaluating requirements for market and affordable housing) noted

that around 40% of first-time buyers with a mortgage buy at or below the lower quartile¹⁹. Other recent data suggests that first time buyers account for around half of home purchase loans²⁰ with a total of around 65% of all homes being bought with a loan (35% as cash buyers²¹).

7.90 Bringing this together would point to 32.5% of homes being bought by first-time buyers and around 13% of all homes being a lower quartile home bought by a first-time buyer (32.5% × 40%) – this would point to around half of all lower quartile sales as being to first-time buyers (as half of 25% is 12.5%). Therefore, for the purposes of estimating a ‘need’ half of all lower quartile sales are included in the supply.

7.91 We can therefore now provide three supply estimates which can be considered in the context of the estimated need. These are:

- Only count the supply from affordable home ownership resales (39 per annum);
- Include the supply from affordable home ownership and half of resales of lower quartile homes (872 per annum (833+39)); and
- Include the supply from affordable home ownership and all resales of lower quartile homes (1,705 per annum (1,667+39)).

7.92 The table below shows the estimated net need from applying these three supply scenarios. Only including the resales of AHO shows a need for 1,899 dwellings per annum and this reduces to 1,066 if 50% of lower quartile sales are included. If all lower quartile sales are included in the supply, then there is a more modest need for affordable home ownership shown.

Table 7.41 Estimated Net Need for Affordable Home Ownership (arising per annum)

	AHO resales only	AHO resales plus 50% of LQ sales	AHO resales plus 100% of LQ sales
Total gross need	1,938	1,938	1,938
LCHO supply	39	872	1,705
Net need	1,899	1,066	233

Source: JGC/Iceni analysis derived from a range of sources

7.93 Focussing on the middle of the three scenarios above (50% of lower quartile sales) the table below shows a need for affordable home ownership in all areas, although the ‘need’ is much lower than for rented products. This middle scenario is the preferred scenario on which conclusions are drawn

¹⁹ https://thinkhouse.org.uk/site/assets/files/1614/2010_20nhpau_202.pdf

²⁰ <https://www.mortgagesolutions.co.uk/news/2022/01/24/first-time-buyer-numbers-rose-to-nearly-410000-in-2021/#:~:text=First%2Dtime%20buyers%20accounted%20for,39%20per%20cent%20in%202009>

²¹ <https://www.ft.com/content/e0ad2830-094f-4e61-acaa-d77457e2edbb>

as households are likely to be able to afford some market homes priced at the lower quartile but not all; and there will be quality issues for some cheaper properties.

Table 7.42 Estimated Need for Affordable Home Ownership by local authority (arising per annum)

	Total Gross Need	Supply	Net need
Dacorum	481	239	243
Hertsmere	298	142	156
St Albans	593	240	353
Three Rivers	288	125	163
Watford	277	127	150
SW Herts	1,938	872	1,066

Source: JGC/Iceni analysis derived from a range of sources

How Much Should Affordable Home Ownership Homes Cost?

7.94 The analysis and discussion above suggest there are a number of households likely to need affordable home ownership homes. The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable; before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). This section also provides some comments about Rent to Buy housing. It will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group.

First Homes and other Discounted Market Sale Housing

7.95 In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

-
- 7.96 In terms of eligibility criteria, a First Home purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).
- 7.97 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a price premium.
- 7.98 The approach used in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home in Dacorum:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Dacorum is £995 per month;
 - On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £3,300 per month to afford (£995/0.3) or £39,800 per annum; and
 - With an income of £39,800, it is estimated that a household could afford to buy a home for around £199,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a 4.5 times mortgage multiple – calculated as £39,800 x 4.5/0.9.
- 7.99 Therefore, £199,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Dacorum. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately.
- 7.100 In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford.

7.101 The tables below set out a suggested purchase price for affordable home ownership/First Homes in each local authority. The table also shows an estimated Open Market Value (OMV) and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Dacorum were to actually be £400,000 (rather than the modelled £316,300) then the discount would be up to 50%.

7.102 On the basis of the specific assumptions used, **the analysis points to a discount of at least 30% being required for all sizes of accommodation in most areas. Given there is a cap of £250,000 on the purchase price (and looking at the estimated pricing below), it will be difficult for 3+-bedroom homes to be provided as First Homes (and in some cases 2-bedroom homes).** First Homes are likely to be focused on smaller 1- and 2-bed properties.

Table 7.43 Affordable home ownership prices – data for year to September 2022 – Dacorum

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£165,000-£177,500	£218,500	19%-24%
2-bedrooms	£199,000-£237,000	£316,300	25%-37%
3-bedrooms	£260,000-£330,000	£460,000	28%-43%
4+-bedrooms	£320,000-£447,500	£661,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.44 Affordable home ownership prices – data for year to September 2022 – Hertsmere

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£179,000-£202,000	£258,800	22%-31%
2-bedrooms	£235,000-£275,000	£362,300	24%-35%
3-bedrooms	£290,000-£382,500	£546,300	30%-47%
4+-bedrooms	£370,000-£505,000	£736,000	31%-50%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.45 Affordable home ownership prices – data for year to September 2022 – St Albans

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£170,000-£210,000	£287,500	27%-41%
2-bedrooms	£230,000-£290,000	£402,500	28%-43%
3-bedrooms	£300,000-£432,500	£649,800	33%-54%
4+-bedrooms	£440,000-£617,500	£914,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.46 Affordable home ownership prices – data for year to September 2022 – Three Rivers

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£205,000	£264,500	22%-32%
2-bedrooms	£225,000-£275,000	£373,800	26%-40%
3-bedrooms	£290,000-£407,500	£603,800	33%-52%
4+-bedrooms	£390,000-£540,000	£793,500	32%-51%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.47 Affordable home ownership prices – data for year to September 2022 – Watford

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£220,000	£253,000	22%-29%
2-bedrooms	£237,000-£268,500	£345,000	22%-31%
3-bedrooms	£280,000-£365,000	£517,500	29%-46%
4+-bedrooms	£375,000-£480,000	£672,800	29%-44%

Source: Derived from JGC/Iceni analysis and ONS data

- 7.103 Based on current housing costs, **the evidence would point to a discount of 30% being justified in most areas, and potentially 40% in St Albans and Three Rivers on an affordability basis.** A higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. In addition, the analysis does suggest that homes other than 1-bedroom could potentially need a higher discount to make them affordable (for example a 2-bedroom home in St. Albans would need to be discounted by at least 38% to get below the £250,000 cap).
- 7.104 However, **providing a higher discount may well have an impact on viability, meaning the Councils will not be able to provide as many homes in other tenures** (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market). The Councils could therefore investigate higher discounts, but it is not

necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery.

7.105 As SW Herts is a high priced area, **there is very limited scope for the price cap to be lowered. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.**

7.106 The analysis is clear that there are likely to be a number of households whose incomes sit in the range of being able to afford to privately rent, but not being able to buy a home. It can be concluded that as long as First Homes are made available for an affordable price, it is likely there will be a strong demand (although some households in the rent/buy gap may not choose a discounted product given that the discount is held in perpetuity). However it is possible that First Homes will see demand from those who can technically afford housing in the existing market – this would not be meeting a need but would arguably provide some demand for this type of home.

7.107 To ensure First Homes are available to local residents and workers a local connection eligibility criteria could be used. This could be in-line with any criteria within local allocations policies, where applicable, and for example could require potential purchasers to demonstrate that they:

- Live in the relevant local authority (for a period of time (possibly 2-years));
- Work over 16 hours a week in the area, or
- Have a close relative (parent, adult son or daughter or adult sibling) who has lived in the area for a period of time

7.108 Additional preference could be given to essential workers (see paragraphs 7.128-7.136). Annex 2 of the NPPF also includes the needs of essential local workers *'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers'* [emphasis added]. Essential local workers are defined as *'Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers'*.

Shared Ownership

7.109 Whilst the Government has a clear focus on First Homes, it also sees a continued role for Shared Ownership, launching a 'New Model for Shared Ownership' in early 2021 (following a 2020 consultation). This includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. **A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase.** Additionally, the rental part of the cost will be subsidised by a

Registered Provider which keeps monthly outgoings down; and it is thus an affordable option for some prospective home owners who cannot afford to buy outright, or buy a First Home.

7.110 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

7.111 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- Open Market Value at Lower Quartile price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a Lower Quartile level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%²²;
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

7.112 The tables below show that to make shared ownership affordable, equity shares in the region of 13% to 35% could work for 2-bedroom homes depending on location (1% to 22% of 3-bedroom homes). This suggests a difficulty in delivering affordable shared ownership as typically 25% minimum shares are required although this may fall to 10% through new regulation. As an alternative the Councils could consider additional affordable rental accommodation.

²² Interest rates are currently above this, but expected to fall over the next 2 years.

7.113 As with conclusions on First Homes, it should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely Open Market Value). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 7.48 Estimated Affordable Equity Share by Size – Dacorum

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£218,500	£316,300	£460,000	£661,300
Share	42%	22%	22%	5%
Equity Bought	£91,100	£69,300	£99,800	£34,400
Mortgage Needed	£82,000	£62,300	£89,800	£30,900
Monthly Cost of Mortgage	£433	£329	£474	£163
Retained Equity	£127,400	£247,000	£360,200	£626,900
Monthly Rent on Retained Equity	£292	£566	£825	£1,437
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£825	£995	£1,300	£1,600

Source: Data based on Housing Market Cost Analysis

Table 7.49 Estimated Affordable Equity Share by Size – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£258,800	£362,300	£546,300	£736,000
Share	32%	27%	15%	9%
Equity Bought	£82,000	£99,400	£80,600	£66,200
Mortgage Needed	£73,800	£89,500	£72,500	£59,600
Monthly Cost of Mortgage	£390	£473	£383	£315
Retained Equity	£176,700	£262,800	£465,700	£669,800
Monthly Rent on Retained Equity	£405	£602	£1,067	£1,535
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£895	£1,175	£1,450	£1,850

Source: Data based on Housing Market Cost Analysis

Table 7.50 Estimated Affordable Equity Share by Size – St Albans

	1-bedroom	2- bedrooms	3- bedrooms	4- bedrooms
Open Market Value	£287,500	£402,500	£649,800	£914,300
Share	13%	13%	1%	5%
Equity Bought	£37,100	£51,900	£4,500	£42,500
Mortgage Needed	£33,400	£46,700	£4,100	£38,300
Monthly Cost of Mortgage	£176	£247	£22	£202
Retained Equity	£250,400	£350,600	£645,200	£871,700
Monthly Rent on Retained Equity	£574	£803	£1,479	£1,998
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£850	£1,150	£1,500	£2,200

Source: Data based on Housing Market Cost Analysis

Table 7.51 Estimated Affordable Equity Share by Size – Three Rivers

	1-bedroom	2- bedrooms	3- bedrooms	4- bedrooms
Open Market Value	£264,500	£373,800	£603,800	£793,500
Share	30%	18%	4%	7%
Equity Bought	£78,800	£68,400	£26,900	£53,600
Mortgage Needed	£70,900	£61,600	£24,200	£48,200
Monthly Cost of Mortgage	£375	£325	£128	£255
Retained Equity	£185,700	£305,400	£576,900	£739,900
Monthly Rent on Retained Equity	£426	£700	£1,322	£1,696
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,125	£1,450	£1,950

Source: Data based on Housing Market Cost Analysis

Table 7.52 Estimated Affordable Equity Share by Size – Watford

	1-bedroom	2- bedrooms	3- bedrooms	4- bedrooms
Open Market Value	£253,000	£345,000	£517,500	£672,800
Share	35%	35%	17%	20%
Equity Bought	£89,700	£119,700	£86,900	£135,600
Mortgage Needed	£80,700	£107,700	£78,200	£122,000
Monthly Cost of Mortgage	£426	£569	£413	£644
Retained Equity	£163,300	£225,300	£430,600	£537,200
Monthly Rent on Retained Equity	£374	£516	£987	£1,231
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,185	£1,400	£1,875

Source: Data based on Housing Market Cost Analysis

7.114 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 22% equity share for a 2-

bedroom home in Dacorum, this is based on a specific set of assumptions. Were a scheme to come forward with a 22% share, but a total cost in excess of £995 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. **Hence the actual share can only be calculated on a scheme-by-scheme basis.** Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

- 7.115 A further affordable option is Rent to Buy; this is a Government scheme designed to ease the transition from renting to buying the same home. Initially (typically for five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.
- 7.116 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 7.117 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower-than-market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership). It should therefore be treated as part of the affordable home ownership products suggested by the NPPF.
- 7.118 If the Councils are to accept Rent-to-Buy as part of the package of affordable home ownership, it will be important to ensure such housing is genuinely affordable. As with affordable rents, there may well be a case to seek for a greater discount to ensure housing costs remain below those already available in the open market.

Drawing the Analysis Together

- 7.119 The table below shows the rented and low cost home ownership needs together. A need for both rented and affordable home ownership homes is shown in all areas, with rented accommodation accounting for 68% of the need shown across SW Herts (rising to 73% in Hertsmere and 78% in Watford). The higher rental need in Watford is reflective of a smaller gap in the estimated income required to buy and rent housing (meaning fewer households sit within the 'affordable home

ownership' income bracket). In contrast, a higher relative need for affordable home ownership (as a proportion of the overall affordable housing need) is shown in St Albans.

Table 7.53 Overall Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need (pa)	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	589
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,065	3,323

Source: Affordable housing need analysis

Relationship to Overall Housing Need

7.120 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

'The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes'

7.121 The table below then compares the affordable housing need shown to the standard method local housing need. Typically up to 35% or 40% of homes are sought as affordable housing. At these proportions, much higher levels of overall housing provision would be required to deliver in full the genuinely affordable housing which this report identifies is needed.

7.122 Taking St Albans as an example, the affordable housing need identified exceeds the standard method LHN. This occurs because the two figures are derived from fundamentally different modelling approaches. The following factors need to be noted:

- The affordable housing model is looking not just at the overall growth in the housing stock, but issues of tenure imbalance. It is not looking across tenures but looking at affordable housing specifically – part of the need shown is for instance from households in existing homes, who require an alternative tenure or size of home, but by moving would release the existing property for another household.
- The need shown is in part a factor of historical investment decisions, funding availability and losses, which have influenced the current stock of affordable housing available to meet needs.

- Some households would see their circumstances improve over time. One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household's income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- In reality, some households 'in need' are accommodated within the Private Rented Sector with support through Local Housing Allowance (LHA). Whilst this is not genuine affordable housing or offer the same security of tenure, the 2011 Localism Act allows Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS. However there can be risks from reliance on this sector to meet need. Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivering affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- The Planning Practice Guidance specifically sets out in Para 67-001 that the needs of specific groups (such as those needing affordable housing in this case) may well exceed, or be proportionally high in relation to the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which forms the baseline for the standard method. It sets out that planning authorities will need to consider whether based on the evidence a higher level of housing provision might be considered, whether in effect there are constraints to additional housing delivery, as well as the anticipated deliverability, having regard to viability.

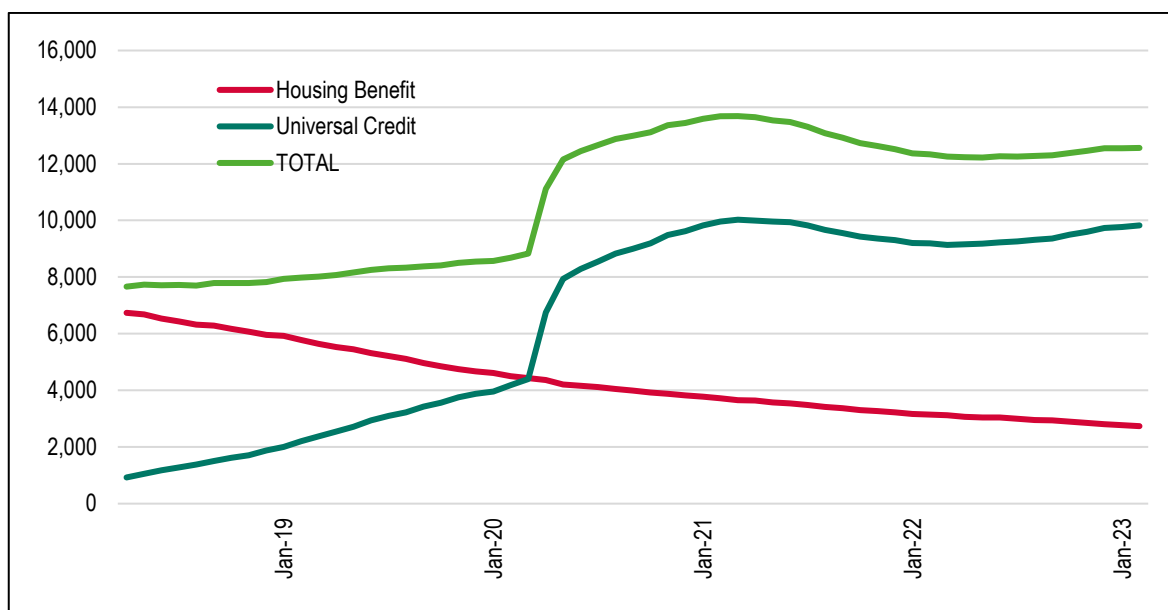
Table 7.54 Housing Provision notionally required to meet Affordable Housing in Full

Dwellings per annum	Total Annual Affordable Need	Delivery to Meet AHN in Full @ 35%	Delivery to Meet AHN in Full @ 40%	Standard Method Minimum LHN (dpa)
Dacorum	737	2,106	1,842	1,017
Hertsmere	590	1,685	1,474	726
St Albans	802	2,292	2,005	887
Three Rivers	527	1,505	1,317	637
Watford	668	1,909	1,670	778
SW Herts	3,324	9,496	8,309	4,046

Source: Iceni

-
- 7.123 Clearly where a household is able to access suitable housing in the Private Rented Sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. The analysis below considers the current position in this respect.
- 7.124 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2023, it is estimated that there were over 12,500 benefit claimants in the private rented sector in South West Herts. From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.
- 7.125 It should however be noted that it may be difficult for households to access private rented housing where they are reliant on Housing Benefit (HB)/ Universal Credit (UC). In some cases Local Housing Allowance (LHA) levels will be low compared to the rent being sought and there will also be cases where landlords do not let homes to households claiming benefits. Therefore, whilst the private rented sector does release some pressure from affordable housing, it should not be considered as an affordable tenure.
- 7.126 The figure below shows the trend in the number of claimants in the Study area. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 8,000 households).

Figure 7.5 Number of Housing Benefit claimants in the private rented sector – South West Herts



Source: Department of Work and Pensions

7.127 The table below shows the number of claimants in February 2023 and also 4-years previously (to provide an indication of the impact of the pandemic). Benefit claimant numbers are particularly high in Watford and lowest in Three Rivers.

Table 7.55 Number of Housing Benefit claimants in the Private Rented Sector – local authorities

	February 2019			February 2023		
	Housing Benefit	UC with housing element	TOTAL	Housing Benefit	UC with housing element	TOTAL
Dacorum	1,430	251	1,681	579	2,138	2,717
Hertsmere	1,264	358	1,622	672	2,229	2,901
St Albans	919	498	1,417	482	1,503	1,985
Three Rivers	660	266	926	321	1,043	1,364
Watford	1,507	830	2,337	680	2,908	3,588
SW Herts	5,777	2,204	7,981	2,736	9,820	12,556

Source: Department of Work and Pensions

Essential Local Workers

7.128 Annex 2 of the NPPF also includes the needs of essential local workers 'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers' [emphasis

added]. Essential local workers are defined as ‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.

7.129 To give an indication of the number of essential workers in South West Herts analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories. This shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent ‘essential workers’. The analysis shows that around 28% of resident workers are considered ‘essential workers’ in the HMA – this figure is very slightly below that seen regionally and nationally (essentially reflecting a strong private sector business base).

Table 7.56 Number and proportion of essential workers in a range of areas – 2021

	South West Herts		East of England	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	3,771	1.2%	2.3%	2.3%
Manufacturing	14,075	4.7%	7.0%	7.3%
Construction	28,150	9.3%	10.0%	8.7%
Distribution, hotels and restaurants	54,785	18.1%	19.4%	19.9%
Transport and communication	35,995	11.9%	9.8%	9.8%
Financial, Real Estate, Professional & Administration	66,599	22.0%	18.1%	17.4%
Public administration, education and health	83,915	27.7%	28.8%	30.2%
Other	15,357	5.1%	4.5%	4.6%
All industries	302,647	100.0%	100.0%	100.0%

Source: 2021 Census

7.130 The table below shows how the number of essential workers varies across the local authorities – there are only modest differences between locations with around 29% of workers falling into the Public administration, education and health category in Three Rivers and Watford but just 26% in Dacorum. No area has a higher proportion than the national average.

Table 7.57 Number and proportion of Essential Workers – local authorities

	Resident essential workers	% of workers in area	% of resident workers
Dacorum	20,360	26.4%	24.3%
Hertsmere	14,820	28.1%	17.7%
St Albans	19,899	27.3%	23.7%
Three Rivers	13,567	28.9%	16.2%
Watford	15,269	28.9%	18.2%
South West Herts	83,915	27.7%	100.0%

Source: 2021 Census

7.131 The 2021 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, although the proportion living in social rented housing is slightly above the HMA average (owner-occupation and private renting being slightly lower).

Table 7.58 Housing tenure by industry of employment (2011) – South West Herts

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	63.1%	17.7%	19.3%
Manufacturing	70.4%	9.1%	20.5%
Construction	62.4%	12.7%	24.9%
Distribution, hotels and restaurants	56.3%	17.5%	26.2%
Transport and communication	68.8%	9.7%	21.5%
Financial, Real Estate, Professional and Administration	74.8%	7.2%	18.0%
Public administration, education and health	64.6%	14.5%	20.9%
Other	63.5%	11.3%	25.1%
All industries	66.2%	12.0%	21.8%

Source: 2021 Census

7.132 It is possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Hertfordshire) for nurses, firefighters, teachers, police officers and childcare was undertaken in September 2023. This showed a range of salaries, but with earnings concentrated in the range of about £25,000 to £35,000 per annum. The average salary was around £30,000, although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.

-
- 7.133 With a salary of £30,000, an individual might be able to buy a home for around £150,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £300,000. This latter figure would just about allow the household to afford to buy a 1- or 2-bedroom home across much of the study area, but the single income would make home ownership difficult.
- 7.134 On the basis of incomes **essential local workers could be a potential target for affordable home ownership products** whilst there may be some in lower paid roles/ professions, including social care, who are in need of rented affordable housing. In addition, it looks like essential local worker incomes will often sit in the gap between being able to buy and rent. As with other professions it is important however to remember that incomes will vary within organisations; and that many households will include multiple incomes. However the analysis quite strongly suggests that to be affordable to essential local workers, homes would need to be priced at under £300,000.
- 7.135 The evidence does show recruitment and retention difficulties for public sector organisations within the area. As an example, the Herts and West Essex ICS People Strategy indicates that within the health sector, high living costs mean that attracting health and care workers with the right skills can be difficult. It quotes the very substantial differential between monthly private rents between St Albans and Bedford (£1,150 vs £675). It identifies a high proportion of the primary care and nursing workforce who are older; and significant issues of turnover amongst social care staff which stands at 27% pa. Because of domestic constraints, as with other NHS organisations, it is reliant increasingly on international recruitment. Vacancies are running at 9.1% in social care and 9.7% in secondary care. This is similar to the picture across the East of England (9.5% vacancies across the NHS workforce). There will be similar challenges across other public sector organisations.
- 7.136 Improving access to housing can help to address some of these recruitment and retention pressures by addressing issues linked to housing costs and cost of living pressures. Options to do so include ensuring that allocations policies for affordable housing take into account whether households contain key workers, which can enhance access to social housing; as well as specific programmes which provide key worker housing such as intermediate rented units close to key public sector employers. An example is The Wrap scheme in Watford, which offers intermediate rented properties for those earning £25,000 - £60,000 a year which prioritises those working for East & North Herts NHS Trust.²³ Similarly in identifying purchasers for shared ownership properties, particularly those close to key hubs of public sector employment, initial priority could be given to key workers.

²³ <https://www.originhousing.org.uk/customers/rent-a-home/keyworker-and-young-professional/the-wrap-watford>

Mix of Affordable Housing Sought

- 7.137 The above analysis suggests that affordable housing needs are unlikely to be met in full. Therefore there is a question regarding what types of affordable housing is prioritised. Here different factors need to be balanced against one another. Policies for affordable housing provision also need to take account of viability considerations.
- 7.138 A need for affordable home ownership properties is shown. The NPPF (Dec 2023) gives a clear direction that 10% of all new housing (on eligible ‘major developments’) should be for affordable home ownership; and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO). The evidence shows a sufficient affordable home ownership need to support this; albeit that there is a case for seeking to support provision of a range of affordable home ownership products (beyond First Homes).
- 7.139 **However the evidence also points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty.** Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments). In South West Herts, the clear need for additional rented housing would likely mean that prioritising the affordable home ownership could ‘prejudice the ability’ to meet the needs of the ‘specific group’ requiring rented accommodation, depending on decisions on the scale of housing provision to be planned for.
- 7.140 **At a strategic level, IcenI would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. However it is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, their own viability evidence and local priorities.**
- 7.141 The evidence for instance shows a higher affordable home ownership need in St Albans; and a lower need in Watford where there is a higher relative need for rented affordable homes, and in particular social rented provision. These are relevant considerations in setting policies in different authorities and for instance would justify a 60/40 split in St Albans; whilst for Watford, the evidence base continues to support the emphasis in Policy on provision at social rents.
- 7.142 Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance

allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

8. NEED FOR DIFFERENT TYPES & SIZES OF HOMES

- 8.1 This section considers the appropriate mix of housing across South West Herts, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

- 8.2 The number of families in South West Herts (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 81,000 as of the 2021 Census, accounting for 34% of households; this proportion is higher than that seen across the East of England region and nationally. In particular South West Herts sees a high proportion of married couples with children (21% of all households).

Table 8.1 Households with dependent children (2021)

	South West Herts		Hertfordshire	East of England	England
	No.	%	%	%	%
Married couple	49,687	20.6%	18.9%	15.5%	14.4%
Cohabiting couple	9,341	3.9%	4.3%	4.8%	4.5%
Lone parent	15,405	6.4%	6.5%	6.3%	6.9%
Other households ²⁴	6,568	2.7%	2.5%	2.4%	2.7%
All other households	160,566	66.5%	67.8%	71.0%	71.5%
Total	241,567	100.0%	100.0%	100.0%	100.0%
Total with dependent children	81,001	33.5%	32.2%	29.0%	28.5%

Source: Census (2021)

- 8.3 The table below shows the same information for each of the local authorities. There is some variation in the proportion of households with dependent children, ranging from 32% in Dacorum, up to 35% in St Albans and Watford – all areas see a proportion with dependent children above the regional and national average. This is likely to be influenced by the area's economic dynamism and its relationship (and relative affordability compared) to London.

²⁴ Including student only, all over 66 and 'other' household composition types

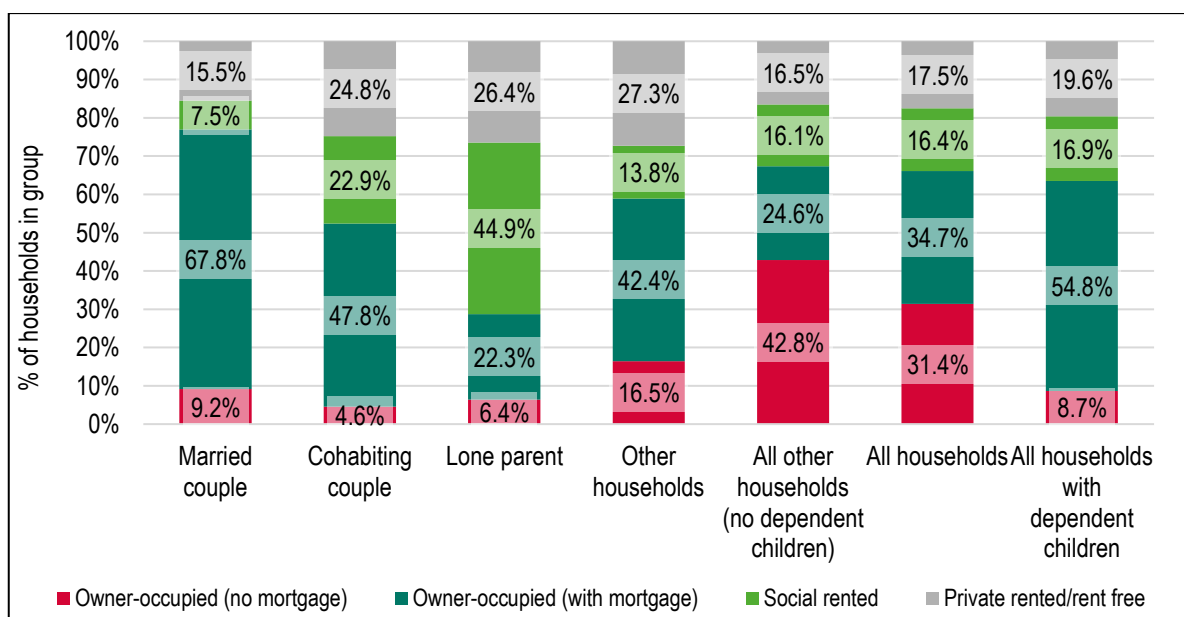
Table 8.2 Households with Dependent Children (2021)

	Dacorum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Married couple	18.0%	19.8%	24.0%	21.0%	20.0%	20.6%
Cohabiting couple	4.8%	3.2%	3.5%	3.9%	3.6%	3.9%
Lone parent	7.0%	7.0%	5.5%	5.7%	6.6%	6.4%
Other households	2.1%	3.1%	1.8%	2.9%	4.5%	2.7%
All other households	68.2%	66.9%	65.3%	66.4%	65.2%	66.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total with dependent children	31.8%	33.1%	34.7%	33.6%	34.8%	33.5%

Source: Census (2021)

8.4 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In South West Herts, only 29% of lone parent households are owner-occupiers compared with 77% of married couples with children.

Figure 8.1 Tenure of households with dependent children (2021) – South West Herts

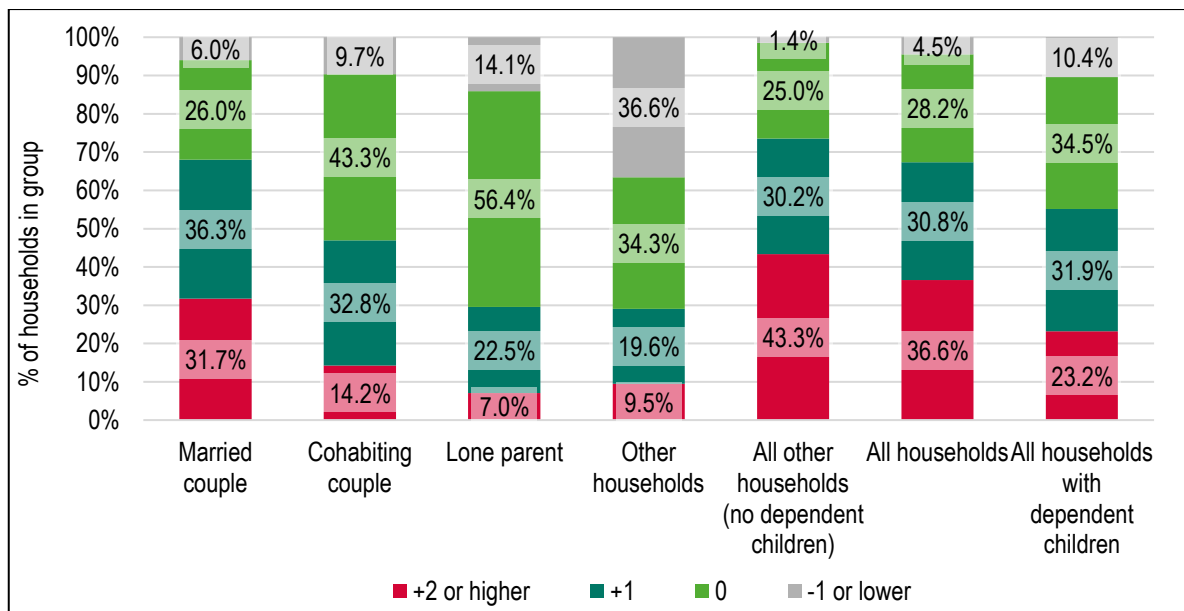


Source: Census (2021)

8.5 The figure below shows levels of overcrowding and under-occupancy of households with dependent children. A negative figure, -1 or less, indicates that a household has fewer bedrooms than required and is therefore overcrowded. A positive figure indicates that the household has spare bedrooms relative to the household requirement. However a household can have a single spare room that is used as an office or guest bedroom younger children that do not share a room.

8.6 The figure shows higher levels of overcrowding for all household types with dependent children, as might be expected, with 14% of all lone parents and 37% of ‘other’ households being overcrowded (compared to 4.5% of all households). Overall, some 10% of households with dependent children are overcrowded, compared with 1.4% of other households. Levels of under-occupancy are also notably lower in households with dependent children.

Figure 8.2 Occupancy rating of households with dependent children (2021) – South West Herts



Source: Census (2021)

The Mix of Housing

8.7 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much.

8.8 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period (taken to be 2021-41).

8.9 An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 76% of the total in this tenure group, although a similar proportion to that seen in other areas). The profile of the social rented sector is broadly similar across areas whilst the private rented sector generally has more smaller homes than other locations. Observations about the current mix feed into conclusions about future mix later in this section.

Table 8.3 Number of Bedrooms by Tenure, 2021

		South West Herts	Hertfordshire	East of England	England
Owner-occupied	1-bedroom	5%	5%	4%	4%
	2-bedrooms	19%	19%	20%	21%
	3-bedrooms	39%	42%	44%	46%
	4+-bedrooms	37%	35%	32%	29%
	Total	100%	100%	100%	100%
	Ave. no. beds	3.08	3.06	3.05	3.01
Social rented	1-bedroom	31%	30%	29%	29%
	2-bedrooms	32%	32%	35%	36%
	3-bedrooms	33%	35%	32%	31%
	4+-bedrooms	4%	4%	4%	4%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.11	2.13	2.11	2.10
Private rented	1-bedroom	26%	25%	21%	21%
	2-bedrooms	41%	40%	38%	39%
	3-bedrooms	22%	24%	30%	29%
	4+-bedrooms	11%	11%	11%	11%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.18	2.20	2.31	2.30

Source: Census (2021)

8.10 The table below shows the same information for each local authority. For owner-occupied housing this shows the largest stock to be in St Albans with Watford having the lowest average dwelling size. This latter pattern is the same in the private rented sector (smallest dwelling sizes in Watford) with Three Rivers seeing the largest private rented sector. There are some variations in the social rented stock – in this case the smallest stock is in Three Rivers and the largest in Dacorum and Watford. Differences between areas in terms of the social rented stock are less notable than for the market tenures.

Table 8.4 Number of Bedrooms by Tenure, 2021 – local authorities

		Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Owner-occupied	1-bedroom	4%	5%	4%	4%	8%
	2-bedrooms	18%	21%	17%	18%	23%
	3-bedrooms	42%	41%	35%	40%	42%
	4+-bedrooms	36%	34%	45%	38%	27%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	3.09	3.02	3.20	3.12	2.88
Social rented	1-bedroom	29%	31%	31%	34%	29%
	2-bedrooms	31%	34%	33%	31%	32%
	3-bedrooms	34%	32%	33%	33%	33%
	4+-bedrooms	5%	4%	4%	3%	5%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.15	2.09	2.09	2.03	2.14
Private rented	1-bedroom	25%	22%	26%	21%	33%
	2-bedrooms	41%	42%	43%	40%	39%
	3-bedrooms	24%	25%	21%	27%	18%
	4+-bedrooms	10%	12%	11%	13%	11%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.19	2.27	2.16	2.31	2.07

Source: Census (2021)

Overview of Methodology

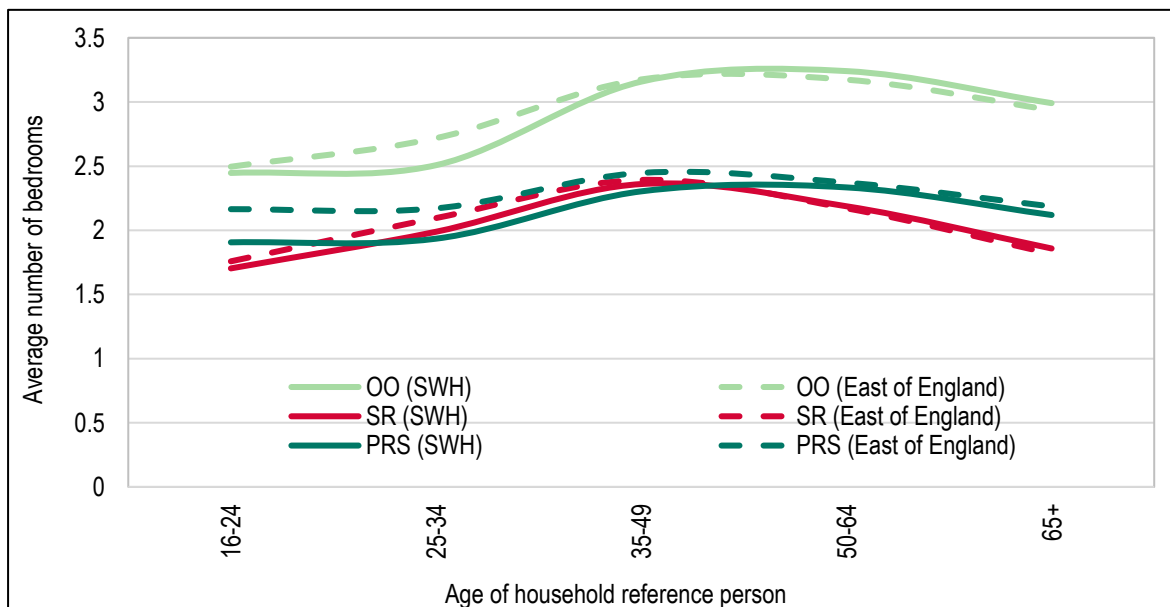
- 8.11 The method to consider future housing mix looks at the ages of the Household Reference Persons (occasionally referred to as the Head of Household) and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

- 8.12 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.13 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

- 8.14 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller level access homes would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.15 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 8.16 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups (data being drawn from the 2021 Census).
- 8.17 The figure below provides an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for South West Herts and the East of England region. In all sectors the average size of accommodation rises over time to typically reach a peak around the age of 50. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between South West Herts and the region with the main one being around smaller dwelling sizes in the private rented sector. The general patterns of average dwelling sizes by age of HRP are however similar in both areas.

Figure 8.3 Average Bedrooms by Age and Tenure in South West Herts



Source: Census (2021). OO = Owner Occupied; SR = Social Rented; PRS = Private Rented Sector. SWH = South West Hertfordshire.

8.18 The analysis uses the existing occupancy patterns at a local level as a start point for analysis and applies these to the projected changes in Household Reference Person by age discussed below. The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector. Arguably, this could also include the profile of private rented housing (as this is a market tenure), however, it is considered that the vast majority of newbuild homes are built with the intention of owner-occupation whilst it has previously been shown that a significant part of the private rented sector is actually being used to support the lack of affordable housing in the area. That said, a sensitivity has been undertaken to see the difference if using PRS occupancy profiles;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.19 The tables below present the projected change in households by age of household reference person from 2021 to 2041; two tables are provided, based on the projections described in Section 6 (one linking to levels of households growth in the 2014-based household projections and the other the Standard Method). The analysis shows growth as being expected in all age groups and in particular older age groups. The number of households headed by someone aged 35-49 is projected to see the most modest increase over the period studied (up 9% in the case of household growth only) with numbers aged 85 and over projected to increase by at least 70%.

Table 8.5 Projected Change in Household by Age of HRP in South West Herts (linked to household growth)

	2021	2041	Change in Households	% Change
Under 25	3,331	3,999	667	20.0%
25-34	28,388	34,600	6,212	21.9%
35-49	72,557	79,189	6,632	9.1%
50-64	71,961	83,898	11,937	16.6%
65-74	30,870	40,885	10,015	32.4%
75-84	23,743	37,941	14,198	59.8%
85+	11,132	19,292	8,160	73.3%
TOTAL	241,983	299,803	57,819	23.9%

Source: Demographic Projections

Table 8.6 Projected Change in Household by Age of HRP in South West Herts (linked to Standard Method)

	2021	2041	Change in Households	% Change
Under 25	3,331	5,775	2,443	73.3%
25-34	28,388	41,566	13,177	46.4%
35-49	72,557	87,653	15,096	20.8%
50-64	71,961	85,809	13,847	19.2%
65-74	30,870	41,628	10,758	34.8%
75-84	23,743	38,453	14,710	62.0%
85+	11,132	19,645	8,513	76.5%
TOTAL	241,983	320,527	78,544	32.5%

Source: Demographic Projections

Modelling Outputs

- 8.20 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.21 The analysis for rented affordable housing can also draw on data from the local authority Housing Registers with regard to the profile of need. The data shows a pattern of need which is focussed on 1-bedroom homes but with over a quarter of households as requiring 3+-bedroom accommodation.

Table 8.7 Size of Social/Affordable Rented Housing – Housing Register Information (March 2022)

	Number of households	% of households
1-bedroom	2,824	50.8%
2-bedrooms	1,151	20.7%
3-bedrooms	1,280	23.0%
4+-bedrooms	303	5.5%
TOTAL	5,558	100.0%

Source: LAHS

- 8.22 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. This is done by linking local and regional occupancy patterns and modelling using both projections developed. There are only very limited differences in the two models and in both cases market housing focusses on 3+-bedroom homes, affordable home ownership on 2- and 3-bedroom accommodation and rented affordable housing showing a slightly smaller profile again.

- 8.23 Given there is only a limited difference in the scenarios, further analysis to follow focuses on the 'linked to household growth' scenario only.

Table 8.8 Modelled Mix of Housing by Size and Tenure (linked to household growth)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	22%	43%	31%
Affordable home ownership	24%	40%	26%	11%
Affordable housing (rented)	32%	32%	32%	4%

Source: Housing Market Model

Table 8.9 Modelled Mix of Housing by Size and Tenure (linked to the Standard Method)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	22%	42%	32%
Affordable home ownership	25%	40%	25%	10%
Affordable housing (rented)	31%	34%	31%	4%

Source: Housing Market Model

Sensitivity Analysis: Including Private Rent in the Market Analysis

- 8.24 Below, the modelling has been repeated but including the profile of households in the private rented sector as part of the market – this is reasonable given the PRS is a market tenure, but as previously noted does have the issue that it will be picking up a notable number of households using this sector due to a lack of affordable housing). This does have a modest impact on the findings – in particular there is a small shift towards smaller (1- and 2-bedroom) homes.

Table 8.10 Modelled Mix of Housing in market sector (with and without including private rented sector)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Excluding PRS	5%	22%	42%	32%
Including PRS	8%	25%	40%	28%

Source: Housing Market Model

Adjustments for Overcrowding

- 8.25 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2021 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2021 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and this could point to a larger profile of homes being needed than shown by initial modelling.

8.26 Arguably the analysis could also look at under-occupancy (where households have more bedrooms than they need) – this might help to make a more efficient use of stock. However, it would not be reasonable to expect to remove under-occupancy (particularly in the market sector) and so this is not taken into account in the modelling, although the scale of under-occupancy in different tenures is highlighted below.

8.27 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2021, there were 133,000 households with some degree of under-occupation and just 2,700 overcrowded households.

Table 8.11 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	32,174	47,148	79,322
+1	0	22,545	21,449	9,707	53,701
0	7,313	6,775	8,271	1,525	23,884
-1	503	856	945	427	2,731
TOTAL	7,816	30,176	62,839	58,807	159,638

Source: Census (2021)

8.28 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 8.12 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	3,298	597	3,895
+1	0	4,223	3,712	516	8,451
0	11,308	6,771	4,911	406	23,396
-1	791	1,694	1,171	156	3,812
TOTAL	12,099	12,688	13,092	1,675	39,554

Source: Census (2021)

Table 8.13 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	2,234	2,916	5,150
+1	0	7,602	3,540	1,051	12,193
0	9,531	7,901	2,896	493	20,821
-1	1,565	1,758	681	203	4,207
TOTAL	11,096	17,261	9,351	4,663	42,371

Source: Census (2021)

- 8.29 In using this data in the modelling an adjustment is made to move overcrowded households into larger homes; households are moved up as many bedrooms as is needed to resolve the problems. The adjustments for overcrowding lead to the suggested mix as set out in the following table. It can be seen there is little difference from the main modelling.

Table 8.14 Adjusted Modelled Mix of Housing by Size and Tenure

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	21%	43%	32%
Affordable home ownership	21%	39%	28%	12%
Affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

- 8.30 Across the study area, the analysis points to around a third of the social/affordable housing need being for 1-bedroom homes and it is of interest to see how much of this is due to older person households. In the future household sizes are projected to drop whilst the population of older people will increase. Older person households (as shown earlier) are more likely to occupy smaller dwellings. The impact of older people have on demand for smaller stock is outlined in the table below.
- 8.31 This indeed identifies a larger profile of homes needed for households where the household reference person is aged Under 65, with a concentration of 1-bedroom homes for older people. This information can be used to inform the mix required for General Needs rather than Specialist Housing, although it does need to be noted that not all older people would be expected to live in homes with some form of care or support.

Table 8.15 Adjusted Modelled Mix of Housing by Size and Age – Affordable Housing (Rented) – South West Herts

Age of HRP	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Under 65	21%	34%	34%	11%
65 and over	47%	53%		
All affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

- 8.32 A further analysis of the need for rented affordable housing is to compare the need with the supply (turnover) of different sizes of accommodation. This links back to estimates of need in the previous section (a need for 2,258 dwellings per annum) with additional data from CoRe about the sizes of homes let over the past three years.
- 8.33 This analysis is quite clear in showing the very low supply of larger homes relative to the need. For 4+-bedroom accommodation, it is estimated the supply is only around 5% of the need arising each year, whereas for 1-bedroom homes around 43% of the need can be met.

Table 8.16 Need for general needs rented affordable housing by number of bedrooms – South West Herts

	Gross Annual Need	Gross Annual Supply	Net Annual Need	As a % of total net annual need	Supply as a % of gross need
1-bedroom	819	350	469	20.8%	42.7%
2-bedrooms	1,145	367	778	34.5%	32.0%
3-bedrooms	924	153	771	34.1%	16.5%
4+-bedrooms	252	12	240	10.6%	4.7%
Total	3,139	881	2,258	100.0%	28.1%

Source: JGC Modelling

Comparison of Modelling Outputs with 2020 study

- 8.34 A similar analysis was carried out in the 2020 LHNA and the table below provides a comparison of the modelling outputs from that report and this study. It can be seen there are some differences between the figures, but generally these are not particularly substantial. Differences will be driven by a number of factors, including: use of up-to-date projections, use of 2021 Census data on occupancy and an adjustment for overcrowding (which mainly impacts on rented affordable needs). It should be noted the 2020 study did not separate out the rented affordable need into households aged over and under 65.

Table 8.17 Comparing Modelled Mix of Housing by Size and Tenure (2020 and 2023 reports) – South West Herts

		1-bedroom	2-bedrooms	3-bedrooms	4+- bedrooms
Market	This study	4%	21%	43%	32%
	2020 study	5%	22%	44%	29%
Affordable home ownership	This study	21%	39%	28%	12%
	2020 study	27%	41%	24%	9%
Affordable housing (rented)	This study	30%	30%	33%	7%
	2020 study	35%	29%	32%	4%

Source: 2020 data from Tables 71-73

Indicative Targets for Different Sizes of Property by Tenure

- 8.35 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).
- 8.36 A further factor which has been considered is the evidence that conversions and in particular extensions of existing properties have been contributing to the supply of larger properties in the HMA. This is particularly likely to have affected market sector homes (and in particular those that are owner occupied), as households seek to extend properties given the high transactional costs of moving (influenced in particular by property values and therefore Stamp Duty). Taking this into account, it is reasonable for new-build development to focus slightly more towards smaller homes than the modelled need, with slightly lower provision of 4+ bed homes, reflecting that the supply of some larger properties of these sizes will be achieved in part through extensions to existing stock. Much of the housing stock in 2040/41 is likely to exist now.

Social/Affordable Rented

- 8.37 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be occupied by younger single people).

8.38 As noted, the conclusions also consider the Housing Register and also take account of the current profile of housing in this sector). In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

General Needs	Housing for Older People
• 1-bedroom: 20%	• 1-bedroom: 50%
• 2-bedroom: 30%	• 2+-bedroom: 50%
• 3-bedroom: 35%	
• 4+-bedroom: 15%	

Affordable Home Ownership

8.39 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households and childless couples. Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20%
- 2-bedroom: 40%
- 3-bedroom: 30%
- 4+-bedroom: 10%

Market Housing

8.40 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). However they have also sought to balance wider issues including the increased prevalence of home working but also the role which extensions to existing homes play in contributing to the stock of larger properties. These issues counteract one another to some degree.

8.41 The conclusions for market housing see a slightly larger recommended profile compared with other tenure groups, but with future stock provision focused on 2- and 3-bed stock:

- 1-bedroom: 5%
- 2-bedroom: 20%
- 3-bedroom: 45%
- 4+-bedroom: 30%

-
- 8.42 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the Council area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 8.43 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character and the form of development are also however relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Considering the Need for different Sizes of Homes against Recent Delivery

The historical data, as considered in Section 3, points to a focus of delivery in SW Herts towards 1- and 2-bed properties in recent years, with family-sized homes with 3 or more bedrooms equating to just 31% of new-build homes delivered. Property extensions have provided an important source of supply of larger homes in this context.

The delivery of family homes tends to be focused on suburban locations, larger and greenfield sites. If the delivery of family homes is to be supported through local plans in the sub-region, the mix of sites allocated for development should be considered through the plan-making process. However the delivery of specialist homes and those attractive to older households, in locations with access to services, amenities and public transport, can also help to release existing family-sized homes for other local households.

District Level Housing Mix

- 8.44 The analysis above has focussed on overall study area-wide needs; given differences between authorities. It is however worth considering the potential mix at a district level with figures for local authorities shown in the tables below.
- 8.45 These tables are all based on the same analysis above, but using data specific to each local authority. The analysis uses district-level occupancy patterns (combined with regional data) and links to the projection based on household growth. The figures in the market link to owner-occupier profiles (i.e. excludes the Private Rented Sector) but do include an adjustment for overcrowding by tenure.

8.46 It is not considered that any District-level findings point to a significantly different mix being required in different areas when compared with the study area as a whole and it should be noted that in practice, the future housing mix will also be influenced by the types of housing site available. This will vary from district to district and will be influenced by the scale of Green Belt releases in Local Plans. Generally, it is much easier to secure family houses on greenfield sites than on previously developed urban land, which explains why relatively few family homes are built in Watford for example.

Table 8.18 Adjusted Modelled Mix of Housing by Size and Tenure – Dacorum

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	21%	20%	48%
2-bedrooms	21%	39%	37%	52%
3-bedrooms	43%	28%	35%	
4+-bedrooms	32%	11%	7%	

Source: Housing Market Model (with adjustments)

Table 8.19 Adjusted Modelled Mix of Housing by Size and Tenure – Hertsmere

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	18%	23%	42%
2-bedrooms	24%	39%	33%	58%
3-bedrooms	43%	30%	34%	
4+-bedrooms	29%	13%	10%	

Source: Housing Market Model (with adjustments)

Table 8.20 Adjusted Modelled Mix of Housing by Size and Tenure – St Albans

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	22%	20%	46%
2-bedrooms	21%	40%	33%	54%
3-bedrooms	41%	27%	32%	
4+-bedrooms	34%	11%	15%	

Source: Housing Market Model (with adjustments)

Table 8.21 Adjusted Modelled Mix of Housing by Size and Tenure – Three Rivers

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	19%	20%	53%
2-bedrooms	21%	39%	32%	47%
3-bedrooms	42%	30%	35%	
4+-bedrooms	32%	13%	12%	

Source: Housing Market Model (with adjustments)

Table 8.22 Adjusted Modelled Mix of Housing by Size and Tenure – Watford

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	22%	18%	44%
2-bedrooms	21%	37%	33%	56%
3-bedrooms	44%	29%	34%	
4+-bedrooms	30%	13%	15%	

Source: Housing Market Model (with adjustments)

8.47 These calculations reflect an unconstrained assessment of the need for different types of homes. The nature of the land supply in different areas can however have an influence on the form of development coming forwards and what is built. In areas such as Watford, a high proportion of development is on flatted schemes where developers prefer to deliver smaller 1-bed and 2-bed properties which support higher values per square foot. There is however a case for seeking the delivery of larger properties on flatted schemes through policy with a view to achieving a balanced mix of homes overall.

Built-form

8.48 A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses with a short discussion also provided on the size of homes within bedroom number categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes).

Bungalows

8.49 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Council areas as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.

8.50 The table below shows a modest proportion of homes in South West Herts are bungalows (6% of all flats and houses). Approaching half of bungalows have 2-bedrooms (46% of the total). A notably higher proportion (9%) of homes across England are bungalows.

Table 8.23 Number of dwellings by property type and number of bedrooms (March 2020) – South West Herts

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	2,130	6,310	3,740	1,490	80	13,730
Flat/Maisonette	28,990	32,470	3,100	220	340	65,110
Terraced house	1,810	19,780	39,800	5,580	160	67,120
Semi-detached house	190	5,470	43,460	8,870	150	58,130
Detached house	70	1,250	12,300	28,770	300	42,660
All flats/houses	33,190	65,280	102,400	44,930	1,030	246,750
Annexe	-	-	-	-	-	360
Other	-	-	-	-	-	1,210
Unknown	-	-	-	-	-	1,370
All properties	-	-	-	-	-	249,670

Source: Valuation Office Agency

- 8.51 In general, discussions with local estate agents (discussions nationally) find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular). Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).
- 8.52 As a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.
- 8.53 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.54 Overall, the Councils could consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive and this is likely to limit opportunities for development – particularly in more urban locations.

8.55 Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

Flats versus Houses

8.56 Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 82% of all 1-bedroom homes are flats, 38% of 2-bedroom homes and just 5% of homes with 3-bedrooms.

8.57 The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in South West Herts and a number of other locations. This shows a relatively high proportion of flats in South West Herts (52% of all 2-bedroom homes). This would arguably point to a broad split between flats and houses for 2-bedroom homes in the future although this will to some extent depend on site characteristics. The analysis does also show a higher proportion of flats in the social and private rented sectors.

Table 8.24 Proportion of 2-bedroom homes that are a flat, maisonette or apartment (by tenure)

	Owner-occupied	Social rented	Private rented	All (2-bedroom)
Dacorum	37%	49%	68%	48%
Hertsmere	47%	59%	73%	57%
St Albans	40%	63%	68%	53%
Three Rivers	33%	42%	63%	41%
Watford	47%	69%	70%	60%
SWH	41%	56%	69%	52%
East of England	20%	42%	47%	32%
England	25%	48%	52%	38%

Source: 2021 Census

8.58 For completeness, the table below shows the proportion of flats in South West Herts for all sizes of accommodation and different tenures. Of particular note is the very small proportion of 3+-bedroom homes as flats – particularly in the market sector.

Table 8.25 Proportion of homes that are a flat, maisonette or apartment (by tenure and dwelling size)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Owner-occupied	80%	41%	2%	0%
Social rented	86%	56%	5%	7%
Private rented	90%	69%	15%	11%
All	85%	52%	4%	1%

Source: 2021 Census

8.59 As noted, this analysis would suggest that 2-bedroom homes might be expected to be split between houses (or bungalows) and flats given the nature of the current stock. Any decisions will have to take account of site characteristics, which in some cases might point towards flatted development as being most appropriate.

8.60 The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing although the Councils should ensure there is a mix of both built-forms in all tenures. The Councils can also consider the likely occupancy of new homes with analysis (below) pointing to a high proportion of lettings being to households with children – such households are likely to be better suited to houses rather than flats.

Sizes within bedroom size categories

8.61 The final mix consideration is around the sizes of homes within bedroom size categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes). This is mainly an issue for rented forms of affordable housing and it is considered an understanding of occupancy will be an important consideration (notably the extent to which homes contain children) with data considered in the context of the number of lettings (by size).

8.62 The table below shows the proportion of lettings to households and the number with children under the age of 16. This clearly shows a high proportion of lettings to households with children with half of lettings over the past 3-years containing children – around half of these are to households with more than one child.

Table 8.26 Proportion lettings to households with children aged under 16

	No children	1-child	2-children	3+-children
Dacorum	42%	33%	17%	8%
Hertsmere	53%	24%	12%	11%
St Albans	51%	22%	17%	10%
Three Rivers	58%	21%	12%	9%
Watford	53%	23%	14%	10%
SWH	50%	26%	15%	9%

Source: CoRe

-
- 8.63 **This analysis would suggest maximising sizes of homes in new properties;** with this being further supported by noting there will be other children (aged over 16 in some households) and also the observation earlier in this section of relatively high levels of overcrowding in the social rented sector. Previous analysis has also identified around 40% of lettings are in 1-bedroom homes, which means the vast majority of 2+-bedroom homes are likely to be let to households with children. Across SW Herts, 42% of lettings are in homes with 2-bedrooms suggesting a general lack of larger family accommodation.
- 8.64 Those in priority need are often households with children. Based on analysis of Watford's Housing Register, 25% of households in priority need require the largest sized properties (such as 2-bed, 3 person or 3-bed 5 person properties. Providing properties on these sizes also ensures that homes can meet households changing needs, including as additional children are born, and thus avoids growth in overcrowding.
- 8.65 In seeking to provide larger homes within any particular dwelling size, the Councils should be mindful of any impact this may have on viability (i.e. not reducing the overall level of affordable housing able to be delivered). There may also be specific cases where particular sites are more suited to smaller homes and so any policy position should be applied flexibly.

Summary

- 8.66 Analysis of the future mix of housing required takes account of demographic change, including potential changes to the number of family households and the ageing of the population. The proportion of households with dependent children in South West Herts is relatively high with around 34% of all households containing dependent children in 2021 (compared with around 29% regionally and nationally). There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas lone parents are particularly likely to live in social or private rented accommodation.
- 8.67 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to future demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population.
- 8.68 In all sectors the analysis points to a particular need for 2- and 3-bedroom accommodation, with varying proportions of 1-bedroom and 4+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 50% to have at least 3-bedrooms (general need housing). Our recommended mix is set out below:

Table 8.27 SW Herts - Recommend Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

- 8.69 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bedroom properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- 8.70 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. That said, this report also highlighted potential difficulties in making (larger) AHO genuinely affordable.
- 8.71 Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.
- 8.72 Given the nature of the area and the needs identified, the analysis suggests that the majority of units should be houses rather than flats although consideration will also need to be given to site specific circumstances (which may in some cases lend themselves to a particular type of development). There is potentially a demand for bungalows, although realistically significant delivery of this type of accommodation may be unlikely. It is however possible that delivery of some bungalows might be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into family use.

9. HOUSING FOR OLDER & DISABLED PEOPLE

- 9.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are analysed within the same section as there is a clear link between age and disability. It responds to the NPPF (Para 63) which identifies the need to assess the need of older people and Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- 9.2 The PPG on Housing for Older and Disabled People outlines that the need to provide housing for older people is critical, given the growth in the projected older population, and can help to provide older and disabled people with choice, to live safely and independently and to reduce costs to the social care and healthcare systems. It identified that needs assessments should consider the needs for specialist housing and for care homes, and for accessible and adaptable housing, and this can inform plan-making. Plans should set clear policies to address these needs including providing indicative figures or a range for the number of specialist housing units needed over the plan period. It is up to planning authorities whether to allocate sites to meet specialist housing needs, but the PPG advises that doing so can provide greater certainty for developers and encourage provision in suitable locations. The PPG in addition provides guidance on inclusive design.

Understanding the Implications of Demographic Change

- 9.3 At a national level, the population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of South West Herts are presented.

Current Population of Older People

- 9.4 The table below provides baseline population data about older persons in South West Herts and compares this with other areas. The table shows the study area has a slightly younger structure than seen regionally or nationally with 17% of the population being aged 65 and over. The proportion of people aged 75 and over is also slightly below equivalent figures for other areas.

Table 9.1 Older Persons Population, 2021

	South West Herts	Hertfordshire	East of England	England
Under 65	83.2%	82.9%	80.3%	81.5%
65-74	8.7%	8.9%	10.3%	9.8%
75-84	5.5%	5.7%	6.7%	6.2%
85+	2.5%	2.6%	2.7%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	16.8%	17.1%	19.7%	18.5%
Total 75+	8.1%	8.3%	9.4%	8.7%

Source: ONS

- 9.5 The table below shows the same data for the five local authorities. The analysis points to some variation in the proportion of older people, the most notable finding being the very low proportion in Watford where only 13% of the population is aged 65 and over compared to over 17%-18% in other authorities.

Table 9.2 Older Persons Population, 2021 – by local authority

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Under 65	82.5%	82.2%	82.7%	81.9%	87.3%
65-74	9.2%	9.1%	8.7%	9.4%	6.8%
75-84	5.7%	6.0%	5.8%	6.0%	4.1%
85+	2.6%	2.8%	2.7%	2.7%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Total 65+	17.5%	17.8%	17.3%	18.1%	12.7%
Total 75+	8.2%	8.7%	8.6%	8.7%	5.9%

Source: Census (2021)

Projected Future Change in the Population of Older People

- 9.6 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that South West Herts is projected to see a notable increase in the older person population with a projected increase in the population aged 65+ of around 47% in the 2021-41 period – the population aged Under 65 is in contrast projected to increase by a more modest 13%.
- 9.7 In total population terms, the projections show an increase in the population aged 65 and over of 48,000 people. This is against a backdrop of an overall increase of 115,000 – population growth of people aged 65 and over therefore accounts for around 42% of the total projected population change. The projection shown below is based on the household growth scenario discussed in Section 6.

**Table 9.3 Projected Change in Population of Older Persons, 2021 to 2041
– South West Herts**

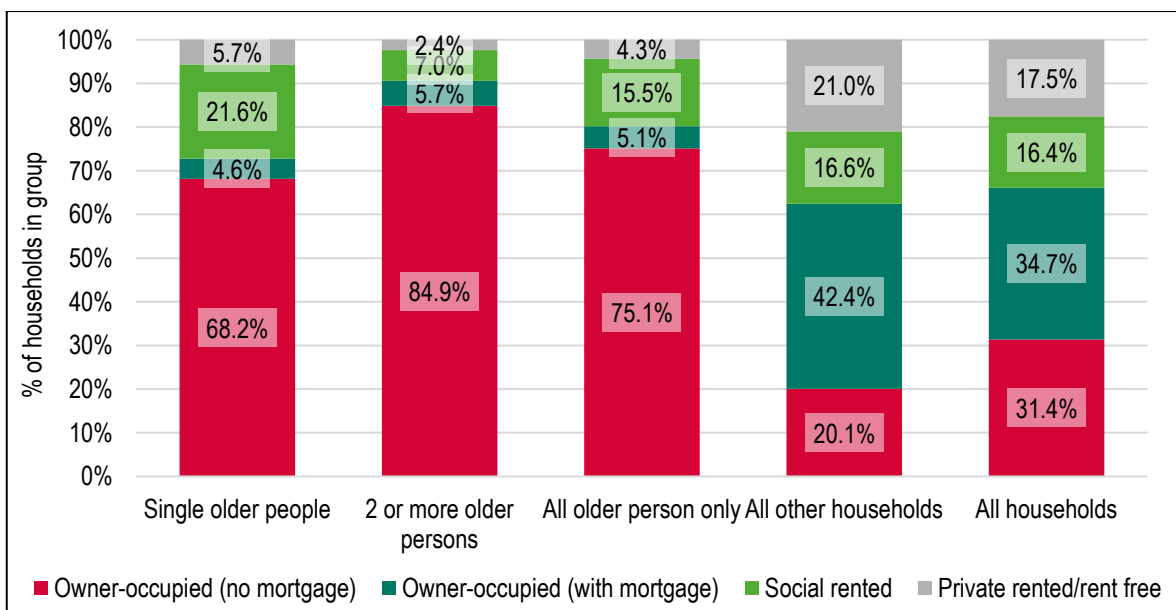
	2021	2041	Change in population	% change
Under 65	506,278	573,270	66,992	13.2%
65-74	52,931	69,856	16,925	32.0%
75-84	33,728	53,602	19,874	58.9%
85+	15,429	26,628	11,199	72.6%
Total	608,366	723,356	114,990	18.9%
Total 65+	102,088	150,086	47,998	47.0%
Total 75+	49,157	80,230	31,073	63.2%

Source: Demographic projections

Characteristics of Older Person Households

- 9.8 The figures below show the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (80% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 16% of older persons households live in the social rented sector and the proportion of older person households living in the private rented sector is relatively low (about 4%).
- 9.9 There are also notable differences for different types of older person households with single older people having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

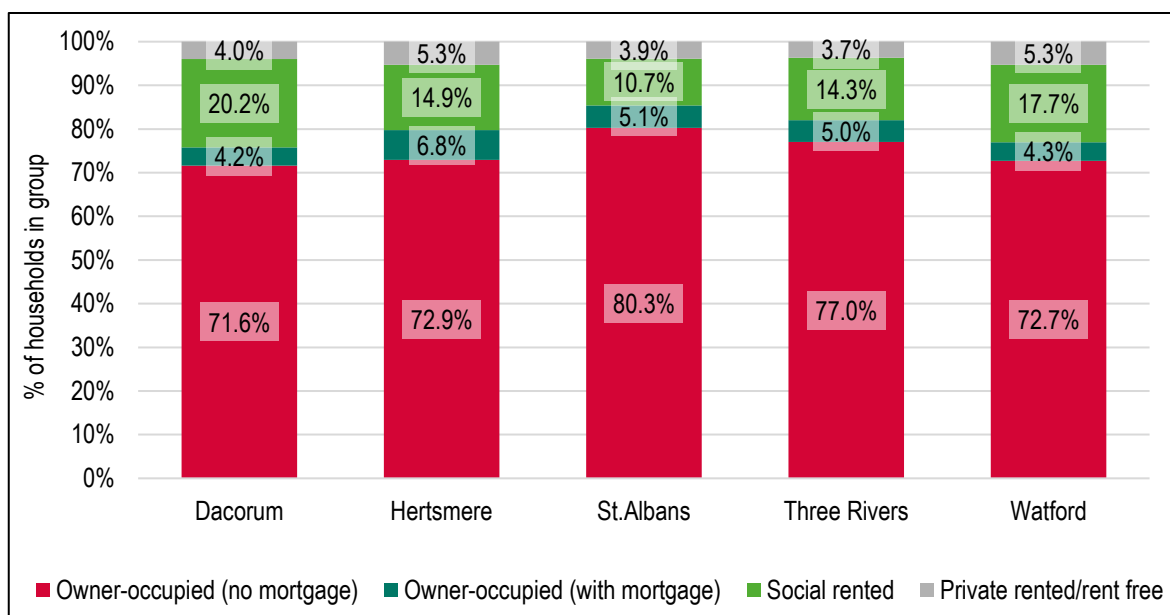
Figure 9.1 Tenure of Older Persons Households in South West Herts, 2021



Source: 2021 Census

9.10 The figure below shows the same information for each local authority (data for all older person households). There is some variation between areas, with the proportion of outright owners varying from 72% in Dacorum, up to 80% in St Albans. It is however the case that all areas see the majority of older person households as owner-occupiers.

Figure 9.2 Tenure of Older Persons Households in South West Herts, 2021 – local authorities



Source: 2021 Census

Prevalence of Disabilities

9.11 The table below shows the proportion of people who are disabled under the Equality Act drawn from 2021 Census data, and the proportion of households where at least one person has a disability, as defined under the Equality Act 2010 (either physical or mental). The data suggests that some 27% of households in the study area contain someone with a disability. This figure is similar to that seen across Hertfordshire and below the regional and national average. The figures for the population with a disability show a similar pattern when compared with other locations – some 14% of the population having a disability. Not all disabilities will impact on housing needs.

Table 9.4 Households and People with a Disability, 2021

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
South West Herts	65,150	27.0%	83,351	13.7%
Hertfordshire	134,829	27.9%	172,675	14.4%
East of England	811,942	30.9%	1,053,832	16.6%
England	7,507,886	32.0%	9,774,510	17.3%

Source: 2021 Census

9.12 The table below shows the same information for local authorities – this shows a higher proportion of population and households in Dacorum with a disability and lower proportions in the St Albans and Watford. Generally there are not substantial differences between areas and all locations see a level of disability below the regional and national average.

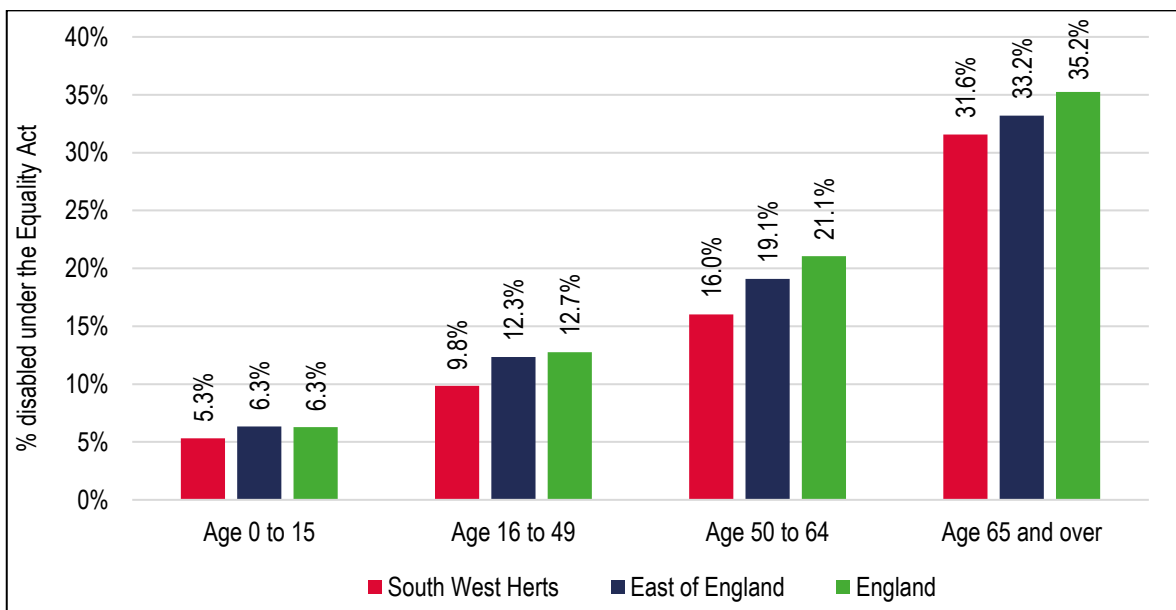
Table 9.5 Households and People with a Disability, 2021 – Local Authorities

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
Dacorum	18,218	28.7%	23,522	15.2%
Hertsmere	11,691	27.4%	15,076	14.0%
St Albans	15,038	25.5%	19,128	12.9%
Three Rivers	10,116	27.4%	12,692	13.5%
Watford	10,087	25.5%	12,933	12.6%
South West Herts	65,150	27.0%	83,351	13.7%

Source: 2021 Census

9.13 As noted, it is likely that the age profile will impact upon the numbers of people with a disability, as older people tend to be more likely to have a disability. The figure below shows the age bands of people with a disability. It is clear from this analysis that those people in the oldest age bands are more likely to have a disability. The analysis also typically shows lower levels of disability in each age band within South West Herts when compared with the regional and national position.

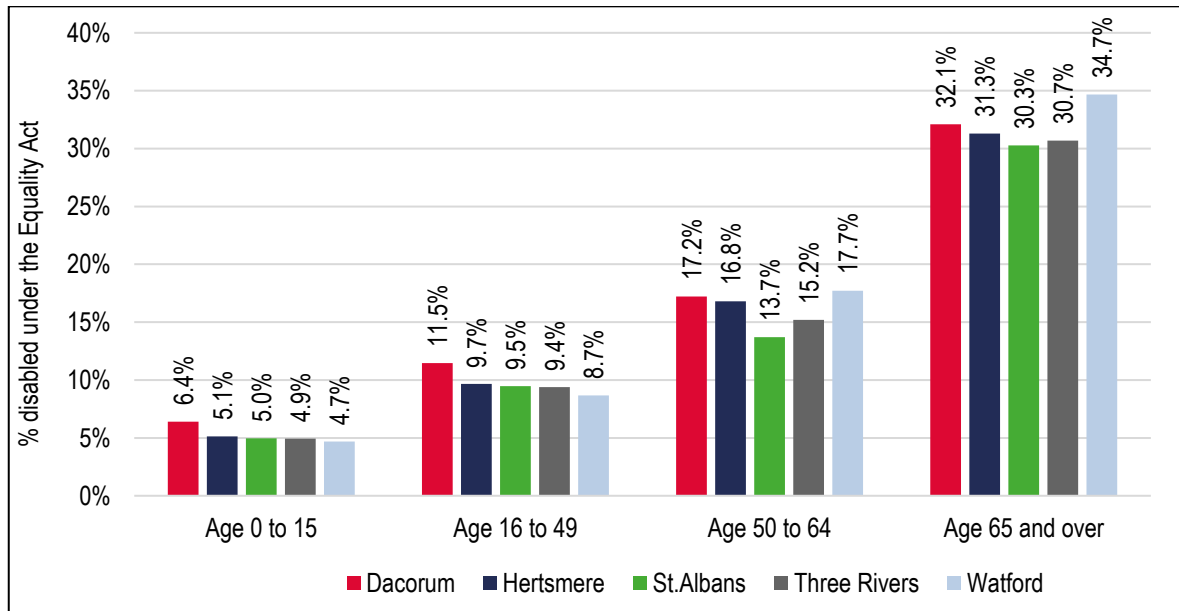
Figure 9.3: Population with Disability by Age



Source: 2021 Census

9.14 The figure below shows the same information for local authorities with each showing the same general pattern of higher levels of disability in the older person population. Overall, Dacorum shows some of the highest disability levels in the area, although the proportion of people aged 50 and over with a disability is highest in Watford.

Figure 9.4: Population with Disability by Age – local authorities



Source: 2021 Census

Health Related Population Projections

9.15 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population. The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown.

9.16 Of particular note are the large increases in the number of older people with dementia (increasing by 62% from 2021 to 2041 and mobility problems (up 55% over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents around 8% of total projected population growth.

Table 9.6 Projected Changes to Population with a Range of Disabilities – South West Herts

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	6,665	10,822	4,157	62.4%
Mobility problems	65+	17,287	26,808	9,521	55.1%
Autistic Spectrum Disorders	18-64	2,772	3,208	436	15.7%
	65+	843	1,256	413	49.0%
Learning Disabilities	15-64	7,317	8,408	1,091	14.9%
	65+	1,902	2,780	878	46.2%
Impaired mobility	16-64	15,810	18,102	2,292	14.5%

Source: POPPI/PANSI and Demographic Projections

9.17 The tables below provide the same information at a local authority level. The most notable finding is the higher projected increases in adult age groups in Watford – this reflects the local authority projections which for this area projected notable increases in the number of people aged under 65.

Table 9.7 Projected Changes to Population with a Range of Disabilities – Dacorum

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,778	2,888	1,110	62.5%
Mobility problems	65+	4,627	7,171	2,544	55.0%
Autistic Spectrum Disorders	18-64	801	911	110	13.8%
	65+	229	339	110	48.2%
Learning Disabilities	15-64	2,090	2,375	285	13.6%
	65+	514	745	232	45.2%
Impaired mobility	16-64	4,595	5,157	562	12.2%

Source: POPPI/PANSI and Demographic Projections

Table 9.8 Projected Changes to Population with a Range of Disabilities – Hertsmere

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,275	2,129	854	67.0%
Mobility problems	65+	3,285	5,223	1,938	59.0%
Autistic Spectrum Disorders	18-64	484	557	74	15.2%
	65+	155	233	78	50.0%
Learning Disabilities	15-64	1,297	1,482	185	14.2%
	65+	356	527	171	48.1%
Impaired mobility	16-64	2,825	3,177	352	12.5%

Source: POPPI/PANSI and Demographic Projections

Table 9.9 Projected Changes to Population with a Range of Disabilities – St Albans

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,644	2,541	898	54.6%
Mobility problems	65+	4,226	6,270	2,044	48.4%
Autistic Spectrum Disorders	18-64	604	691	87	14.3%
	65+	204	290	86	42.1%
Learning Disabilities	15-64	1,606	1,820	214	13.3%
	65+	458	646	187	40.8%
Impaired mobility	16-64	3,554	4,030	476	13.4%

Source: POPPI/PANSI and Demographic Projections

Table 9.10 Projected Changes to Population with a Range of Disabilities – Three Rivers

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,064	1,747	683	64.2%
Mobility problems	65+	2,778	4,318	1,540	55.4%
Autistic Spectrum Disorders	18-64	400	462	63	15.6%
	65+	137	207	70	50.9%
Learning Disabilities	15-64	1,061	1,214	153	14.4%
	65+	308	450	142	46.0%
Impaired mobility	16-64	2,378	2,714	336	14.1%

Source: POPPI/PANSI and Demographic Projections

Table 9.11 Projected Changes to Population with a Range of Disabilities – Watford

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	906	1,517	611	67.5%
Mobility problems	65+	2,370	3,825	1,456	61.4%
Autistic Spectrum Disorders	18-64	483	586	103	21.3%
	65+	118	188	70	59.2%
Learning Disabilities	15-64	1,263	1,517	254	20.1%
	65+	266	412	146	55.0%
Impaired mobility	16-64	2,458	3,024	566	23.0%

Source: POPPI/PANSI and Demographic Projections

9.18 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.

9.19 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Councils should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting

this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

Need for Specialist Accommodation for Older People

9.20 The PPG defines different types of specialist housing, as replicated below:

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: Planning Practice Guidance [63-010]

9.21 The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. The need for specialist housing for older persons is typically modelled for planning purposes by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is however no 'standard method' for assessing the housing and care needs of older people.

9.22 There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages. The demographic modelling for the population aged 75+ is shown below.

Table 9.12 Projections of Population aged 75+

Projections (+75)	2021	2026	2031	2036	2041	Change
Dacorum	12,798	14,935	16,668	18,823	21,394	8,596
Hertsmere	9,446	11,170	12,329	13,862	15,866	6,420
St Albans	12,710	14,595	15,739	17,210	19,384	6,674
Three Rivers	8,143	9,537	10,412	11,695	13,401	5,258
Watford	6,060	6,977	7,732	8,823	10,185	4,125
SW Herts	49,157	57,213	62,880	70,413	80,230	31,073

Source: JGC/Iceni analysis

- 9.23 Whilst there are no definitive or standard prevalence rates, the PPG [63-004] notes that ‘the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool’. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 9.24 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 an updated set of rates was published (rates which were repeated in a 2012 publication – Housing in Later Life). In 2016, Housing LIN published a review document which noted that the 2008 rates are ‘outdated’ but also noting that the rates from 2011/12 were ‘not substantiated’. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website. Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 9.25 For clarity, the table below shows the base prevalence rates set out in the various documents described above.

Table 9.13 Range of suggested baseline prevalence rates (per 1,000 population aged 75+) from a number of tools and publications

Type/Rate	SHOP@ (2008) ²⁵	Housing in Later Life (2012) ²⁶	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 (‘proactive range’)
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: *Housing LIN*

9.26 In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority’s strategy for delivering specialist housing for older people. The degree for instance which the strategic approach within the area seeks to grow extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types. This is an important element in the approach which is envisaged by those who have developed each ‘model’;
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, extra care in particular is impacted by this. Equally, funding and viability challenges to delivering certain types of schemes, and how the market has moved on in recent years is not fully captured.

²⁵ Based on the More Choice Greater Voice publication of 2008

(https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

²⁶ https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

-
- 9.27 Through the Care Act 2014, Hertfordshire County Council has responsibility for assessing the likely current and future demand for adults with care and support needs; and for ensuring the sustainability and efficient operation of the market. It has a responsibility for helping to shape that market. In these terms, the County Council's strategies for future provision are relevant to strategic planning.
- 9.28 HCC's 10 Year Supported Accommodation Strategy sets out its ambition to give first priority to supporting people at home, but alongside this it recognises the need to develop the choice of accommodation available to provide access to the right accommodation – and in particular expanding the provision of flexicare (extra care) across the County, working with partners, in order to slow growth in residential care bed spaces for long-term patients. Need for nursing care is expected to grow. These ambitions are reiterated in the Adult Care Services Plan.
- 9.29 The Strategy recognises that accommodating older people who need higher levels of support in extra care housing rather than residential care can help to mitigate the financial impacts of a growing older population on social care budgets which are under significant pressure. Households who own property or have more than £23,500 in savings (rising to £100,000 from Oct 2025) self-fund their care provision, however costs can be incurred by the County Council where savings fall below these levels. The nature of housing with care provision can therefore have direct financial impacts for HCC.
- 9.30 Icenii has worked for Hertfordshire County Council in 2022 to develop a model for assessing the needs of specialist housing in the County. The modelling approach used takes into account these factors. It recognises that specifically-designed homes for older people can help older residents to live into their own homes for longer (rather than needing to move into a care/nursing home), are less likely to have a fall or trip, and that specialist housing provision can help address wider social issues such as loneliness. Definitions used within the assessment are set out below.
- 9.31 On this basis, this report sets out two scenarios for specialist older persons housing provision:
- SHOP@ Scenario: which takes the base prevalence rates in the SHOP@ 2008 toolkit and models achieving these levels of provision over the plan period;
 - Extra Care Focus Scenario: which takes a lead from Hertfordshire County Council's Strategy for enhanced delivery of extra care housing as an alternative to residential care, as it is both more cost effective and supports independence. In this scenario we have therefore increased the Housing with Care target figures by 20 per 1000, with a reciprocal reduction in residential care units. For housing with support, the modelling takes the average of the three prevalence rates shown (135 per 1000), supporting slightly higher levels of specialist housing provision with support.

9.32 Prevalence rates define a target rate of provision. It is unrealistic to consider that changes in the model of housing with care and support will occur overnight: instead the prevalence rates represent the strategic ambitions for how provision is expected to develop over time. A progression of the prevalence rate from the current (existing) baseline provision now to the target model rate in 2041 is therefore modelled. The current prevalence rates and the target prevalence rates in 2041 applied in the two scenarios are shown in the tables below.

9.33 The tenure split of need is based on 2021 Census data on the tenure profile of households headed by someone aged over 65. The existing supply position has been identified using data from the Elderly Accommodation Council (EAC).

Table 9.14 Existing Prevalence Rates for Specialist Accommodation (per 1000 population aged 75+) – SW Herts

Existing PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	151	62	16	72	96
	Market	40	45	54	49	80
	Total	191	107	70	121	176
Housing with Care	Affordable	0	14	9	0	11
	Market	0	13	4	3	42
	Total	0	28	13	3	53
Care/Nursing Home Bedspaces	Nursing	22	61	28	40	65
	Residential	52	58	37	39	76
	Total	74	119	66	79	141

Source: EAC Stock Database/ Iceni

Table 9.15 Target Prevalence Rates in 2041 (per 1000 population 75+) – SHOP@ Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	30	25	18	23	29
	Market	95	100	107	103	96
	Total	125	125	125	125	125
Housing with Care	Affordable	11	9	7	8	10
	Market	34	36	38	37	35
	Total	45	45	45	45	45
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	65	65	65	65	65
	Total	110	110	110	110	110

Source: Housing LIN

Table 9.16 Target Prevalence Rates in 2041 (per 1000 population 75+) – Extra Care Focus Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	33	27	20	24	31
	Market	102	108	115	111	104
	Total	135	135	135	135	135
Housing with Care	Affordable	16	13	9	12	15
	Market	49	52	56	53	50
	Total	65	65	65	65	65
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	20	20	20	20	20
	Total	65	65	65	65	65

Source: Icen/HCC

9.34 The data on the current supply position is shown below. This was drawn from EAC data in 2022. In addition, pipeline development schemes with planning consent (based on the position in March 2022) are included in the modelling.

Table 9.17 Current Supply of Specialist Housing – SW Herts

Type	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	1929	581	201	583	580	3,874
	Market	518	427	683	399	484	2,511
	Total	2447	1,008	884	982	1064	6,385
Housing with Care	Affordable	0	134	113	0	68	315
	Market	0	126	50	21	253	450
	Total	0	260	163	21	321	765
Care/Nursing Home Bedspaces	Nursing	277	577	361	324	392	1,931
	Residential	665	545	475	320	461	2,466
	Total	942	1,122	836	644	853	4,397

Source: EAC Database

Table 9.18 Pipeline Supply of Specialist Accommodation

Type	Tenure	Daco- rum	Herts- mere	St Albans	Three Rivers	Watfor d	SW Herts
Housing With Support	Affordable	0	0	37	0	0	37
	Market	0	10	133	0	51	194
	Total	0	10	170	0	51	231
Housing with Care	Affordable	0	0	0	0	0	0
	Market	103	0	7	0	303 ²⁷	413
	Total	103	0	7	0	303	413
Care/Nursing Home Bedspaces	Nursing	0	4	0	0	0	4
	Residential Care	-8	206	173	152	0	523
	Total	0	0	37	0	0	37

Source: LPA Monitoring Data

- 9.35 To calculate a net need for additional provision, we calculate a gross need taking account of projected population growth (see Table 9.12) assuming that the prevalence changes from the baseline position to the target position over the period to 2041. The current and pipeline supply position are then subtracted to provide a net need position.
- 9.36 The SHOP@ Scenario shows a need for market housing with support (and some limited affordable provision in St Albans). It shows a need for housing with care in all areas besides Watford, where there is sufficient existing market provision; and overall identifies a need for 2,200 housing with care units to 2041. In addition, a need for around 3,900 residential care and nursing home bedspaces is identified.
- 9.37 For housing with support, the modelling shows a particular surplus of affordable supported housing in Dacorum. This should be regarded as indicative and is influenced in part by applying the existing tenure profile of older residents. The Council is undertaking a Supported Housing Review which can be expected to provide a more specific indication of future needs and provision.

²⁷ Of this the majority comprises 253 units at Riverwell where a C2 residential care community has permission (19/01342/VARM)

Table 9.19 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/ Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Source: Icenii Modelling

- 9.38 The Enhanced Extra Care Scenario seeks to more strongly develop the provision of specialist housing in line with the County Council’s strategic ambitions. This sees a higher market need for housing with support in all areas, but in particular results in a larger housing with care need for 3,800 housing with care units to 2041 focused towards market provision. If this enhanced extra care provision is achieved, the result is of no net additional need for residential care bedspaces (as households can be accommodated in extra care schemes); albeit that this does not mean that some modern schemes could be delivered whilst some smaller and older, outdated care homes are lost/redeveloped. A consistent need for nursing home bedspaces is shown.

Table 9.20 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

Source: Icenii Modelling

- 9.39 A negative need in the modelling does not necessarily imply that there is no need for new-build provision, given that there may be some existing stock which has become outdated and requires replacement or remodelling (such as studio or 1-bed sheltered units, and residential care bedspaces without en-suite facilities). Equally it is important to understand that a reduction in need for residential care bedspaces in the Enhanced Extra Care Scenario will only occur if new extra care housing schemes are brought forward to the extent envisaged. Reductions in residential care

needs will principally be felt in older properties which do not meet accessibility standards and provide en suite facilities; or offer sufficient economies of scale to operate in a cost-effective way.

- 9.40 The provision of a choice of attractive housing options to older households is a component of achieving a good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life and could in turn release some larger family sized homes into the market.
- 9.41 However, as the PPG set out, the need for specific types of homes and of particular groups can in some instances exceed or be proportionally high relative to the overall housing need figure calculated by the standard method as it uses the whole population as a baseline (as opposed to the net new households). The PPG recognises that planning authorities will need to consider the extent to which these needs can be addressed having regard to issues including the overall need for housing; the extent to which this can be translated into a housing requirement; and anticipated deliverability of different forms of provision having regard to viability.²⁸ Thus land supply and strategic constraints to development and viability issues can influence the ability to meet needs in individual local planning authorities.
- 9.42 In respect of housing with support, there is also some potential that the need shown could be influenced by other policies- such as the degree to which homes are delivered to M4(2) and M4(3) standards.
- 9.43 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Councils to seek a range of products that will be accessible to a wider number of households if needs are to be met.

²⁸ PPG Para ID: 67-001-20190722

Older Persons' Housing, Planning Use Classes and Affordable Housing Policies

9.44 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. PPG (paragraph 010) defines extra care housing or housing with care as follows:

“This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses”.

9.45 There is a degree to which different terms can be used for this type of development interchangeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.

9.46 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

9.47 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987 (as amended). Use Class C2: Residential Institutions is defined as *“use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses).”* C3 (dwelling houses) are defined as *“use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).”*

9.48 Care is defined in the Use Class Order as meaning *“personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”*

9.49 Personal care has been defined in Regulations²⁹ as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”

9.50 The Government released the PPG on *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided.”

9.51 The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. This is consistent with the Use Classes Order, where **it is the ongoing provision of care which is the distinguishing feature within the C2 definition**. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

9.52 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents’ care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

9.53 For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied to specialist housing. In all cases we are dealing with residential accommodation. But nor is there a clear policy

²⁹ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

- 9.54 The NPPF sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 63 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 9.55 Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But this does not set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.
- 9.56 The implications are that:
- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
 - If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.
- 9.57 Through the preparation of local plans, it would be possible for policies to seek affordable housing on extra care housing schemes from both C2 and C3 use classes. It should be noted that in July 2020 the High Court rejected claims that ‘extra care’ housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019³⁰). The Rectory Homes Judgement confirms that the use class need not necessarily be determinative of whether affordable housing policies might be applicable to an extra care development (noting that the policy in that case did not refer specifically to different use classes but to dwellings, and specifically referenced specialist older persons housing. It noted that extra care housing can have the physical characteristics of dwellings (whilst falling in a C2 use)). Fundamentally it emphasises that the interpretation of a development plan policy must depend on the language used within the policy and the plan.

³⁰ <https://www.judiciary.uk/wp-content/uploads/2020/07/Rectory-Homes-v-SSHCLG-final-judgment-31-07-2020.pdf>

9.58 It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

9.59 There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

9.60 Set against this, some leasehold specialist housing schemes are focused towards the higher end of the market and command strong sales values. The GDV for some schemes can also be influenced by 'event fees' which in some instances can be significant.

9.61 There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care. This should be tested through viability evidence. If standard affordable housing policies are applicable to extra care, the risk is that it disincentives delivery – contrary to the County Council's strategic aims; and this is why it is important that viability (and the potential for differentiated policies) is considered as part of the plan-making process.

9.62 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing and/or to specifically require certain levels of provision for specialist accommodation on strategic sites, and this may be something that the

Councils wish to consider through local plan preparation. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

Practical Issues

- 9.63 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.
- 9.64 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Counting C2 Completions

- 9.65 As Para 63-016a in the PPG sets out, units of housing provided for older people can be counted against the housing requirement in monitoring housing delivery. For residential institutions (C2 use), the contribution counted should be based on the amount of accommodation released into the market based on the average number of adults living in households shown by the Census data.
- 9.66 At the current time, this calculation is based on specific data commission from the ONS; and we note that the 2022 Housing Deliver Test Results were prepared on this basis using a figure of 1.8 adults per household.

Accessible and Adaptable Homes

- 9.67 The PPG sets out that delivery of accessible and adaptable homes have an important role to play in enabling people to live independently. Planning policies for accessible and adaptable homes (Class M4(2)) and wheelchair-user dwellings (Class M4(3)) need to be based on evidence of need and viability; and policy application needs to take account of site-specific factors such as topography and the potential for level access.
- 9.68 In respect of accessible and adaptable homes, the analysis earlier in this section has pointed to a very substantial increase in those with mobility problems and impaired mobility, which supports policies seeking provision of new homes which meet Class M4(2) standards – these are properties

which can be adapted to meet households changing needs in situ, such as by providing for level access, minimum corridor and doorway widths and living area at entrance level.

9.69 The analysis below draws on secondary data sources to estimate the number of current and future wheelchair users and to estimate the number of wheelchair accessible/adaptable dwellings that might be required in the future. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) – mainly 2018/19 data. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them ‘visitable’ for wheelchair users and data about wheelchair users by tenure.

9.70 The table below shows at a national level the proportion of wheelchair user households by the age of household reference person. Nationally, around 3.4% of households contain a wheelchair user – with around 1% using a wheelchair indoors. There is a clear correlation between the age of household reference person and the likelihood of there being a wheelchair user in the household.

Table 9.21 Proportion of wheelchair user households by age of household reference person – England

Age of household reference person	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
24 and under	99.4%	0.3%	0.0%	0.3%	100.0%
25-34	99.3%	0.3%	0.1%	0.2%	100.0%
35-49	98.2%	0.5%	0.1%	1.2%	100.0%
50-64	96.9%	0.7%	0.4%	2.0%	100.0%
65 and over	93.1%	0.9%	0.4%	5.6%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

9.71 The prevalence rate data can be brought together with information about the household age structure in SW Herts and how this is likely to change moving forward. The data estimates a total of 6,100 wheelchair user households in 2021, and that this will rise to 8,300 by 2041.

Table 9.22 Estimated number of wheelchair user households (2021-41) – South West Herts

	Prevalence rate (% of households)	Households 2021	Households 2041	Wheelchair user households (2021)	Wheelchair user households (2041)
24 and under	0.8%	3,331	3,999	27	32
25-34	0.6%	28,388	34,600	162	197
35-49	1.1%	72,557	79,189	810	886
50-64	2.0%	71,961	83,898	1,421	1,660
65 and over	5.6%	65,745	98,117	3,667	5,484
All households	-	241,983	299,803	6,086	8,258

Source: English Housing Survey; 2021 Census and demographic projections

- 9.72 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. We therefore need to consider what proportion of homes might not be suitable for wheelchair users, or cannot be adequately adapted. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ – this is around 25% of wheelchair user households.
- 9.73 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for around 3,700 additional wheelchair user homes in the 2021-41 period. If the projected need is also discounted to 25% of the total (on the basis that many additional wheelchair user households will already be in accommodation), this leads to a need estimate of 2,100 homes. These figures equate to a need for 103-185 dwellings per annum. These figures and for individual local authorities are shown in the tables below.

Table 9.23 Estimated need for wheelchair user homes, 2021-41

		Current need	Projected need (2021-41)	Total current and future need
Dacorum	Total	429	580	1,009
	@ 25% of projection	429	145	574
Hertsmere	Total	296	422	718
	@ 25% of projection	296	106	402
St Albans	Total	321	416	737
	@ 25% of projection	321	104	425
Three Rivers	Total	235	349	584
	@ 25% of projection	235	87	322
Watford	Total	241	404	645
	@ 25% of projection	241	101	342
South West Herts	Total	1,522	2,172	3,694
	@ 25% of projection	1,522	543	2,065

Source: English Housing Survey; 2021 Census and demographic projections

9.74 Furthermore, information in the EHS (for 2018/19) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users (including 2.2% using a wheelchair indoors), compared with 3.1% of owner-occupiers (0.7% indoors). These proportions can be expected to increase with an ageing population but do highlight the likely need for a greater proportion of social (affordable) homes to be for wheelchair users.

Table 9.24 Proportion of wheelchair user households by tenure of household reference person – England

Tenure	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
Owners	96.9%	0.5%	0.2%	2.4%	100.0%
Social sector	92.9%	1.6%	0.6%	4.8%	100.0%
Private renters	98.8%	0.1%	0.1%	0.9%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

9.75 To meet the identified need, the Councils could seek a proportion (maybe up to 5%) of all new market homes to be M4(3) compliant and potentially a higher figure in the affordable sector (say 10%). These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.

-
- 9.76 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).
- 9.77 It is worth noting that the Government has reported on a consultation on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds³¹.
- 9.78 The key outcome is: 'Government is committed to raising accessibility standards for new homes. We have listened carefully to the feedback on the options set out in the consultation and the government response sets out our plans to mandate the current M4(2) requirement in Building Regulations as a minimum standard for all new homes'. This change is due to shortly be implemented through a change to building regulations, with M4(1) homes being permitted only where achieving M4(2) standards is impractical and unachievable.
- 9.79 The consultation outcome still requires a need for M4(3) dwellings to be evidenced, stating 'M4(3) (Category 3: Wheelchair user dwellings) would continue as now where there is a local planning policy in place in which a need has been identified and evidenced. Local authorities will need to continue to tailor the supply of wheelchair user dwellings to local demand'.
- 9.80 As well as evidence of need, the viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.
- 9.81 It will be for viability evidence to consider specifically the costs of delivering homes at M4(2) and M4(3) standards. Our experience is however that the costs of meeting M4(3) standard can be notably higher than those for M4(2).
- 9.82 It should be noted that local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.
- 9.83 A further option for the Councils would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or

³¹ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes>

1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

10. SPECIALIST MARKET SEGMENTS

Self- and Custom-Build Housing

- 10.1 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) (“the 2015 Act”) provides a legal definition of ‘self-build and custom housebuilding’ which are where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.
- 10.2 Self-build and Custom-build dwellings differ in the way the construction is managed. The National Custom & Self Build Association (NaCSBA) defines self-build as ‘projects where someone directly organises the design and construction of their new home’. Custom-build dwellings are less intensive, in that a developer does much of the construction work with input from the would-be homeowner.
- 10.3 The Government has long had a clear agenda for supporting and promoting the self-build and custom-building sector; and sees that its growth can help support increased product diversity and housing delivery. Local authorities are required by the 2015 Act to maintain and publicise a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land to build their own self-build and custom homes.
- 10.4 The Housing and Planning Act 2016 (“the 2016 Act”), which received Royal Assent on 12th May 2016, formally introduced the ‘Right to Build’. It has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period (commencing on 31st October 2016). The fundamental intention is to increase the supply of land for those considering self and custom-build.
- 10.5 These provisions are explained in the Planning Practice Guidance on *Self-Build and Custom Housebuilding* which explains that provision of this form of housing helps to diversify the housing market and increase consumer choice. The PPG provides guidance on how registers can be managed; and the duties on local authorities to grant consents to meet the needs identified on them.
- 10.6 The Levelling Up and Regeneration Act (LURA) 2023 tightened up the definitions regarding what can be considered appropriate supply for self and custom housebuilding. The Act means that local authorities can only count planning permissions as part of self-build supply if they are specifically for self-build development. This means relevant permissions need to be secured for this purpose, such as through either through a condition attached to the planning permission or a legal agreement between the applicant and the council.

- 10.7 The SW Herts authorities each introduced a Self-Build and Custom Housebuilding Register in the year to October 2016, and have been monitoring the numbers joining the Register since.
- 10.8 Of the five authorities, only Three Rivers has introduced a requirement for evidence of a local connection (thus splitting the Register in two parts, showing local and general demand) as well as a registration fee. Three Rivers is thus only required by the legislation to grant sufficient consents for those on Part 1 of the Register; although it must have regard to the entries on Part 2 in carrying out its planning, housing, land disposal and regeneration functions. For the purposes of this assessment, we have included entries on both Parts 1 and 2. As at September 2023, we understand that there are 11 entries on the Part 1 Register and 68 entries on Part 2.
- 10.9 The table below provides a base period breakdown of plot demand from individuals (or associations as appropriate) who have joined the relevant registers. The strongest relative demand shown by the Registers, in absolute terms, is in St Albans District accounting for nearly two thirds of the total. There is the potential however that this partly reflects the relative awareness of the Registers in different areas, together with the perceived attractiveness of different authorities. We note that the St Albans Register does not include any specific eligibility criteria or a local connection test.

Table 10.1 Serviced Plot Demand in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (16 August 2015 to 30th October 2016)	2	17	13	9	108	149
Base Period 2 (31st October 2016 to 30th October 2017)	2	42	30	4	141	219
Base Period 3 (31st October 2017 to 30th October 2018)	3	20	17	23	104	167
Base Period 4 (31st October 2018 to 30^h October 2019)	3	25	4	12	87	131
Base Period 5 (31st October 2019 to 30th October 2020)	3	44	7	4	76	134
Base Period 6 (31st October 2020 to 30th October 2021)	7	42	5	19	132	205
Base Period 7 (31st October 2021 to 30th October 2022)	11	13	2	7	87	120
Total	31	203	78	78	735	1125

Source: LA Register data

- 10.10 At the end of each base period, Councils have 3 years in which to grant permissions for an equivalent number of plots of land which are suitable for self-build or custom housebuilding as

there are entries for that base period (so as at October 2022, the Councils needed to have granted sufficient consents to meet the needs shown in base periods 1-4). The Levelling Up and Regeneration Act 2023 ('LURA') confirms that the demand calculation should include any need from previous years which has not been met.

- 10.11 Data on the permissions granted for self-build, based on information provided by the Councils, is shown in the table below. The LURA includes provision for the Secretary of State to set out regulations (in due course) regarding what planning permissions should be counted, which could have a downward impact on the supply position.

Table 10.2 Permissions Granted for Self- and Custom-Build Development in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (Aug 15-Oct 16)	5	15	15	15	0	50
Base Period 2 (Oct 16 - Oct 17)	4	27	20	25	17	93
Base Period 3 (Oct 17 - Oct 18)	2	42	15	13	14	86
Base Period 4 (Oct 18 - Oct 19)	6	39	14	19	23	101
Base Period 5 (Oct 19 - Oct 20)	5	30	22	39	23	119
Base Period 6 (Oct 20 - Oct 21)	1	58	14	31	15	119
Base Period 7 (Oct 21 - Oct 22)	4	21	13	23	58	119
Total	27	232	113	165	150	687

Source: AMRs/ LA-supplied data

- 10.12 The table below compares the numbers who had joined the Register in the 1st four base periods to the permissions granted to Oct 2022 (i.e. three years thereafter). The level of permissions granted in Dacorum, Hertsmere, Three Rivers and Watford is above the minimum required based on the Councils' monitoring of supply; but there is a shortfall in permissions granted in St Albans. Given the development constraints in the sub-region, a range of the permissions relate to houses built on individual plots including the delivery of replacement dwellings.

Table 10.3 Comparing Self-Build Permissions to Need to Oct 2019

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Need to Oct 2019 (Base Period 1-4)	10	104	64	48	440	666
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	17	128	49	117	-290	21

Source: LA Register data/ AMRs

10.13 In addition it is sensible to consider the level of permissions granted to date relative to the numbers joining each authority's register. This points to a modest shortfall in delivery in Watford; and in particular a very sizeable shortfall in St Albans of 585 homes, which reflects the much larger relative size of St Albans' Register.

Table 10.4 Comparing Self-Build Permissions with Need to Oct 2022

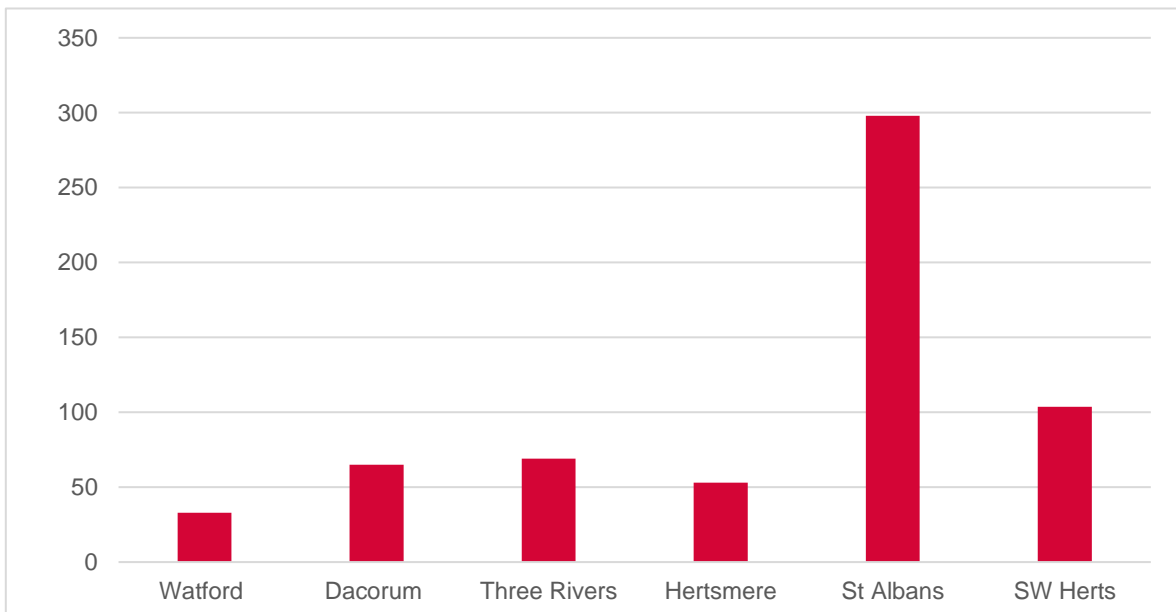
	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Need to Oct 2022	31	203	78	78	735	1125
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	-4	29	35	87	-585	-438

Source: LA Register data/ AMRs

10.14 In order to supplement the data from the Council registers, we have additionally looked to secondary sources as recommended by the PPG, which is data from the National Custom and Self Build Association (NaCSBA).

10.15 NaCSBA published a series of maps with commentary titled "Mapping the Right to Build" which allows us to better understand the demand for serviced plots as a proportion of total population relative to all other local authorities across England. We have replicated this below; which again highlights the stronger relative need in and popularity of St Albans in particular.

Figure 10.1 Self-Build Need per 100,000 Population



Source: NACSBA Research

10.16 A review of the Register data indicates that there is a balance of people seeking properties in suburban locations in the towns and in more rural settlements; with 3- and 4-bed properties the most sought after (where information on the mix of homes sought is available). Associations of

individuals, where they exist, generally seek land for between 2-4 homes. Many households will consider multiple locations when seeking to find a plot; and there is some potential that households can register with multiple Councils. Of the development seen, the evidence tends to suggest that this relates to individual plots including replacement dwellings – this may well reflect strategic land supply constraints within the area, including Green Belt.

- 10.17 The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG³² is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward.
- 10.18 There are a number of measures which can be used to do this, including but not limited to:
- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
 - working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing;
 - when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested; and
 - working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.
- 10.19 Generally adopted local plans in the sub-region do not include specific policies seeking provision of self and custom-build housing, besides the Watford Local Plan where Policy HO3.7 seeks provision of self-build plots on non-flatted schemes of over 50 market units. The policies in emerging plans are however seeking to support self-build housing (for instance St Albans' emerging Plan seeks 3% self- and custom-build housing on the main broad locations for growth and encourages self- and custom-build development on other large sites).
- 10.20 Government policy and legislation is generally seeking to encourage and support self-build development and it is appropriate for this to be reflected in local plan policies. Indeed an increasing number of local planning authorities have adopted *specific* self-build and custom housebuilding

³² Paragraph: 025 Reference ID: 57-025-20210508

policies to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application. Inclusion of such a policy is therefore advisable in local plans.

- 10.21 A specific policy would typically express support for self-build and custom housebuilding and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots and/or allocation of sites solely for the use. Other local plans have required a proportion of plots on larger development schemes to be provided as self- and custom-build development (e.g. 2% or 5% provision on strategic or greenfield sites of over 100 homes).

Student Housing

- 10.22 The NPPF requires that the housing needs of students are assessed and reflected in planning policies. This section examines the need for student housing in SW Herts and in particular Purpose Built Student Accommodation (PBSA).
- 10.23 Nationally, there are challenges around the amount of student housing that is available, with some reports suggesting that the situation is reaching a crisis point. In some cases this has resulted in students queuing overnight to get first access to Purpose Built Student Accommodation, living in accommodation quite some distance from their place of study, or effectively becoming homeless. This provides a context for considering appropriate provision of PBSA alongside student population growth.

Higher and Further Education Institutions in the Sub-Region

- 10.24 **There are no higher or further education institutions in the SW Herts Sub-Region specifically.** More widely, taking the country as a whole, Hertfordshire has two higher education (“HE”) establishments: the University of Hertfordshire and Royal Veterinary College.
- 10.25 The University of Hertfordshire provides for 32,000 students across three campuses: College Lane, Hatfield; de Havilland, Hatfield; and Bayfordbury (which is near Hertford). Accommodation is provided at both of the Hatfield campuses; and the University guarantees accommodation for first year students. It has a partnership scheme with landlords enabling access to privately rented accommodation in Welwyn Hatfield Borough.
- 10.26 The Royal Veterinary College Hertfordshire Campus is located in Hatfield, and students attend this campus for their final three years of training (the first two being spent at the College’s London campus). It currently has 1,700 students on its Veterinary medicine and nursery courses. This comprises 1,500 on the medicine course, of which it is assumed 600 are based in London (first 2

years of this course are spent in the London campus; the nursing students are based in the Hertfordshire campus).

- 10.27 There are also further FE education establishments namely Oaklands College and West Herts College. Students attending these establishments do not normally require dedicated term-time accommodation, although we note that Oaklands College provides student accommodation at its campus in St Albans. Oaklands College has three campuses located in St Albans, Welwyn Garden City and Borehamwood, and caters overall for 7,500 students. The student accommodation is located at St Albans Campus.
- 10.28 West Herts College has campuses in Watford, Hemel Hempstead and Luton, with Watford being the main campus; and Hemel being the home to its Construction and Engineering Centre. In 2021/22 the College had around 6,000 young people on study programmes; as well as 450 apprenticeships and 2,700 adults.³³

Student Numbers

- 10.29 The 2021 Census indicated that there were around 15,000 adults (i.e. persons aged 18+) in full-time education in SW Herts, with numbers spread relatively evenly across the authorities. Of these two thirds (66%) were living with parents; around a third living in the wider housing market (c. 5,000 persons) and a modest 150 living in communal accommodation. This will include students in both further and higher education.
- 10.30 For comparison purposes, the data for Welwyn Hatfield is shown: it has a much larger student population with almost 40% living in communal accommodation (i.e. PBSA).

³³ Source: Ofstead Inspection Report

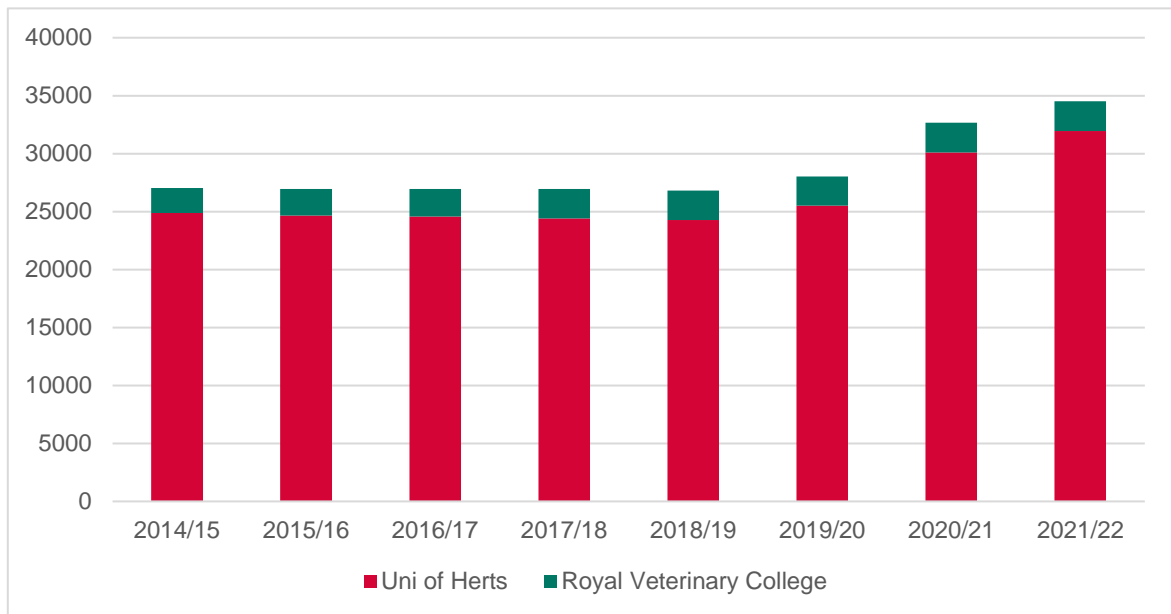
Table 10.5 Living Arrangements for Full-time Students aged 18+

	Daco- rum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts Total	Welwyn Hatfield
All Adults in FT Education	3,119	3,431	3,301	2,186	3,208	15,245	10,992
Living with parents	2,067	1,985	2,383	1,662	1,973	10,070	1,778
%	66.3%	57.9%	72.2%	76.0%	61.5%	66.1%	16.2%
Living in a communal establishment	80	12	29	18	11	150	4,271
%	2.6%	0.3%	0.9%	0.8%	0.3%	1.0%	38.9%
Living in wider housing market	972	1,434	889	506	1,224	5,025	4,943
%	31.2%	41.8%	26.9%	23.1%	38.2%	33.0%	45.0%
Of which							
Living in an all student household	160	600	118	70	285	1,233	3,296
Living alone	97	113	122	49	131	512	272
Living in another household type	715	721	649	387	808	3,280	1,375

Source: 2021 Census

- 10.31 The evidence points to modest numbers of full-time students living in the wider housing market in most areas; ranging from just over 500 people in Three Rivers to c. 1,400 in Hertsmere. These modest levels of students mean that the market for purpose-built student accommodation is likely to be relatively weak.
- 10.32 Where the growth in student numbers at the University of Hertfordshire or the Royal Veterinary College to grow much faster than the supply of accommodation locally, it is possible that some students could look for accommodation in SW Hertfordshire. We have therefore explored trends in student numbers at these establishments.
- 10.33 Drawing on data from the Higher Education Statistics Agency (“HESA”), the figure below sets out the pattern of growth over the last eight years from 2014/15 to 2021/22. The latest data shows that the two Universities had a combined total of 34,530 students in 2021/22. This includes those that are distance learning as well as those at campuses outside of the County (namely those associated with the Royal Veterinary College’s London Campus).

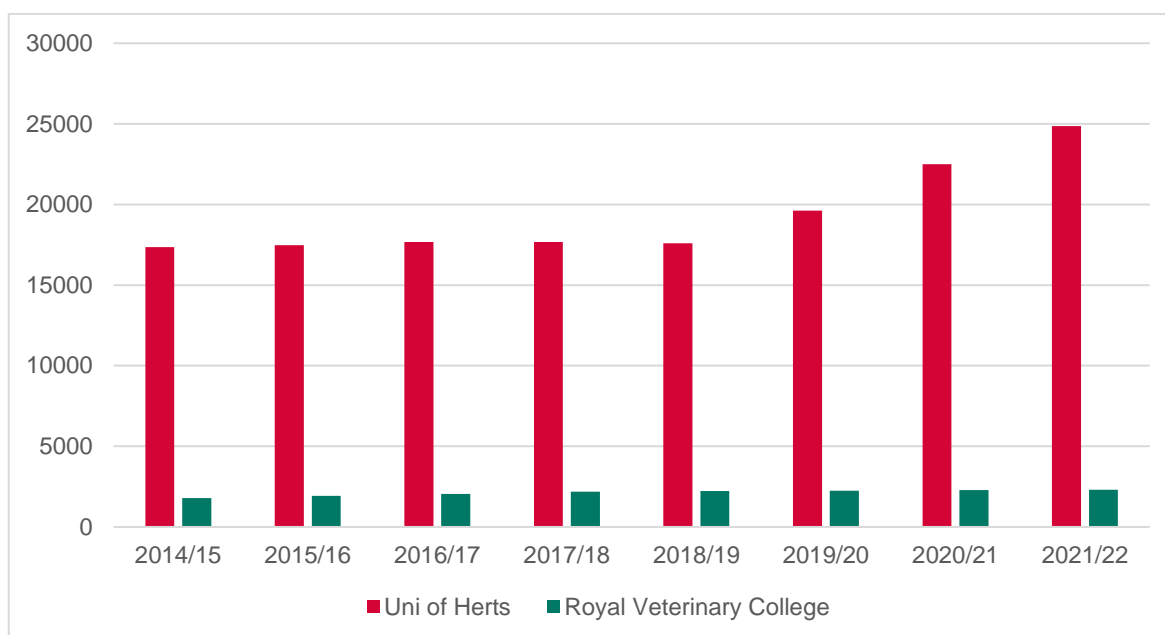
Figure 10.2 Students at Universities in Hertfordshire (2014-2022)



Source: HESA 2023

- 10.34 The number of students has grown by around 7,500 from 27,025 in 2014/15. This largely comprises a growth in students at the University of Hertfordshire which jumped from around 25,000 in 2019/2020 to c. 32,000 in 2021/22. The Royal Veterinary College, which has a much smaller intake, has remained steady at 2,500 – 2,600 students. The recent growth in student numbers may reflect short-term Covid-related impacts; and it will be important to monitor longer-term trends.
- 10.35 Housing needs for dedicated term-term accommodation arise principally from full-time students (with those studying part time typically also living and working locally already or living with parents). As of 2021/22, there were 27,185 full-time students at the Universities. This equates to around 79% of all students although this varies from 77% at University of Hertfordshire and 89% at Royal Veterinary College. The rise in full time students since 2014/15 is commensurate with the overall increase in student numbers across both institutions.

Figure 10.3 Full-Time Students at Universities in Hertfordshire (2014-2022)



Source: HESA 2023

10.36 HESA also provide information on student accommodation for Full-Time students for each University. This is broken down by eight different typologies and also based on self-completion, so there may be a level of inaccuracy within it. For example 'Own residence' includes a student's permanent residence, which may be owned or rented by them. However, some respondents might believe this to mean any accommodation in which they live. There is also some confusion resulting from students being placed by the Universities in private halls they have nomination rights to. Other categories include university-maintained accommodation (or Halls of Residence), private sector accommodation (or PBSA). 'Other rented accommodation' refers to a more temporary arrangement, such as a yearly house shares. Not in attendance at the provider includes those on as industrial placement or language year abroad.

Table 10.6 Accommodation of Full-Time Students by Institution

	Provider maintained property	Private-sector halls	Parental/guardian home	Own residence	Other rented accommodation	Other	Not in attendance at the provider	Not known	Total
University of Hertfordshire	5,100	165	6,965	4,665	6,840	1,000	125	5	24,870
	20%	1%	28%	19%	27%	4%	1%	0%	100%
Royal Veterinary College	335	275	315	560	780	50	0	0	2,315
	14%	12%	14%	24%	34%	2%	0%	0%	100%
Total	5,435	440	7,280	5,225	7,620	1,050	125	5	27,185
	20%	2%	27%	19%	28%	4%	0%	0%	100%

Source: HESA, 2023

10.37 If we combine those living with parents or guardians, living in their own residence or not in attendance then 46% of the full-time student population already have accommodation. This means that 54% of FT students or 14,680 students require accommodation. If we assume that a proportion of the Royal Veterinary College students are located in London (those on the first 2 of the 5 years of the medicine course (c. 500 of F/T students) then the need would reduce down to 14,180. This is effectively the overall quantum of student accommodation that currently needs to be provided to meet the needs of the universities.

Delivery of Student Accommodation

10.38 The University of Hertfordshire has 4,908 bedspaces, comprised of:

- 3,000 rooms at College Lane Campus;
- 1,600 rooms at de Havilland Campus.
- 308 bedspaces at Luna (private halls of residences).

10.39 The Royal Veterinary College Hertfordshire Campus provides for 299 bedspaces across three student accommodation blocks:

- College Close: 13 self-sufficient houses that accommodate 6 people each. 78 bedspaces in total.
- Student Village: 191 bedspaces
- Odiham Hall: 30 bedspaces.

10.40 Removing the total supply (5,207) from the 14,180 FT students that require accommodation results in a residual need for 8,973 bedspaces. This group would require accommodation in the general housing market (particularly the private rented sector). However the Census and other evidence shows that need relates primarily to Welwyn Hatfield.

10.41 Monitoring data provided by the Councils indicates that the only recent delivery of PBSA has been a scheme for 92 bedspaces at Oaklands College in St Albans (completed in 2021/22) which it uses to provide accommodation for students on specialist courses. Across the five authorities there has been no other recent delivery of student accommodation; and there is no further development in the pipeline.

Implications

10.42 The modest scale of students living in SW Herts, and the lack of HE institution campuses within the sub-region, means that we would consider the need for purpose-built student accommodation to be limited: there is essentially limited critical mass of students from which to draw on or to whom to

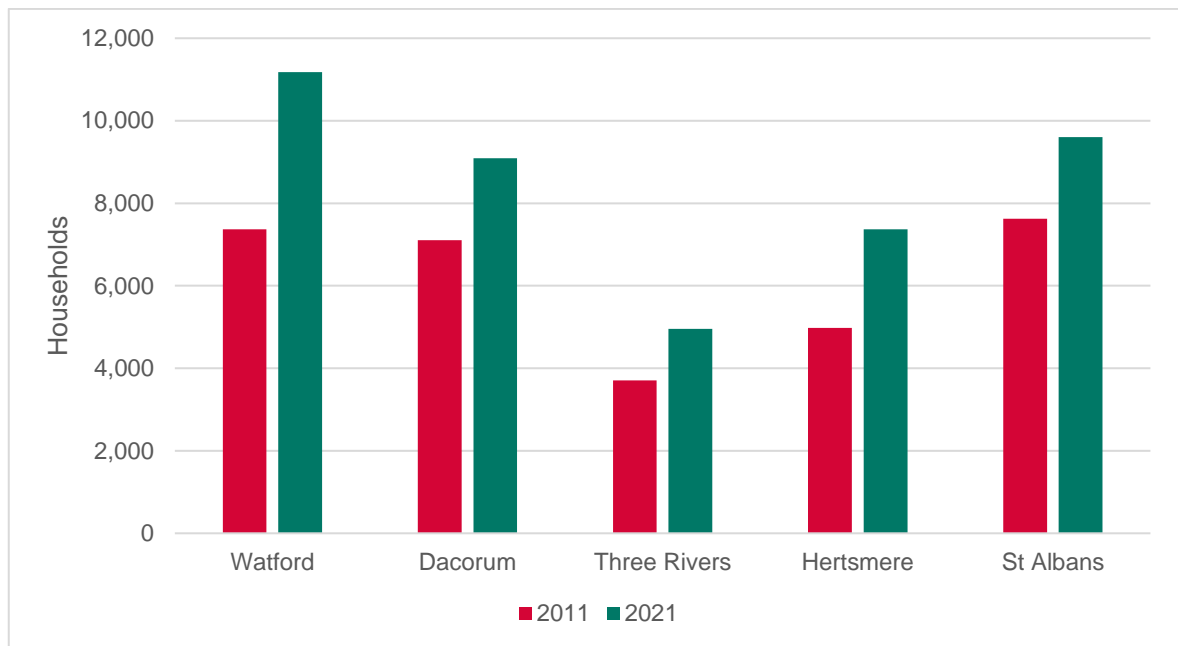
market student bedspaces. The evidence does not therefore currently support the allocation of sites for purpose-build student accommodation.

- 10.43 There is some potential for the situation to however evolve over time: for instance if growth in student numbers were to exceed accommodation supply in Welwyn Hatfield, some students might look further away for housing. However typically students prefer to live close to their place of Study and fundamentally the lack of HE provision within the sub-region is likely to limit the need for delivery of purpose-build student accommodation.

Build-to-Rent and Co-Living

- 10.44 Build to Rent is defined in the NPPF as *“purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.”*
- 10.45 The Planning Practice Guidance on Build to Rent (BtR) sets out that it is a distinctive asset class in the Private Rented Sector and outlines that assessments such as this should consider the need for Build to Rent development. Where a need is identified, plans should set out in policies their approach to promoting and accommodating build to rent development. The PPG also provides guidance on affordable housing provision (which has been considered in this report in Section 7), scheme management and space standards. The expectation in the PPG is that BtR schemes are expected to offer longer tenancies (3+ years); and that the application of space standards may not always be appropriate (for instance taking account of access to communal space).
- 10.46 As the analysis in Section 3 has shown, the Private Rented sector now accommodates 18% of households across SW Herts and is a sector which has been growing strongly. Over the 2011-21 period, the Private Rented Sector grew in size by 72% with 11,400 more households living in the Sector over this period.
- 10.47 Influenced in part by the relative size/population of different authorities, the absolute volume of households in the Private Rented Sector is highest in Watford (11,200) followed by St Albans (9,600) and Dacorum (9,100). These authorities include larger economic centres as well as strong rail connectivity with Central London.

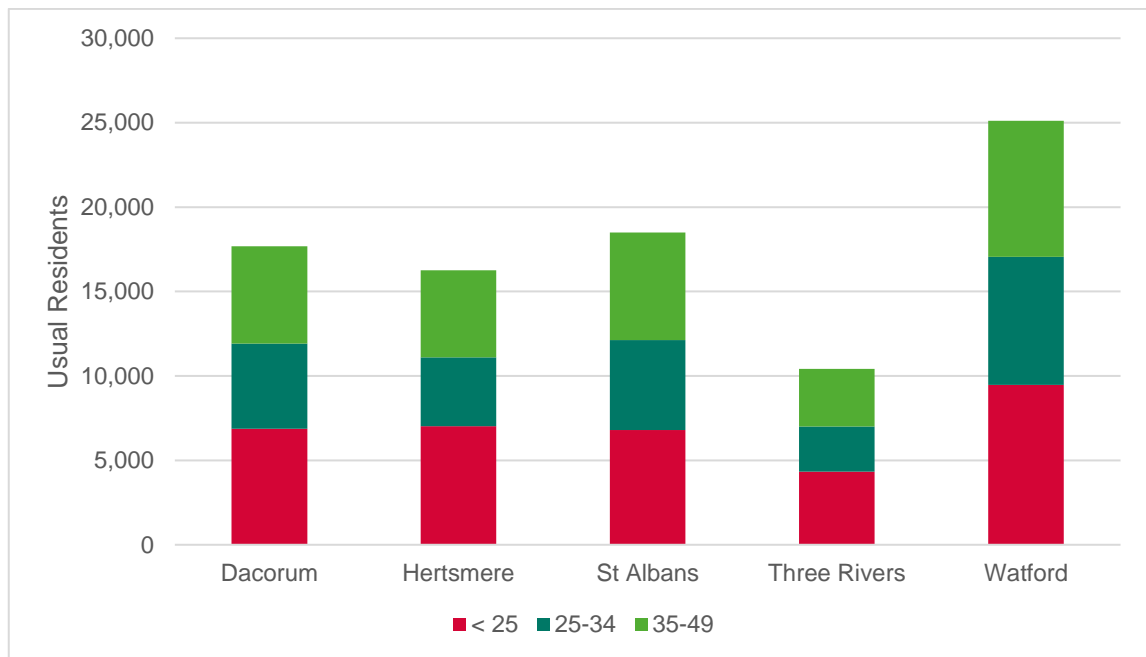
Figure 10.4 Households living in the Private Rented Sector



Source: 2021 Census

- 10.48 The Build-to-Rent (BtR) sector has emerged in the context of growth in private renting, increasing house prices and a shortfall in overall housing delivery. Nationally, Government has sought to support its growth, with the 2017 Housing White Paper supportive of investment in Build-to-Rent in recognition of the role which this could play in helping to drive up overall housing supply and increase choice and housing standards for those living in private rented homes; as well as providing more stable rented accommodation for families.
- 10.49 The Government's 'A Build to Rent Guide for Local Authorities' identifies the benefits of BtR development which include helping to meet demand from private rented housing whilst increasing tenants' choice; retaining tenants for longer (as schemes often include longer-term tenancies); and helping to increase overall housing supply.
- 10.50 Evidence, such as the British Property Federation's *Who lives in Built to Rent*, note that the profile of tenants is focused on those aged under 44 (with the 25-34 age group the most prevalent) and includes single people, couples, sharers and families. The most common income bracket nationally was (based on the 2021 position) those earning between £32,000 - £48,000.
- 10.51 If the core market comprises those in younger age groups, the chart below shows the number of households headed by someone aged under 50 living in private rented accommodation. The largest market in SW Herts is in Watford, with the smallest in Three Rivers.

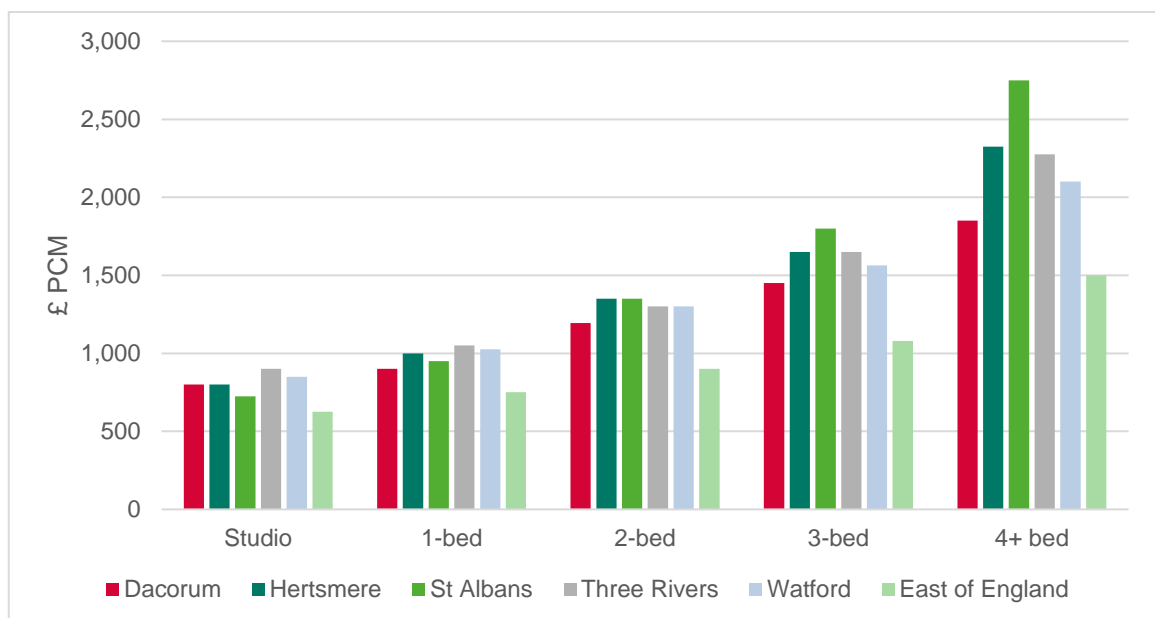
Figure 10.5 Persons aged under 50 in PRS, SW Herts



Source: 2021 Census

10.52 The chart below shows rents across the sub-region. Average rents are above the regional average, as might be expected given the proximity to London, with notably higher rents in St Albans for larger properties. Rents for 2-bed units are around £1,300 - £1,350 per month.

Figure 10.6 Current Rental Values, Year to March 2023



Source: ONS Private Rental Market Statistics

10.53 The ONS data points to upper quartile rents, which is akin to high quality product, varying between £995 – £1,215 per month for 1-bed properties; £1,295 - £1550 for 2-bed properties; and up to £2,100 per month for 3-bed properties. St Albans again commands some of the highest rents – particularly for larger properties.

-
- 10.54 Turning to consider supply, the Savills Build to Rent Market Update (July 2023) highlights the growth which has been seen in the BTR sector, with built supply now reaching 88,000 homes completed nationally with a further 53,500 under construction and over 100,000 units being promoted or in planning. This points to a growing investor appetite in the sector and in larger urban centres, including London, BTR is becoming an increasingly important component of overall housing delivery.
- 10.55 In SW Herts, the market is less well established but recent years have started to see schemes coming forward in town centre/ central locations, with existing schemes comprising:
- Bryanston Court, Selden Hill, Hemel Hempstead: 109 units completed in 2020/21; and
 - Ascot Road, Watford: first 81 units completed in 2021/22 with further phases to deliver.
- 10.56 Further pipeline schemes at the time of writing include further phases of the Ascot Road scheme (315 units) together with elements of the St Albans Road Retail Park redevelopment (249 units), both in Watford.
- 10.57 The Ascot Road scheme in Watford developed by Cortland Cassiobury is advertising properties at a significant premium to the ONS data on current private rents (£1,250 PCM for studios, £1480 for 1-bed, £2080 for 2-beds and £2735 for 3-bed units). Whilst rents are therefore potentially towards the higher end of the spectrum, it includes a range of amenities on site including a fitness centre, cinema and business suite; and at the time of writing is offering incentives for key workers (1 month rent free).
- 10.58 In contrast, our discussions with one of the agents for Bryanston Court in Hemel indicates that the rents for this scheme are a little cheaper than average for similar sized properties (£1000 PCM for 1-beds and £1200 - £1300 for 2-beds).
- 10.59 The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. We would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.
- 10.60 There is also the potential for other markets to emerge, including a suburban build to rent model (sometimes called 'Single Family Housing') which sees family homes built to rent on more suburban sites. There are a number of institutional investors who are entering this market, including Legal & General, Aviva and Blackstone. We understand there is developer interest in this at Beaumont Manor/ Spencers Park, on the edge of Hemel Hempstead; and as the market

develops this could also be expected on other larger strategic development sites. On such sites it can contribute to the pace of build out/ delivery.

- 10.61 It is appropriate, therefore, for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.
- 10.62 The NPPF Glossary expects schemes to include conditions requiring operators to offer tenancies of 3 or more years, but with options for tenants to break their tenancy (without a fee) after 6 months with a 1 month notice period.
- 10.63 In respect of affordable housing, the economics of build-to-rent development are different to standard 'for sale' or mixed tenure residential schemes. The net-to-gross ratio for BTR flatted schemes is different, with often more communal space which is not revenue generating. The emphasis is on creating a longer-term investment with returns phased over a longer period of time (patient capital). This means that finance costs may be higher, and viability will be sensitive to changes in interest rates.
- 10.64 Government is keen to secure growth in the sector and in this context, the PPG proposes 20% affordable housing as a 'suitable benchmark' for affordable private rent within BTR developments. Affordable housing on BTR schemes is expected to come forward as affordable private rent, and be brought forward with common ownership and management to the market housing provision. A minimum rent discount relative to local market rents is expected to be set out in policy, with a 20% discount proffered. Councils can set higher discounts, and there may be a case to consider this to ensure a supply of 'genuinely affordable homes' however this needs to be balanced against the effects on viability and the growth of the sector, which is currently not particularly well established in the SW Herts area. Affordable housing policies need therefore to be informed by detailed viability testing which specifically addresses the BTR sector. Section 7 has included further advice on affordable housing provision in BtR Schemes.

Co-Living

- 10.65 In its current form, modern co-living in the UK tends to be urban-focused and integrate accommodation and amenities into a single building or development. As a market segment it is most developed in London and offers private bedrooms with shared common spaces and community events, at an all-inclusive rent. Its target market is mainly those in their 20s and 30s, particularly those in professional roles. Schemes provide high spec serviced accommodation typically in central locations which are close to amenities. A difference from standard BTR is that

unit sizes are smaller, with greater shared communal areas, and schemes can offer shorter-term rents such as for those new to an area or only working there part of the time.

10.66 Within a SW Herts context, co-living is likely to be most appropriate in the larger urban centres with a concentration of population in their 20s and early 30s. Unit sizes are typically small, and it should be seen as an alternative to living within Houses in Multiple Occupation (HMOs) or with parents.

10.67 As the chart below shows, Watford in particular, followed by Dacorum and Hertsmere, have larger populations of young adults. As above, these authorities and St Albans have high proportions of younger households living in Private Rented Accommodation.

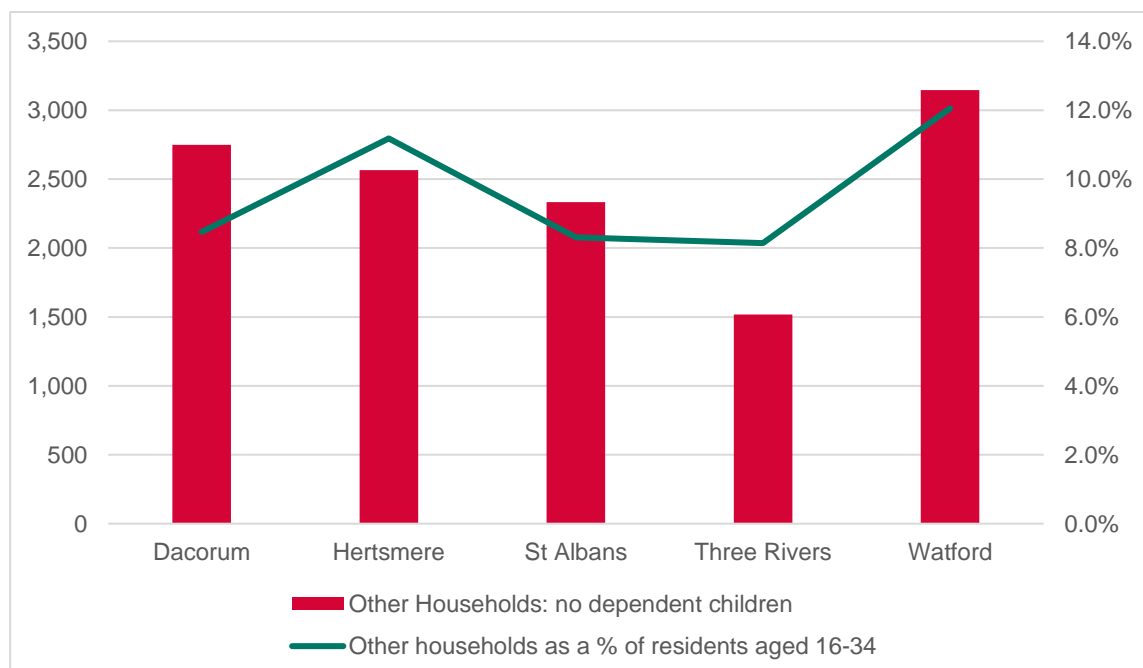
Table 10.7 Target Market - Population in Younger Age Groups

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Aged 20-24	7,106	5,444	5,943	4,418	5,335	28,246
Aged 25-29	9,114	6,159	7,431	4,827	7,697	35,228
Aged 30-34	10,865	6,754	8,670	5,463	8,819	40,571
Total: Younger Age Groups	27,085	18,357	22,044	14,708	21,851	104,045
% District Population	17.5%	17.0%	14.9%	15.7%	21.4%	17.1%

Source: Census 2021

10.68 We have also sought to consider the household composition of younger households. The analysis shows that for people aged 16-34, there is a concentration of live in family households but there are also notable numbers in other households which will include shared housing (including HMOs).

Figure 10.7 Population aged 16-34 in Other Households



Source: 2021 Census

- 10.69 Overall the analysis points to the greatest potential co-living market being in Watford; but with the potential that it may also develop in other towns within the sub-region. Icenl understands that at the current time there are no current co-living schemes in SW Herts, but that there has been market interest from providers to deliver co-living development in Watford.
- 10.70 Co-living to some degree is a purpose-build alternative for younger households to living either at home with parents, or in HMOs. It can provide modern, good quality accommodation and shared amenities for those who cannot afford the costs of 1-bed properties in the wider rental market. In providing a competitor product, there is some potential for it to help to drive up standards within the HMO sector, or to release supply for other households (including those on lower incomes in receipt of LHA).
- 10.71 Where schemes come forward, the room sizes are smaller than for other new-build developments but should be considered in this light: that they offer new high quality supply as an alternative to those who might otherwise be living at home or in poorer quality HMO accommodation. Savills report that recent schemes in London for instance have rooms of between 20-25 sq.m. Schemes should ensure that longer-term tenancies are available for those that seek it.
- 10.72 Co-living schemes will generally provide a lower cost housing option than other new-build development. The considerations in terms of affordable housing provision will be similar to Build-to-Rent: any on-site provision would need to be under common management with the remainder of the scheme, with an agreed process for nominations, and policy requirements informed by viability analysis specific to this market segment. We would note that the London Plan seeks contributions in lieu of affordable housing provision.

Children's Homes

- 10.73 A Written Ministerial Statement by the Minister of State for Housing and Planning on 23rd May 2023³⁴ has made clear that LPAs should determine whether it is appropriate for studies such as this to consider the accommodation needs of children in need of social services care (children in care). It advises that LPAs should give due weight to and be supportive of applications for accommodation for looked after children in their area that reflect local needs; and that unitary and upper tier authorities should work with commissioners to assess local need.
- 10.74 The 'sufficiency duty' under the Children's Act (1989) requires local authorities to take steps to secure, as far as reasonably practical, sufficient accommodation within the Authority's area

³⁴ <https://questions-statements.parliament.uk/written-statements/detail/2023-05-23/hcws795>

boundaries to meet the needs of children that the local authority is looking after and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area. The authority in these terms is Hertfordshire County Council (HCC).

10.75 Hertfordshire's Plan for Children and Young People 2021-26 identifies that the pandemic has been disruptive, but sets out the County Council's vision to support children and young people to be happy, loved and thrive in their family and the community. It seeks to provide sufficient placements for looked after children in the County³⁵, by increasing both in-house foster carers (through HCC's Fostering Strategy³⁶) and residential homes which can support a range of complex needs. It seeks to improve the availability of placements in Hertfordshire in a context where around 25% of looked after children are currently placed more than 20 miles from home; and a third out of the County (albeit that this has been falling).

10.76 A Sufficiency Statement, prepared by HCC in 2022,³⁷ provides more up-to-date information. It outlines that in assessing sufficiency, the County Council consider the condition of the market, development capacity of local providers and importantly the current resource and budget priorities of the Council. The Sufficiency Statement outlines:

- As at March 2022, there were 1,030 children looked after and 111 unaccompanied asylum seeker children (totalling 1,131 children), equating to 38 per 10,000 population aged under 18. The rate of children looked after is below the regional and national averages (49 and 67 per 10,000). These figures include those in foster care;
- Of these total children, 25% are aged under 10, with the majority (75%) aged between 10-17;
- As at March 2022, there were 383 children and young people placed outside of Hertfordshire, of which 134 were placed 'at a distance.' However the majority of these relate to those accommodated in foster care. There were 52 children in Children's Homes outside of the County;
- There are evident challenges around placement location, availability and choice, common with all local authorities, influenced by a national shortage of people wanting to foster complex children. Independent placements are very expensive for HCC, costing over £5,000 per week.

³⁵ Reducing the % placed outside of the local authority boundary and more than 20 miles from home

³⁶ <https://www.hertfordshire.gov.uk/media-library/documents/childrens-services/fostering/hertfordshires-fostering-strategy-2020-2022.pdf>

³⁷ <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/sufficiency-summary-2022.pdf>

-
- 10.77 HCC's Strategy is to create an additional 31 residential beds by 2024. Of these 10 beds have been created (by end of 2021/22 monitoring year), a mix of both in-house and independently managed services. The homes are intended to be a blend of short term/ emergency accommodation and medium-to-long-term placements. The intention is to achieve this principally through the refurbishment of buildings within Hertfordshire CC's existing property portfolio.
- 10.78 Phase II will see 18 beds created through refurbishment of Hertfordshire properties and the creation of new in-house and independent provider-run provision. Phase III, post 2023, will create 3 or more bedrooms through either refurbishment or new-build. The current position is of a shortfall of 4 beds against the Strategy's target for 31 residential beds in total.
- 10.79 Supply is managed on a Hertfordshire-wide basis. The existing supply position on a County wide basis appears to be of 28 HCC in-house places, with 62 places in independent residential children's homes. Based on discussions with HCC Commissioners in Sept 2023, it is appropriate to assume that 90% of the 52 children accommodated outside of Hertfordshire now would be better served by places more local to their previous address. On this basis, an overall indicative level of provision sought would be 137 spaces now; with an existing county-wide shortfall of around 47 places. Indicatively with 53% of the County's 11-17 population living in SW Herts, the current shortfall is of around 25 children's home places. Children's homes are generally registered for those aged 11/12 – 18, as younger children in care are likely to be placed with foster carers.
- 10.80 Based on the County wide position, around 80 per 10,000 children aged 11-17 are in care; of which currently 11% are accommodated in existing children's homes in Hertfordshire and 6% in homes outside of the County; and 83% in Foster Care.
- 10.81 However based on our discussions with HCC Commissioners, there are clear benefits from being able to accommodate most children in communities they know and which are close to their families, in particular to support family reunification. It is therefore appropriate to seek to accommodate future growth at a more local level, and to broaden the locations within Hertfordshire where children's homes places are available, which includes developing provision in SW Herts. To reduce the out-of-county placements it is appropriate therefore to assume 16% of the current need should be accommodated in children's homes.

Equally the availability of foster homes has however been reducing and is expected to continue to do so for the foreseeable future, which will add to the demand for children's home bedspaces. Taking this into account, we have assumed that 20% of those aged 11-17 who are typically accommodated in foster homes now could require children's home places by 2041. This means that the proportion of children in care accommodated in children's homes is expected to rise from 16% to 33% over the period from 2021 to 2041.

Table 10.8 Basis of Modelling Assumptions for Children’s Homes Needs

	Hertfordshire
Looked after children under 18 across Herts	1131
Estimate of those aged 11-17 @ 75%	848
Usual residents aged 11-17, Hertfordshire	105,985
Prevalence of Children aged 11-17 in Care (per 10,000)	80
Children 11-17 accommodated in existing Children’s Homes	90
% Children in Care aged 11-17	11%
Children 11-17 accommodated in Children’s Homes out of County	52
% Children in Care aged 11-17	6%
Children 11-17 in Foster Care	706
% Children in Care aged 11-17	83%
% Children 11-17 need to be accommodated in Children’s Homes now	16%
% Children 11-17 need to be accommodated in Children’s Homes in the Future	33%

Source: Iceni

- 10.82 We have assumed that future provision should be made in accordance with this. Other children are accommodated with foster families, with family/friends, adopted or live in special schools.
- 10.83 An analysis of existing supply indicates that within the County this is particularly focused towards Stevenage, Welwyn Garden City and Baldock. Existing supply managed by the County Council includes the Meadow View scheme in Watford. This is the only HCC managed scheme in SW Herts. We do not however have comprehensive data on existing provision managed by others in SW Herts. We have therefore modelled the gross needs position from which existing supply (for instance at the time of a planning application) can be subtracted.
- 10.84 The tables below model future need on this basis. We take first the projections for the population aged 11-17 from the demographic projections (Table 10.10). An estimate is then made of the current number and future growth in children in care by applying the prevalence rate of 80 per 10,000 population within this age range (Table 10.11). We then model children’s homes needs assuming that the proportion of those in care should be 16% in 2021 but could rise to 33% by 2041.
- 10.85 The analysis shows a gross need for at least 72 bedspaces now; with a current shortage likely to be evident in all areas; which rises to 155 spaces by 2041.

Table 10.9 Population aged 11-17, SW Herts

	2021	2,041	Change in Population aged 11-17
Dacorum	13,384	14,387	1,003
Hertsmere	9,841	10,437	596
St Albans	14,897	14,666	-231
Three Rivers	8,821	9,234	413
Watford	8,975	9,904	929
SW Herts	55,918	58,628	2,710

Source: JGC Demographic Projections

Table 10.10 Projections of Current and Future Children aged 11-17 in Care, SW Herts

	Est Children in Care, 2021	Estimate Children in Care, 2041	Change, 2021-41
Dacorum	107	115	8
Hertsmere	79	83	5
St Albans	119	117	-2
Three Rivers	71	74	3
Watford	72	79	7
SW Herts	447	469	22

Source: JGC Demographic Projections; Icenii

Table 10.11 Current and Projected Gross Need for Childrens' Home Spaces to 2041, SW Herts

	Estimated Current Need (Gross) at 16%	Estimated Need (Gross) at 33%, 2041
Dacorum	17	38
Hertsmere	13	28
St Albans	19	39
Three Rivers	11	24
Watford	11	26
SW Herts	72	155

- 10.86 The need shown represents the potential 'gross need' and does not take account of existing supply which needs to be taken into account at the point of a planning application to assess whether there is a need for additional provision. The County Council manage Meadow View in Watford which provides spaces for 4 young people; but wider supply in SW Herts is run by other providers.
- 10.87 Children's homes are not typically large, with normally between 1-4 children in a home as well as provision for staff to sleep and a number of communal rooms. They should include outdoor space within a garden and ideally provision for staff parking. Houses on through roads in suburban environments are thus particularly suitable. Additional provision does not necessarily need to be new-build but could include conversion of existing C3 properties or other buildings in public sector ownership. Children's homes would typically fall within a C2 use class. It should be noted that

homes will need to include both bedrooms for children and for carers (so that for instance a 4-bed house could be for 3 children). There is a need for homes of varying sizes.

- 10.88 To address the need identified, it is appropriate for Hertfordshire County Council to be engaged in the planning process for strategic sites and for appropriate consideration to be given to the need for children's homes and how this might be accommodated. The WMS makes clear that in two tier authorities as here, it expects local planning authorities to support these vital developments where appropriate, to ensure that children in need of accommodation are provided for in their communities.

This page is intentionally left blank



South West Hertfordshire Economic Study

A Report by Hatch
September 2024

South West Hertfordshire

South West Hertfordshire Economic Study

September 2024

www.hatch.co.uk

Contents Page

Glossary	i
-----------------	----------

Executive Summary	ii
--------------------------	-----------

1. Introduction and Purpose of Study	1
---	----------

2. Policy context	3
--------------------------	----------

3. Economic Geography of South West Herts	12
--	-----------

4. Economic and Labour Performance	20
---	-----------

5. Commercial Property Trends	44
--------------------------------------	-----------

6. Future Growth Scenarios	79
-----------------------------------	-----------

7. Supply of Employment Land	116
-------------------------------------	------------

8. Demand and Supply Balance	126
-------------------------------------	------------

9. Conclusions and Recommendations	134
---	------------

Appendix A - Total Employment by Sector 2021	
---	--

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

Appendix C - Commercial Property Market Data	
---	--

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

Appendix E - Full-Time Equivalent Ratios	
---	--

Appendix F - Assumptions for allocating FTEs to use classes

Appendix G - Site pro-formas

Appendix H - Review of Existing Non-Strategic Sites

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

Disclaimer & Limitations of Use

Glossary

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

Executive Summary

Purpose of the Study

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

Functional Economic Market Area

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

Relationship with London

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

Economic and labour market performance

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

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

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

Commercial property market trends

Office market

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

Industrial and storage & distribution market

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

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

Future Scenarios

Office space

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

Table 1: Office space and land requirements in modelled scenarios

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

Source: Hatch

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

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

Industrial and storage & distribution space

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

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

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

Source: Hatch

Additional floorspace and land requirements

Office

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

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

industrial, storage and distribution

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

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

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

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

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

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

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

Supply of land

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

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

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

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

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

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

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

Balance of supply and demand

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

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

- Drawing on the employment forecasts presented in Chapter 6, which also suggest a more even distribution in which Dacorum and St. Albans each account for 24% of forecast employment growth, with Hertsmere (17%), Three Rivers (16%) and Watford (18%) accounting for the remaining share. A strength of this approach is its alignment with employment trends, and the shares it implies are likely to be well-aligned with housing need evidence. However, it is not in its own right an appropriate basis for addressing the share of future employment land required. It would not reflect the distribution of the identified supply in South West Herts, nor would it reflect the way in which businesses recruit and trade which is not driven by local authority boundaries.

- xxx. The concentration of both industrial need and supply (commitments + available land for future development) in Dacorum, Hertsmere and St. Albans also presents South West Herts local authorities with a challenge in ensuring that employment land policies meet the NPPF's requirements for positive plan-making which encourages economic growth. At face value, the implication of the assessment for Three Rivers which in the preferred net absorption scenario has a low level of identified need, a small quantity of commitments and no identified supply, and Watford with a negative need figure, is not consistent with the NPPF's requirements. Alternative need scenarios presented in Chapter 6 generally point to lower levels of need compared with the preferred scenario, but to individual need figures for Three Rivers or Watford which are higher than those of the preferred scenario.

- xxxi. However, the assessment identifies need and supply for the FEMA as a whole, with the preferred scenario selected for providing the most appropriate indicator of industrial demand for the area. In responding to the conclusion of this study, the South West Herts local authorities will need to consider further how future provision for industrial development is distributed and whether the final figures taken forward into planning policies should be adjusted to ensure that Three Rivers and Watford identify land supply which provides the capacity to accommodate demand for industrial uses. This could, for example, be achieved by assuming that the 9 Ha shortfall is primarily addressed by these two areas.

- xxxii. In addressing this issue, consideration could also be given by the South West Herts local authorities, about whether Local Plan policies on employment land should include the flexibility for future allocations of industrial land explicitly geared towards meeting small-scale, localised need. With committed sites and the potential available on strategic sites limited in Three Rivers and Watford in particular, opportunities and needs which arise from local SMEs seeking to grow or relocate but remain in the area may be difficult to achieve without some future flexibility. Whilst the study includes in its need assessment a safety margin factor to provide choice and flexibility, there may be needs which are difficult to predict and which require land, on a small scale, to sustain and grow local businesses.

1. Introduction and Purpose of Study

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

- Chapter Six provides updated scenarios which set out potential growth trajectories in South West Herts and the implications for the demand for employment floorspace and employment land.
- Chapter Seven provides a review of the supply of employment land within South West Herts.
- Chapter Eight assesses the balance of demand and supply of employment land and provides recommendations on planning and economic development responses.
- Chapter Nine provides our conclusions and recommendations.

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

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

2. Policy context

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

Planning Policy

Revised National Planning Policy Framework and Planning Practice Guidance

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

Local Plans

Dacorum Borough Council, Emerging Strategy for Growth, 2020

- 2.5 Dacorum Borough Council (DBC) consulted on the Local Plan’s Emerging Strategy for Growth between November 2020 and February 2021². The Emerging Strategy for Growth acknowledged that the 2019 Economic Study recommended an indicative figure of 45,100 sqm (office) and 196,500 (industrial and storage & distribution) for Dacorum. However, due to constraints in the supply of commercial and industrial space in Dacorum, the Borough Council has worked with St Albans to accommodate the majority of unmet need at the East Hemel Hempstead Central site, which is located in St Albans.
- 2.6 Draft Policy SP5 (Delivering the employment strategy)³ states that Hemel Hempstead will continue to be developed as the economic centre of the borough and accommodate most employment growth. Policy DM16 proposes that the majority of new office and industrial development will be at Breakspear Way/Green Lane/Boundary Way, Maylands Gateway (Growth Area HH20) and Two Waters Road/A41 Junction (Growth Area HH16) (para 23.27).
- 2.7 Whilst offices are acceptable in principle in most of the Growth Areas, it will be sought or encouraged in Paradise/Wood Lane (Growth Area HH04) Market Square (Growth Area HH05) Hemel Hempstead Station Gateway (Growth Area HH08) Two Waters North (Growth Area HH11). Beyond these, new office and industrial development will be limited to existing employment sites.
- 2.8 To prevent further loss of office space, Article 4 directions have been introduced at Maylands Business Park, Doolittle Meadows (Apsley), Whiteleaf Road (Two Waters), and Park Lane in Hemel Hempstead town centre.
- 2.9 The Council further consulted on the ‘Dacorum Local Plan (2024-2040) Revised Strategy for Growth’ between October and December 2023. This consultation document sought views on proposed changes to the strategy for housing development. It did not contain any draft planning policies or proposals for employment development. Therefore, the November 2020 consultation document still represents the Council’s latest published position on employment sites and premises in the context of the new Local Plan.

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

- 2.10 Hertsmere Borough Council carried out further consultation on its Local Plan (Regulation 18) between April and May 2024.⁴ The Plan set a vision and objectives around eight themes, including ‘Working Hertsmere’ which set an ambition for a strong, competitive and growing local economy, with ‘suitable sites to meet the needs of new and existing businesses’. Relevant objectives to this study included:
- Ensuring development in sustainable locations accessible by sustainable modes of transport;

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

³ Ibid.

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

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

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

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

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

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

St Albans City and District Council Draft Local Plan 2041

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

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

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

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

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

Three Rivers District Council, New Local Plan

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

Watford Borough Council, Watford Local Plan 2021-2038

- 2.22 Watford Borough Council published its Local Plan in 2021⁵, and following examination by the Planning Inspectorate it was adopted by the Council in October 2022. The Plan sets out the growth strategy for the Borough and identifies the Core Strategic Development Area (CDA). This is comprised of three distinct areas – Watford Gateway, the Town Centre, and the Colne Valley. This area is expected to support the delivery of 80% of new development. The Watford Gateway area includes the designated primary office location along Clarendon Road (Policy EM4.2). Outside of the CDA, sites to the west of Watford have been identified for industrial development. This includes the EM03 Gateway Zone and land between Greenhill Crescent. Watford has planned for 85,488sqm of office floorspace and 25,206sqm of industrial floorspace.
- 2.23 The Watford Local Plan acknowledges there is an under-provision of industrial floorspace due to limited land availability. It also effectively overprovides for office floorspace to meet the needs of the other South West Hertfordshire districts.

⁵ Watford Borough Council, Watford Local Plan 2021-2038, Available at: [watford-local-plan](https://www.watford.gov.uk/your-council/your-council-plans-and-policies/watford-local-plan)

Economic Policy

Build Back Better: our plan for growth

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

Hertfordshire Skills and Employment Strategy

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

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

Unlocking Hertfordshire: Hertfordshire’s Recovery Plan

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

Hertfordshire Enterprise and Innovation Strategy, 2021-2025

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

Hertfordshire Key Employment Sites Strategy & Action Plan

- 2.38 The strategy and action plan responds to Lambert Smith Hampton's⁶ report on the loss of employment space in Hertfordshire which identifies that strong residential values, PDR and social changes to the way we live and work are driving this decline.
- 2.39 Whilst employment loss in Hertfordshire is of concern, the strategy is not simply focussed on just replacing what has been lost given some of this will have been outdated and in the wrong locations. Although the report was written just before the Covid-19 pandemic and lockdown restrictions, it acknowledges that modern employment space might need less employment space due to technology changes (e.g. home-working and hot-desking).
- 2.40 The report states that assets such as employment land should support the strategic future ambition for the economy based on the following principles:
- Where they sit on the 'build out spectrum' – are they allocated but not yet developed (or not significantly so?); are they only partially developed, with significant investment opportunities; or are they substantially or wholly built out, with new businesses only able to take up occupancy if another moves out?
 - Overall size
 - What opportunities do they offer?
- 2.41 For identifying size and opportunities, the strategy and action plan established a typology for determining opportunities.

⁶ Lambert Smith Hampton, Loss of Employment Space in Hertfordshire, February 2019

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

Hertfordshire LEP

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

Hertfordshire Draft Local Industrial Strategy

- 2.47 The draft Local Industrial Strategy (LIS) identifies that, to address the productivity challenge in Hertfordshire and grow the economy, there is a need to focus on key sectors particularly the growth of science and technology-based sectors. The LIS identifies the following opportunities:
- **Unlocking science-based cluster in the Golden Triangle** via life sciences and advanced engineering recognising Hertfordshire's current strength in commercial research and R&D particularly cell and gene sector clustering.
 - **East/West growth corridors:** the A414 corridor cutting across Herts (including the towns of Hemel Hempstead, St Albans and Welwyn Hatfield) will accommodate 50% of Hertfordshire's housing growth and is home to a number of economic assets including the Envirotech Enterprise Zone sites and a cluster of science and tech sectors. This corridor will be able to benefit from growth within or near the corridor including the Harlow Enterprise Zone and development taking place at Luton Airport.
 - **The Creative Sector:** Hertfordshire has outstanding assets in relation to film and TV, and there is potential to grow this industry. However, Hertfordshire needs to attract and retain the creative people who work in these industries who can have a catalytic effect on the economy.
- 2.48 The LIS also identifies several challenges which are of importance to growing the economy:

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

3. Economic Geography of South West Herts

- 3.1 A key requirement of the 2016 and 2019 studies was to identify the Functional Economic Market Area (FEMA) for South West Herts, as required by national Planning Practice Guidance (PPG). The need to define FEMAs arises because the geography of local economies rarely adhere to local authority boundaries. There are important cross-boundary relationships in local labour markets, housing markets and supply chains which means the policy decisions taken in one authority have an effect on its neighbours. This means the need for employment land needs to be considered across a more functional geography than looking at each district in isolation. This section revisits the conclusions of the earlier report about the FEMA in South West Herts in the light of recent evidence from the 2021 Census and tests whether the definition is still valid.
- 3.2 The chapter also look at some of the important relationships that South West Herts has with neighbouring FEMAs, particularly London to the south and Luton and Central Bedfordshire to the north, and how future economic trends and plans could affect the economy and labour market of South West Herts.

Functional Economic Market Area

- 3.3 The 2016 and 2019 reports concluded that the South West Herts FEMA is made up of the following local authorities:
- Dacorum
 - Hertsmere
 - St Albans
 - Three Rivers
 - Watford
- 3.4 This was based on a detailed analysis of each of the criteria that PPG recommended should be used to identify FEMAs. Paragraph 61-011 of the updated PPG shows that the criteria that should be used to determine the FEMA are the same as those that were used in the 2016 and 2019 reports. It states: “since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area, however, it is possible to define them taking account of factors including:
- extent of any Local Enterprise Partnership within the area;
 - travel to work areas;
 - housing market area;
 - flow of goods, services and information within the local economy;
 - service market for consumers;
 - administrative area;
 - catchment areas of facilities providing cultural and social well-being;
 - transport network”
- 3.5 For a number of these factors there has been no significant change since the 2019 report was published (e.g. administrative areas, transport network) or no new evidence has been published

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

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

Travel to work areas

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

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

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

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

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

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

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

Migration

- 3.12 Although migration is not explicitly identified as one of the factors for defining FEMAs, it is important insofar as it is a key indicator for determining the housing market area (which is one of the considerations for defining the FEMA).
- 3.13 Table 3.3 shows the most popular destinations for residents who moved in the year before the 2021 Census⁷. Taken together, 60% of residents moved within the FEMA, but this ranges from 54% in Hertsmere and Three Rivers to 65% in Watford. Other popular destinations included Buckinghamshire and Central Bedfordshire, although the importance of these destinations is exaggerated by the relative size of these areas.

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

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

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

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

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

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

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

Source: Census 2021

Conclusions of studies for neighbouring areas

- 3.16 We have only been able to find one recent study⁸ for neighbouring authorities which defines its FEMA. This is the London Borough of Enfield FEMA study (2020)⁹ which defines its FEMA as including the district of Hertsmere. This is on the basis of the strong strategic road and public transport connections between Hertsmere and north London boroughs.
- 3.17 Although Hertsmere is included in the Enfield FEMA this does not undermine or conflict with our conclusions that Hertsmere is part of the South West Hertfordshire FEMA. By their nature, all FEMAs are overlapping and are likely to include local authority areas that have strong relationships with areas outside the FEMA. The analysis above recognises that Hertsmere has a strong relationship with north London boroughs, although its commuting and migration relationships with other South West Herts authorities are equally strong.
- 3.18 It should be noted that the 2020 Enfield FEMA study concluded (p.19) that Hertsmere did not have potential to accommodate industrial land demand from Enfield. Enfield borough's Local Plan is currently at examination and there is no indication in the Regulation 19 Local Plan of unmet industrial land need that Hertsmere (or other areas) might be asked to meet.

Relationship with neighbouring areas

London

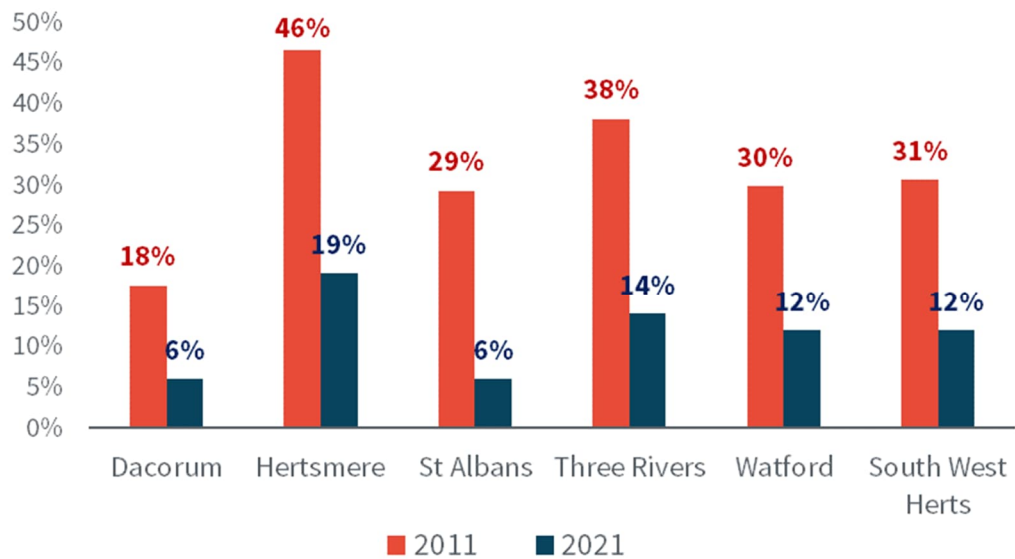
Commuting

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

⁸ Since the publication of the 2019 South West Herts Economic Study

⁹ London Borough of Enfield, Enfield FEMA Study 2020, Aecom Ltd. Available at: [fema-study-2020-planning.pdf \(enfield.gov.uk\)](https://www.enfield.gov.uk/media/1000000/fema-study-2020-planning.pdf)

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



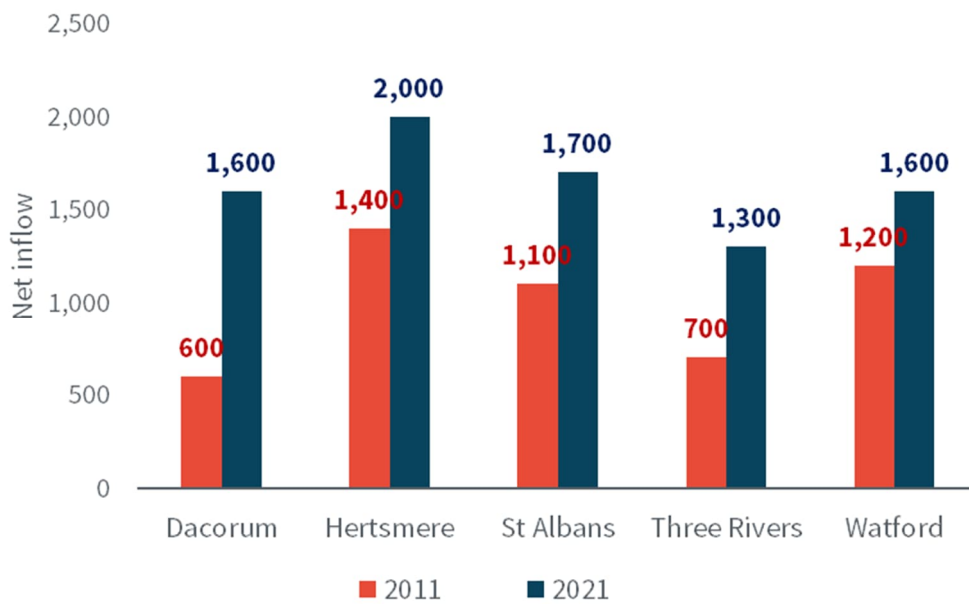
Source Census 2011 and 2021

Migration

- 3.20 The 2021 Census shows there was a net inflow of 8,200 migrants from London in 2020-21 (moves in minus moves out). This has increased from 5,000 in 2010-11. 75% of the net outflow was among people aged 0 to 15 or 30 to 45, indicating that South West Herts is a highly attractive location for young families looking to relocate out of London.
- 3.21 It is not possible to assess how the Covid pandemic affected migration patterns from London as the migration time series data has not been updated by ONS. However there is some evidence that this led to an increase of people moving out of London, which has been attributed to the increase in flexible working, high house prices and a desire for more space. Research by Which showed that Three Rivers, Hertsmere and Watford were in the top ten most popular destinations for people moving out of London during the pandemic¹⁰.

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

Figure 3.2 Net migration from London, 2011-2021



Source Census 2011 and 2021

Commercial property market trends

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

¹¹ Sourced from CoStar

Developments in other areas

Expansion of Luton Airport

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

Newlands Park, Luton

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

Sunset Studios Waltham Cross, Broxbourne

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

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

3.32 The main risks are that this:

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

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

Cambridge-Milton Keynes-Oxford Growth Corridor

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

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

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

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

4. Economic and Labour Performance

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

Adjustments to economic and employment data

4.2 The analysis in this chapter relies on third-party datasets to assess the recent economic and labour market performance of South West Herts. A number of these datasets draw upon the Business Register and Employment Survey (BRES), either to provide an estimate of employment in an area or as a proxy to allocate economic activity to particular areas or sectors. There is clear evidence that the BRES data overestimates the number of jobs in South West Herts by around 20 per cent. This is because of the way in which jobs are allocated to locations in BRES.

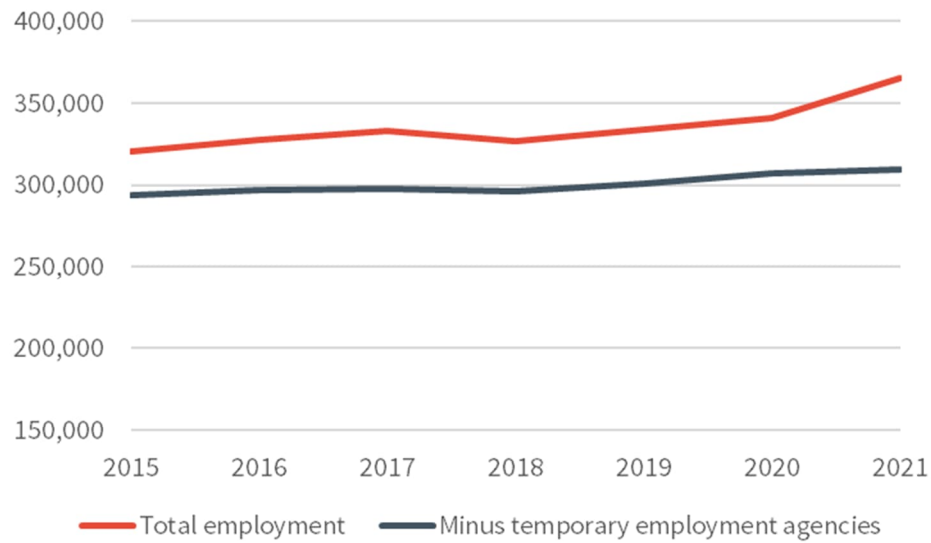
4.3 This is a particular issue in certain sectors such as temporary employment agencies, where the jobs are allocated to the address of the employment agency rather than the address where the employees are working, resulting in an overestimate of employment in areas with large employment agencies. This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

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

Table 4.1 Adjustments made to CE forecasts

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

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



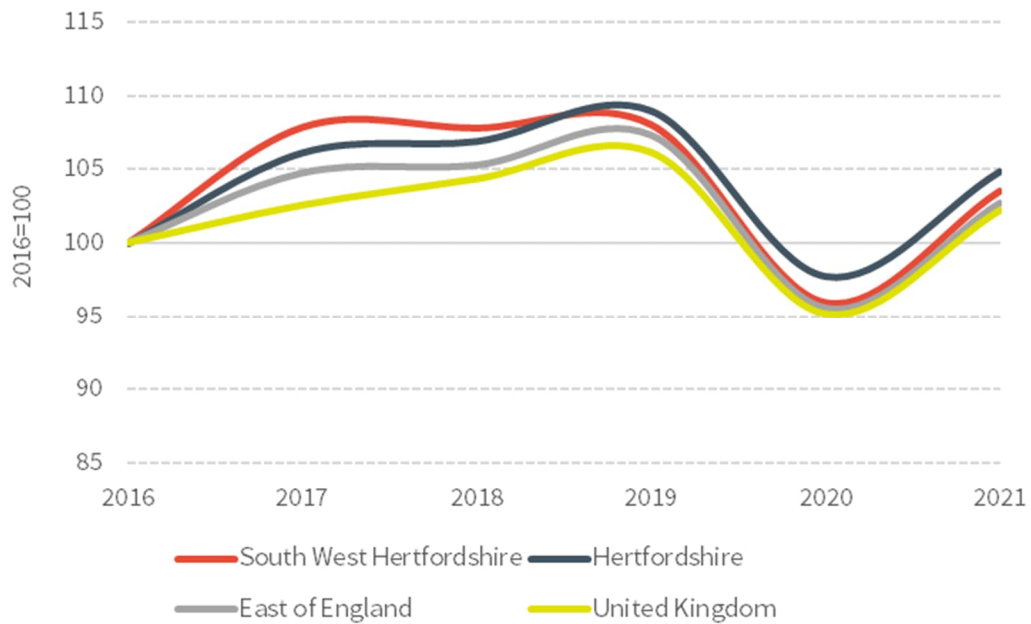
Source: Office for National Statistics, Business Register and Employment Survey

Recent Economic Performance

Gross Value Added

- 4.5 Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. It is the key metric used to understand the overall size and economic performance of an area.
- 4.6 Figure 4.2 shows South West Herts's economy performed well between 2016 and 2019, growing at a rate of 2.6% p.a. compared to 2.0% p.a. in the UK as a whole. This was followed by a sharp decline in GVA between 2019 and 2020 as a result of the Covid-19 pandemic. Although there was a partial recovery in 2021, total GVA was still 4% below its pre-pandemic level.
- 4.7 It should be noted that performance in 2021 was still highly influenced by the pandemic and lockdown restrictions. Data for 2022 is not yet available but is likely to show a continued recovery in all areas.

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

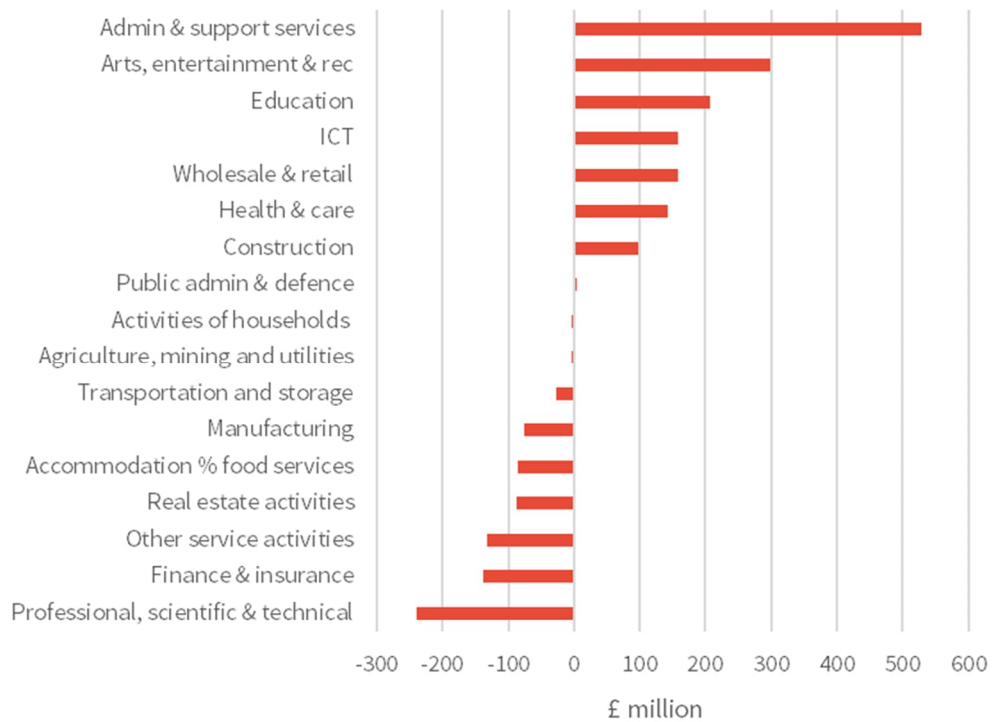


Source ONS, 2023.

- 4.8 Figure 4.3 shows the change in GVA by sector between 2016 and 2021. It suggests that the main driver of growth in South West Herts was admin and support services, which grew by £528m (in 2021 prices) or 29%. This accounts for 66% of net growth since 2016.
- 4.9 Admin and support services includes temporary employment agencies. Therefore we believe this significantly overestimates the level of growth in this sector. This is because ONS uses data on the number of jobs from BRES to apportion regional GVA estimates to local areas. Because BRES overestimates the number of jobs in this sector in South West Herts, ONS assume that a very high proportion of growth in the East of England occurs in the FEMA. If we make an adjustment for this, we believe the growth in GVA in this sector could be as much as 80% lower than the ONS estimates suggest. This means that overall growth in GVA since 2016 is also likely to be substantially lower than shown in Figure 4.3Figure 4.2.
- 4.10 The other sectors which have performed well include arts, entertainment and recreation education, ICT and wholesale and retail. In contrast, real GVA declined in a number of sectors including professional, scientific and technical activities. This sector was the main driver of growth for most of the 2000s and 2010s but has declined by £240m, or 11%, since 2016¹².

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

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

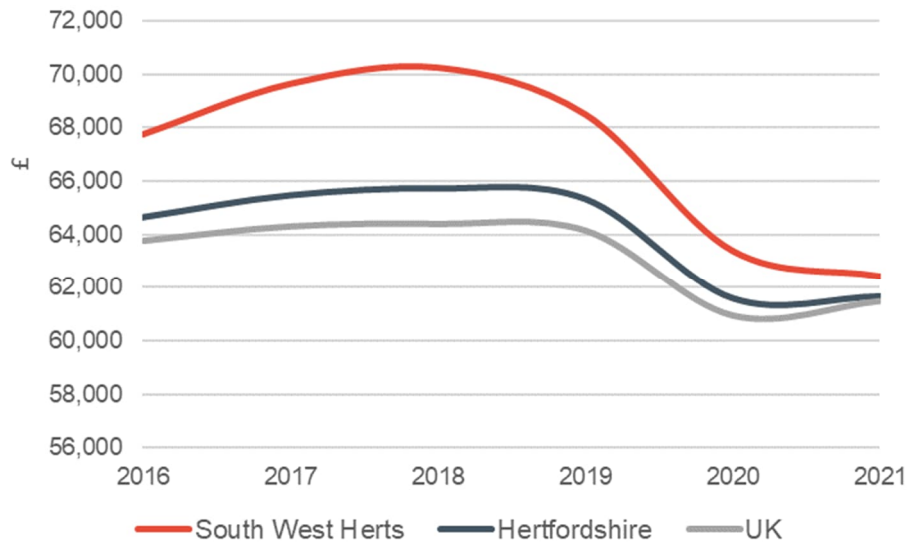


Source ONS, 2023

Labour productivity

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

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

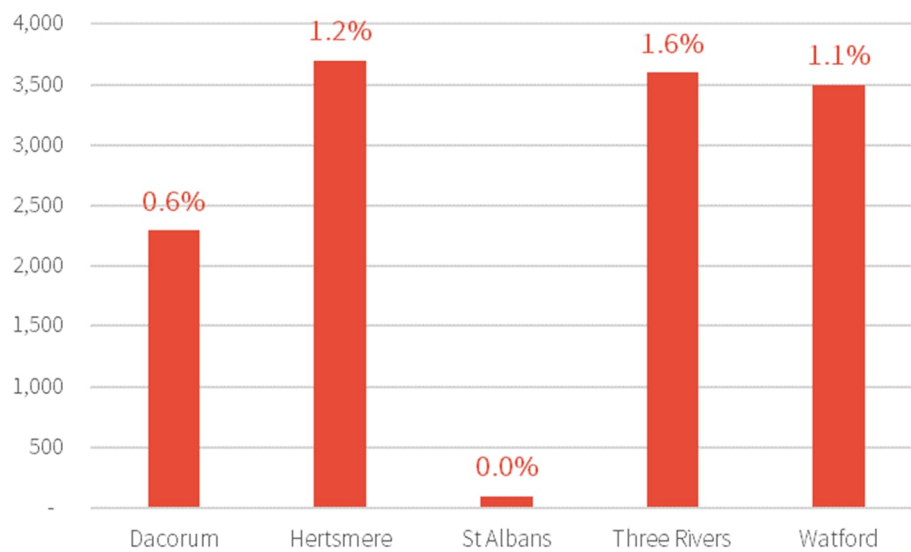


Source ONS

Employment trends

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

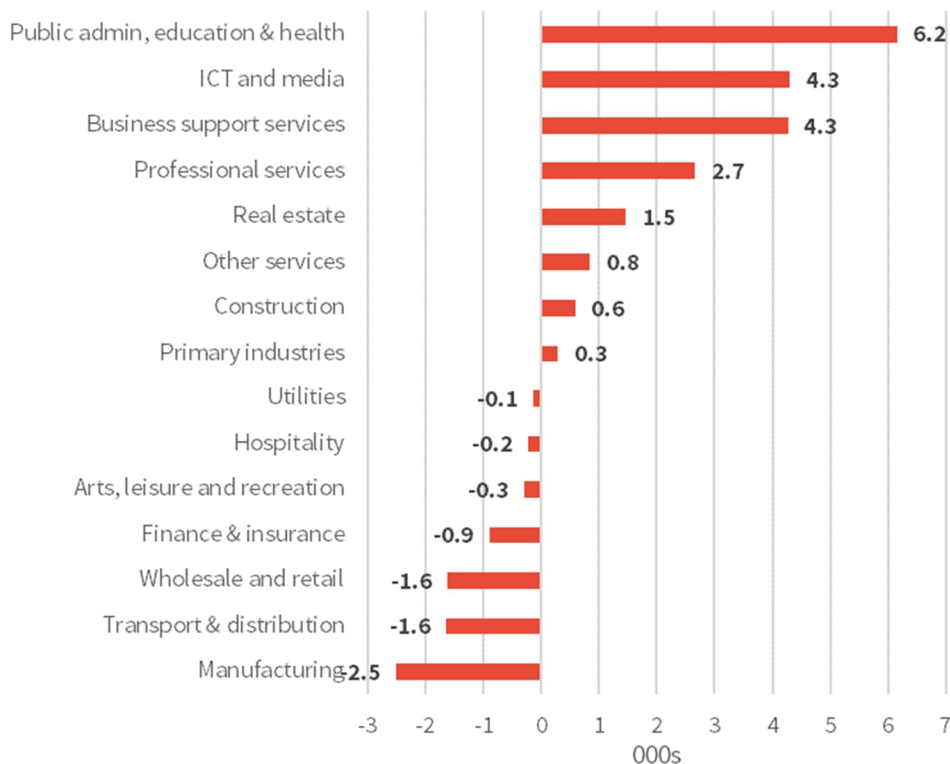
Figure 4.5 Employment growth by local authority area, 2016 to 2021 (annual growth rate % included)



Source Cambridge Econometrics, adjusted by Hatch

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

Figure 4.6 Employment change by broad sector, 2016-2021

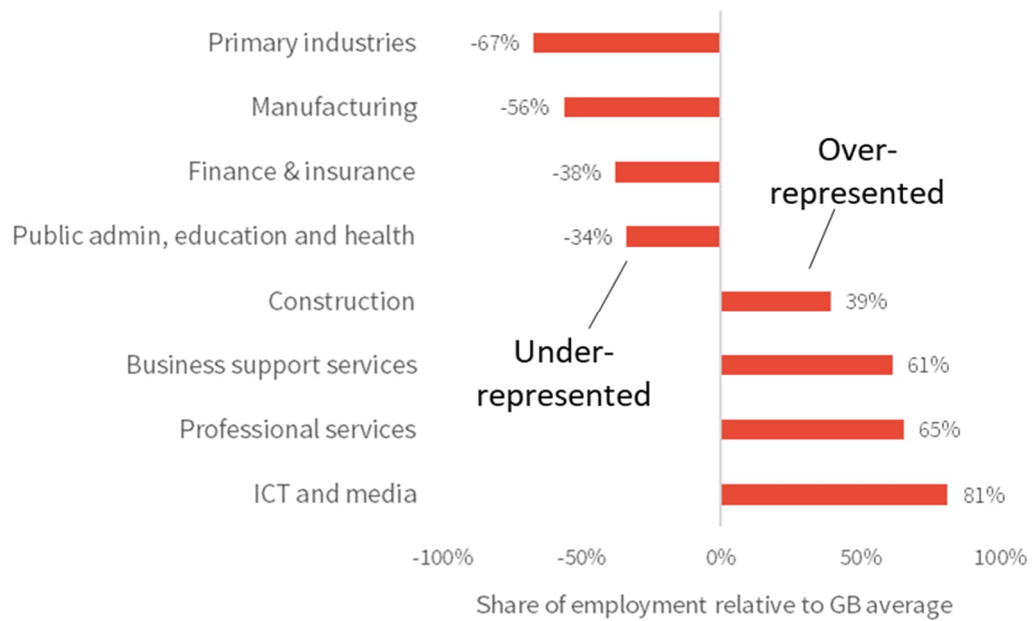


Source Cambridge Econometrics, adjusted by Hatch

Sector strengths of South West Herts

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

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



Source BRES

ICT

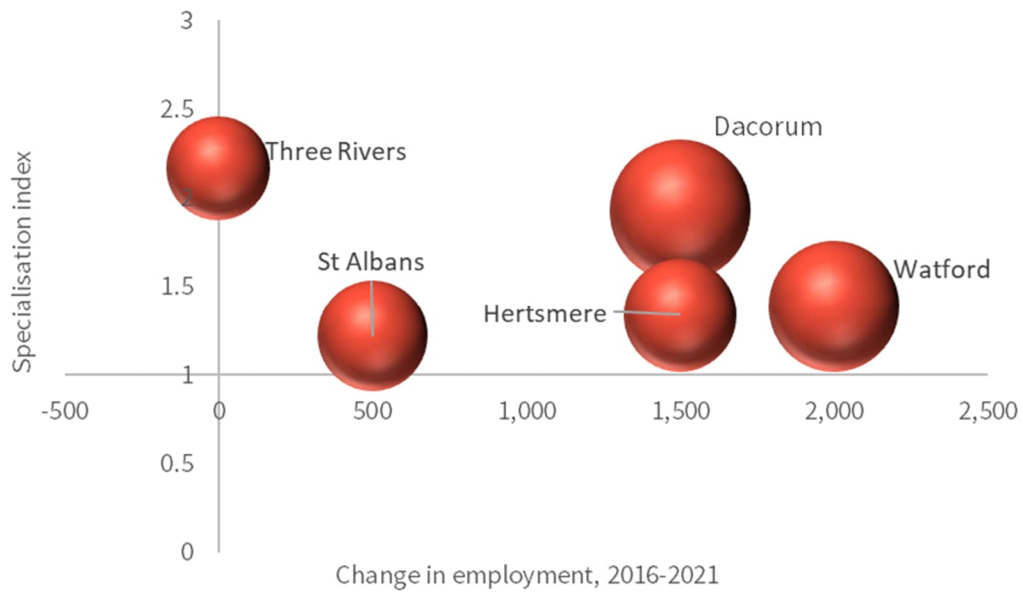
4.16 Figure 4.8 shows three performance indicators for the ICT sector in South West Herts local authority areas:

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

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

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

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

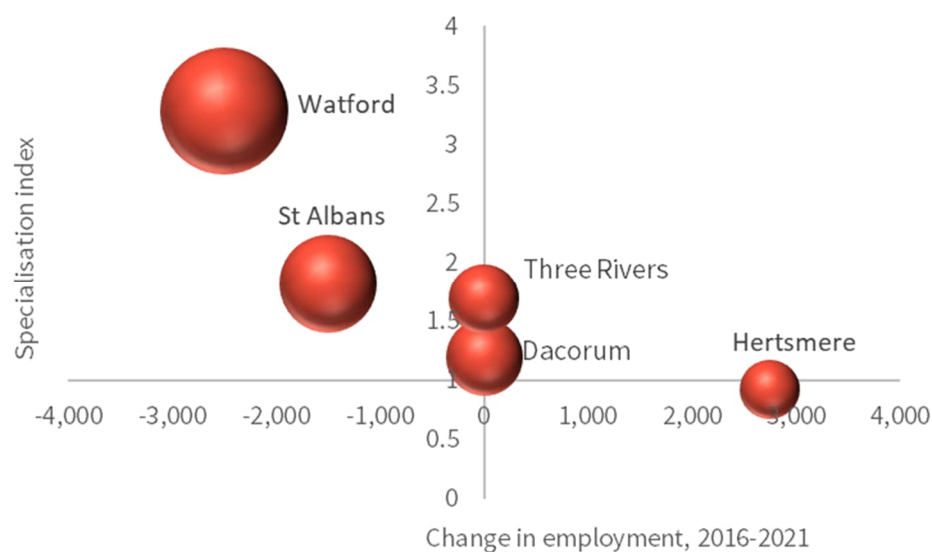


Source BRES

Professional services

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

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



Source BRES

Other strategic sectors

4.21 Table 4.2 shows the recent employment performance and degree of specialisation of a number of other sectors identified as strategic priorities by the Hertfordshire Local Enterprise Partnership or local authorities¹³. The analysis suggests that, in terms of employment, South West Herts's main strengths are in:

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

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

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

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

Table 4.2 Performance of Hertfordshire LEP strategic sectors

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

Source: BRES

Business and Enterprise

Business characteristics

- 4.25 There were 34,900 businesses operating in South West Herts in 2022¹⁴. The business base is dominated by small to medium enterprises (SMEs) employing fewer than 50 people, which account for 99.6% of businesses. 91% of businesses are micro businesses meaning they employ fewer than ten employees. The size profile is broadly similar to the national average, although South West Herts has a slightly higher share of micro businesses than Great Britain (89%).

¹⁴ Excluding very small businesses not registered for PAYE or VAT

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

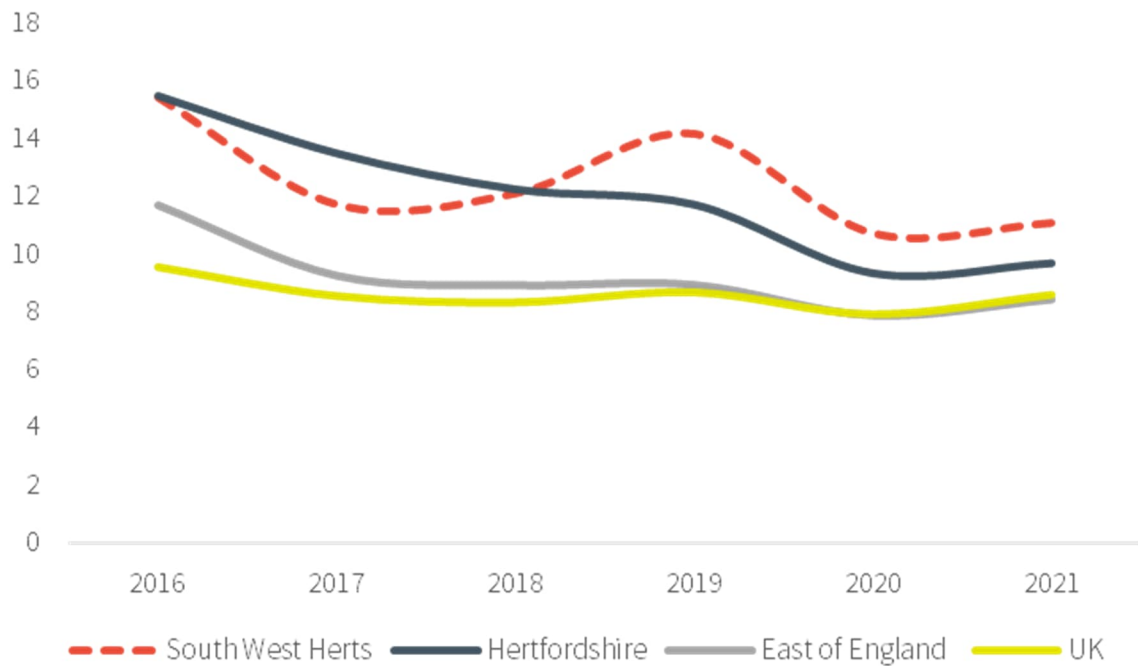
	Number of businesses	Specialisation index
Primary industries	400	0.25
Manufacturing	1,200	0.69
Construction	5,200	1.11
Wholesale & retail	4,300	0.86
Transport & storage	1,100	0.66
Hospitality	1,500	0.66
ICT	3,900	1.63
Finance & insurance	700	0.91
Real estate	1,600	1.13
Professional, scientific & technical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

Source: ONS UK Business Counts

Business starts and survival

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

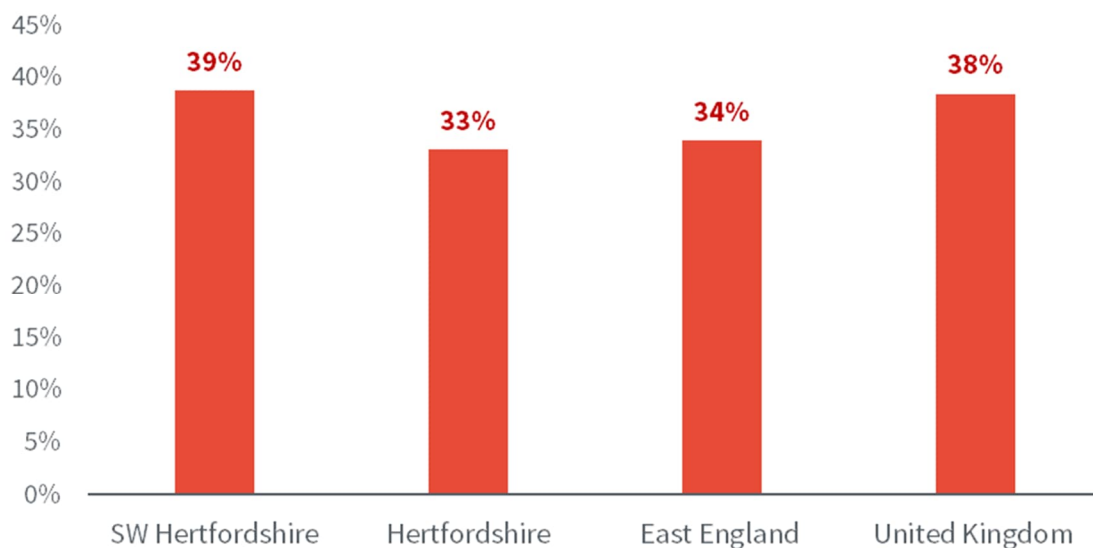
Figure 4.10 New businesses per 1,000 working age residents



Source ONS Business Demography and ONS mid-year population estimates

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

Figure 4.11 Percentage of new businesses still active after 5 years



Source ONS Business Demography

Barriers to growth

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

Inward Investment

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

Labour Markets and Skills

Labour Supply

Population and demographics

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

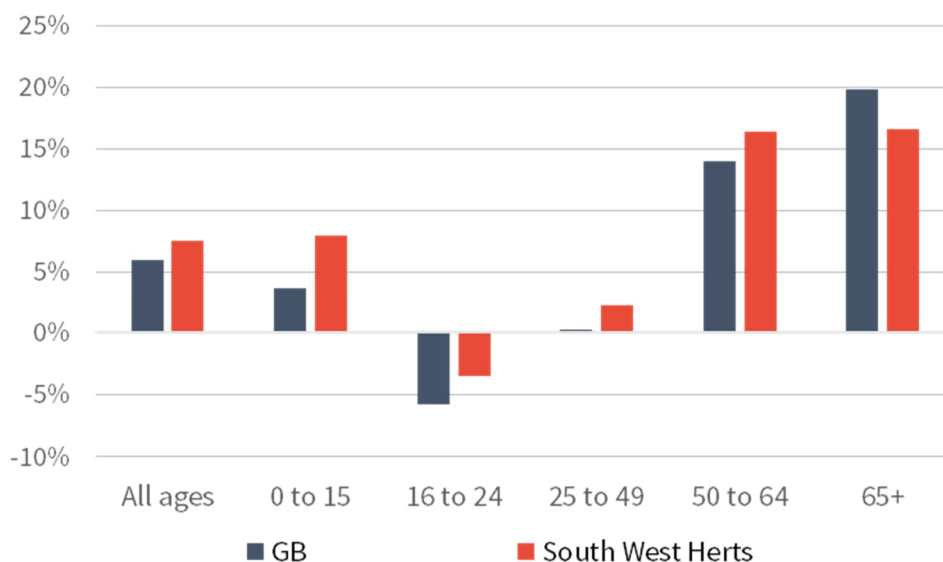
Figure 4.12 Population breakdown in South West Herts



Source Census, 2021

4.37 The population of South West Herts increased by 42,900 between 2011 and 2021, representing an increase of 8%¹⁵. This was higher than the Great Britain average (6%). Figure 4.13 shows that the highest growth in both South West Herts and Great Britain was among people over the age of 50. The working age population (aged 16 to 64¹⁶) increased by 5% in South West Herts and 3% in Great Britain.

Figure 4.13 Population change by age group, 2011-2021



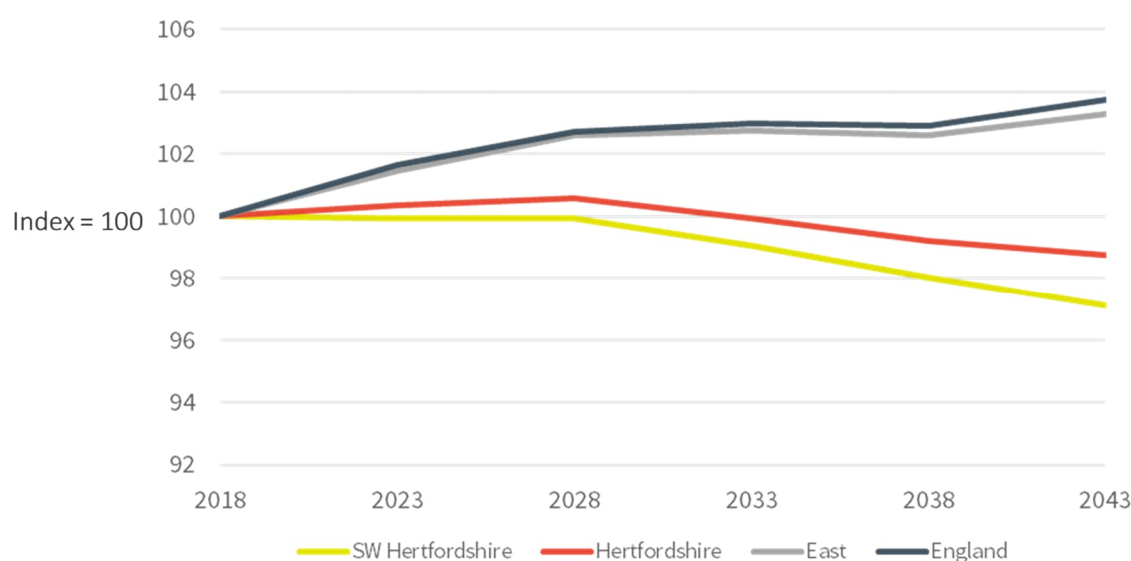
Source Census 2011 and 2021

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

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

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

Figure 4.14 Working Age population projections 2018-2043



Source Population Projections, ONS

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

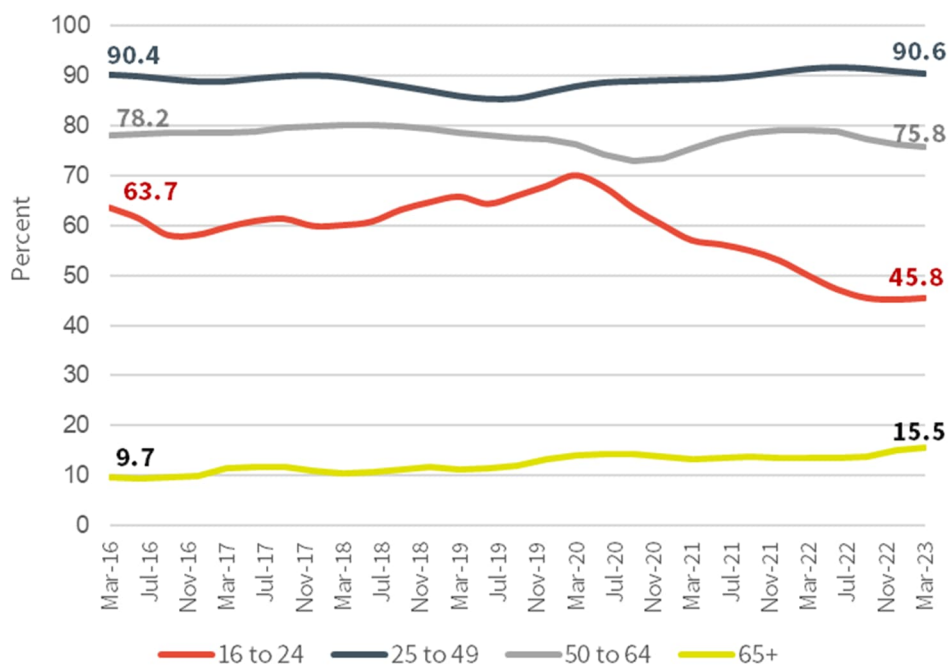
Labour market participation

- 4.41 According to the Annual Population Survey there are currently around 316,000 people who are economically active¹⁷ in South West Herts. This has remained broadly stable since 2016, although the composition of the economically active population has changed over time in line with the demographic trends mentioned above. The proportion of economically active people aged 50 or over has increased from 30% in 2016 to 35% in 2022.
- 4.42 The change in economic activity rates by age group are shown in Figure 4.15. It shows there was a large fall in economic activity rates of 16 to 24 year olds, however this is likely to be explained by the increase in the compulsory education age from 16 to 18 introduced in 2015. The economic

¹⁷ People who are in work or actively seeking work

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

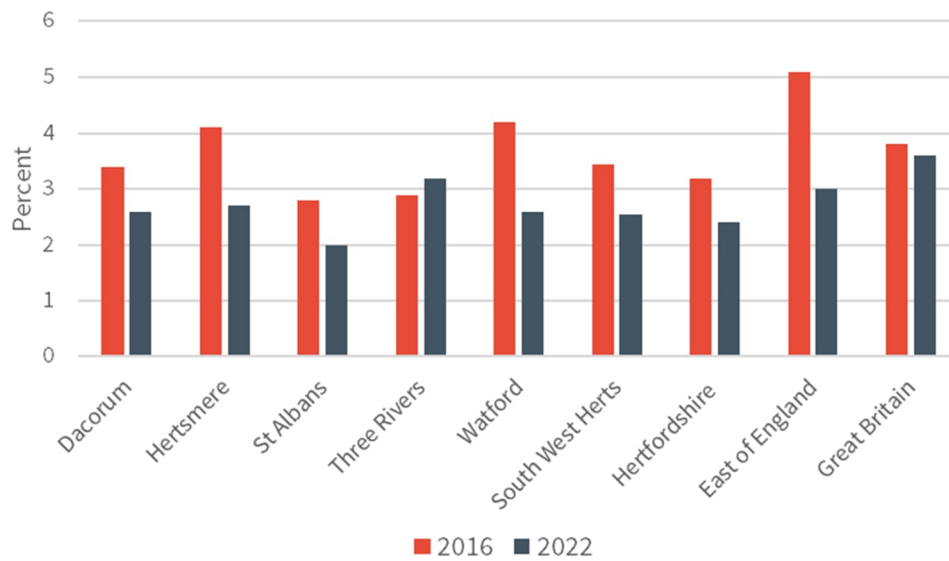
Figure 4.15 Economic activity rates by age group, March 2016 to March 2023



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

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

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

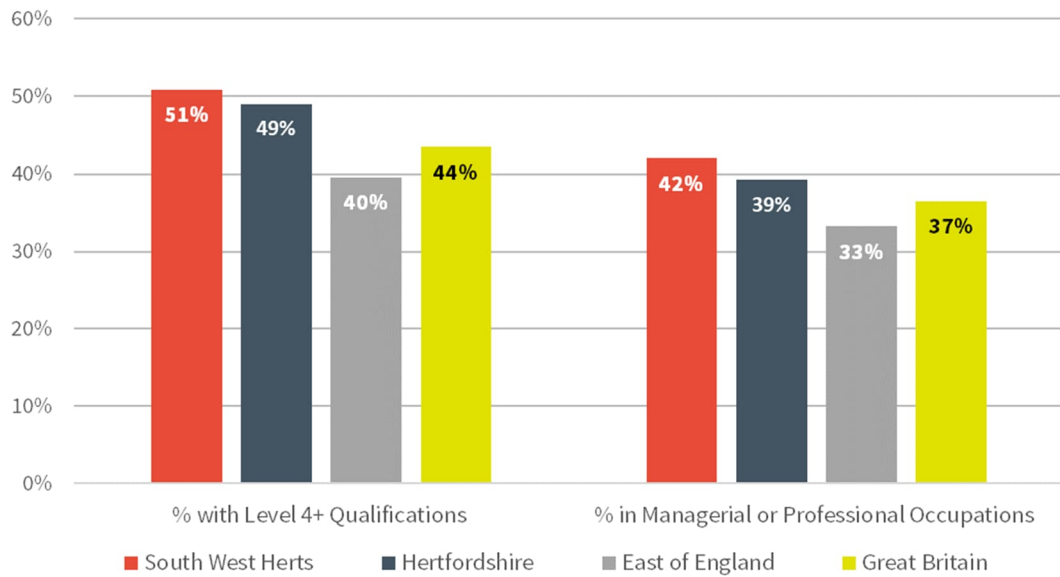


Source ONS model based estimates of unemployment

Skills of the workforce

4.45 South West Herts has a highly skilled workforce. 51% of working age residents have a Level 4 qualification or higher (equivalent to a foundation degree), which is significantly higher than the national and regional average (40% and 44% respectively). Less than 14% of the population have basic or no qualifications which is lower than the regional or national average. Similarly, analysis of occupations data shows that 43% of South West Herts residents work in professional or managerial occupations, the two highest skilled categories, compared to 35% in the East of England and 36% in Great Britain. This demonstrates the attractiveness of the FEMA as a location for highly skilled and highly paid workers.

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

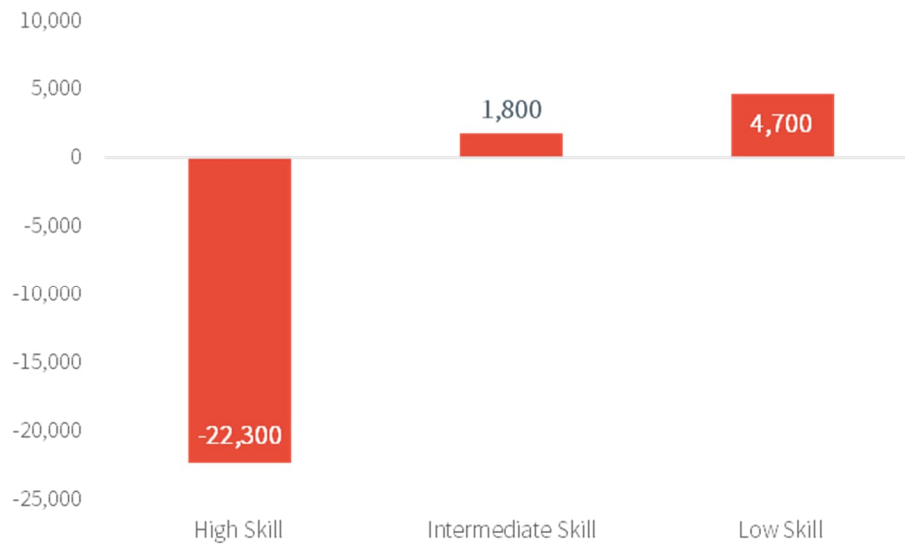


Source: Annual Population Survey (ONS)

4.46 Although the supply of high level skills is strong in South West Herts, a significant proportion of highly skilled residents commute outside the FEMA to work meaning the business and productivity benefits are realised outside South West Herts. Figure 4.18 shows the commuting balance for occupations at different skill levels. This is calculated by subtracting the number of residents in high skilled roles (managerial and professional occupations) from the number of high skilled roles in South West Herts workplaces. It shows the number of high skilled residents exceeds the number of high skilled roles by around 22,000, indicating a net outflow of high skilled commuters¹⁸. In contrast there is a small inflow of intermediate and low skilled commuters.

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

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



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

Labour demand

Vacancies

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

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



Source ONS, Labour demand volumes by profession and local authority

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

Table 4.4 Ratio of vacancies to employees and unemployed people

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

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

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

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

Figure 4.20 Average monthly vacancies by profession type, 2022



Source ONS, Labour demand volumes by profession and local authority

Working patterns

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

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



Source APS

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

- In professional, scientific and technical activities, the proportion of employed residents who work from home increased from 13% before the pandemic¹⁹ to 68% after the pandemic²⁰.
- In ICT, the proportion increased from 13% to 65%.

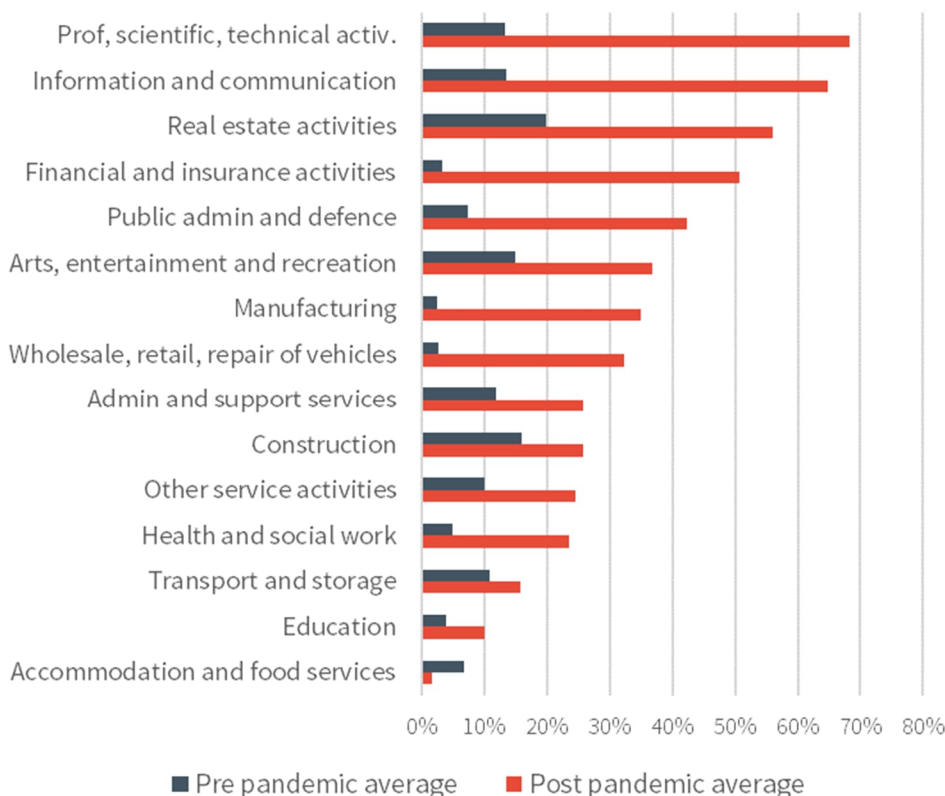
4.53 To be clear, this does not mean that these residents work from home all of the time. National surveys indicate that most office workers have now adopted a hybrid model where they work in the office some of the time. However the fact that a large proportion of residents in these sectors identify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

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

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

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

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

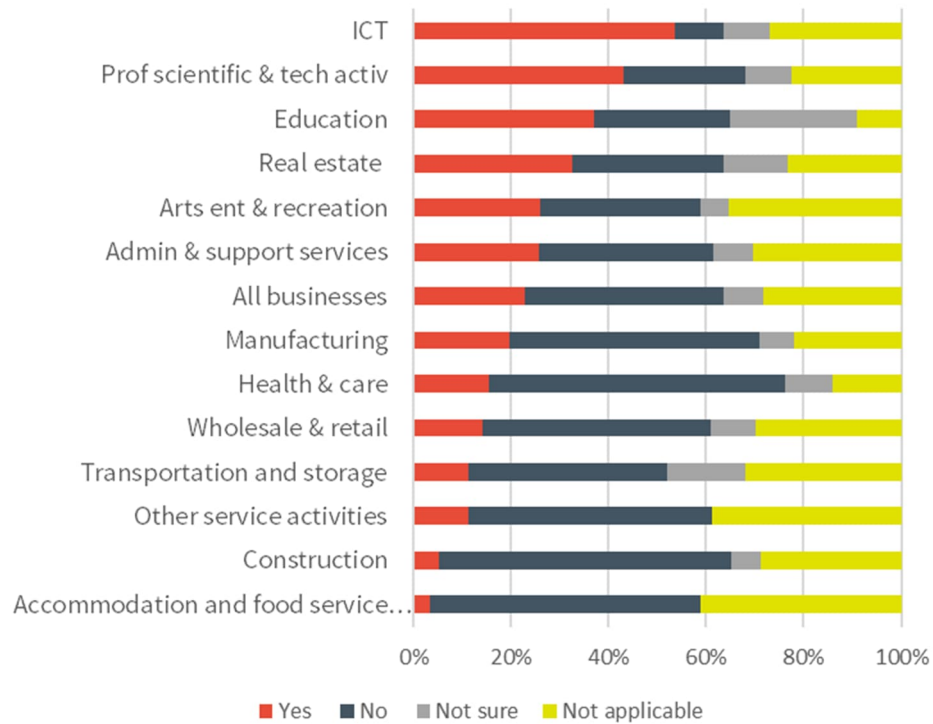


Source APS. Note: the pre-pandemic average is based on the average for the quarterly surveys covering the period Jan-Dec 2019 and Apr 2019-Mar 2020. The post-pandemic average was based on the surveys for Oct 2021-Sep 2022, Jan-Dec 2022 and Apr 2022-Mar 2023. The average from a number of surveys has been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

4.55 It is difficult to predict with any degree of accuracy how the proportion of people who work mainly from home will change in the future. There have been a number of recent examples of employers insisting that workers spend a minimum amount of time in the office (three days in most cases) and a recent survey of 150 CEOs in the UK found that 63% predicted a full return to in-office working by 2026²¹. In contrast, a much larger business survey from 2022 found that 23% of businesses reported they are intending to include homeworking as a permanent business model (up from 16% in 2020). This increased to 54% for businesses in ICT and 43% for professional, scientific and technical activities (see Figure 4.23). This suggests a full return to the office is highly unlikely for the majority of firms in these sectors.

²¹ KPMG CEO Outlook Survey

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



Source ONS – Business Insights and Conditions

- 4.56 A range of surveys have also shown that working from home or hybrid working remains very popular with workers. 78% of workers who work from home in some capacity said that being able to work from home gave them an improved work-life balance, half reported they got work done quicker and 47% said it had improved their overall wellbeing²². There is also evidence that the pandemic has changed worker expectations about workplace flexibility. Research by CIPD²³ found that 71% of workers view flexible working as important to them when considering a new role. A separate survey by LinkedIn found that more than a third of UK workers say they would quit their job if their employer demanded they return to the office full time. This suggests organisations that return to pre-pandemic working patterns would struggle to attract and retain workers.
- 4.57 This means that a full return to pre-pandemic working patterns is unlikely. While there may be some reduction in the proportion of people who work mainly from home, this is likely to be in favour of hybrid working rather than a full return to the office.

²² ONS, Opinions and Lifestyles Survey, February 2022

²³ Chartered Institute for Professional Development

5. Commercial Property Trends

- 5.1 This chapter presents analysis of recent market trends in the office and industrial market for South West Herts, drawing mainly upon CoStar data. This provides important context for the scenarios on future need which are discussed in Chapter 6.
- 5.2 The analysis also draws upon the feedback from a number of commercial agents active in South West Herts who were interviewed by BE Group. The anonymised notes from these interviews are provided in Appendix B.
- 5.3 The chapter includes analysis of both available and vacant space. CoStar defines these terms as follows:
- **Available space:** The total amount of space that is currently being marketed as available for lease or sale in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. This includes existing, under construction, and under renovation buildings.
 - **Vacant space:** refers to all space not currently occupied by a tenant, regardless of any lease obligation that may be on the space.
- 5.4 The chapter makes judgements about whether the market for different types of employment space is under or over-supplied based on the availability rate. Whilst it is difficult to be precise about the market equilibrium level (where demand and supply are balanced), it is generally accepted that this is between five and ten per cent for both the office and industrial market²⁴. This range is used in this chapter.
- 5.5 Appendix C includes tables showing all of the CoStar data used in this chapter, including district level data.

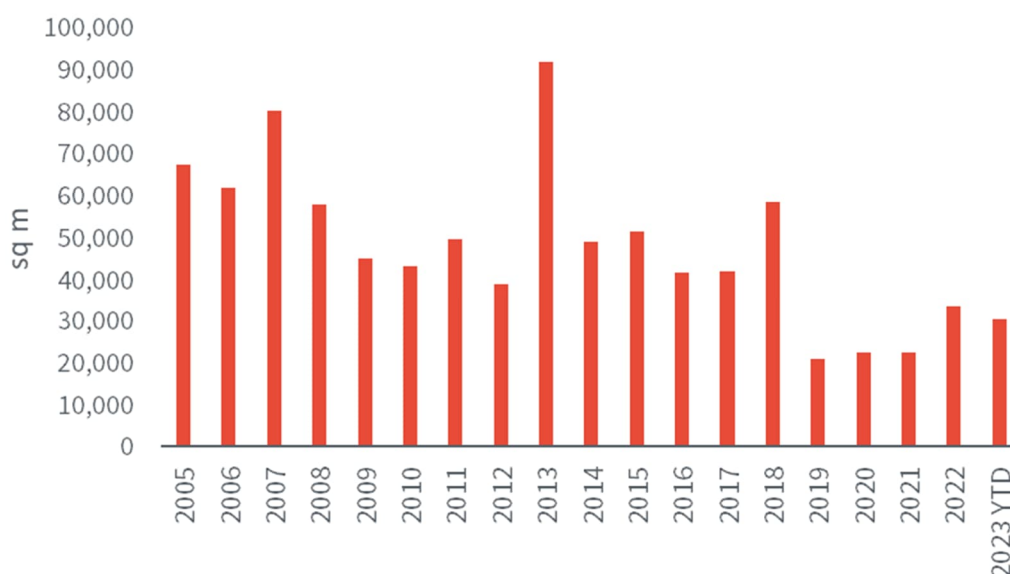
Office market

Demand for office space

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

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

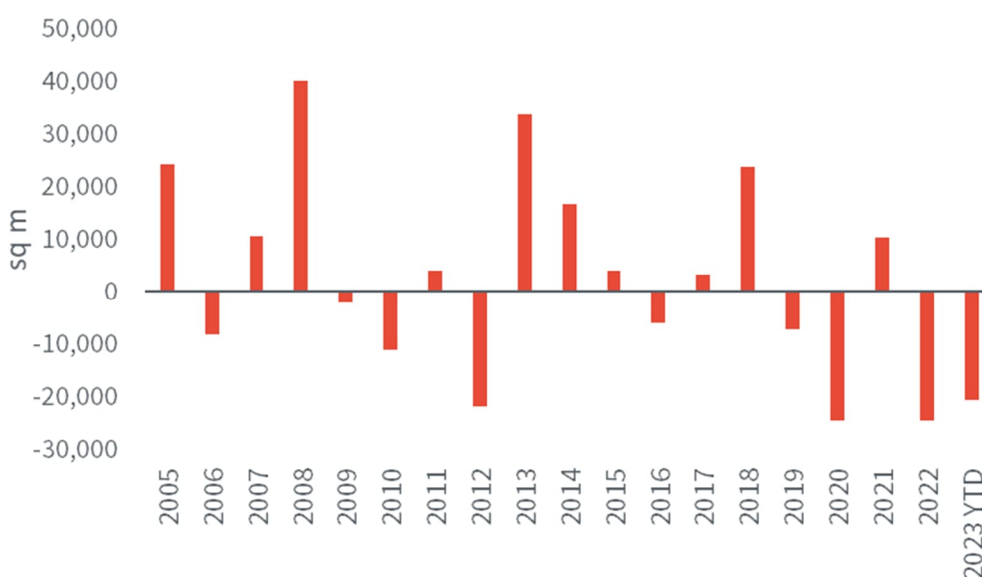
Figure 5.1 Gross absorption of office space, 2005-2023



Source CoStar

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

Figure 5.2 Net absorption of office space



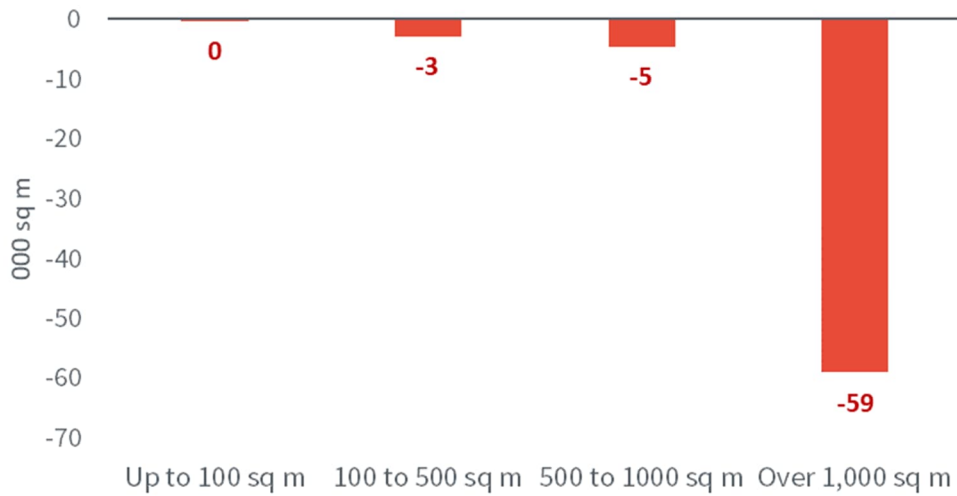
Source CoStar

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

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

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

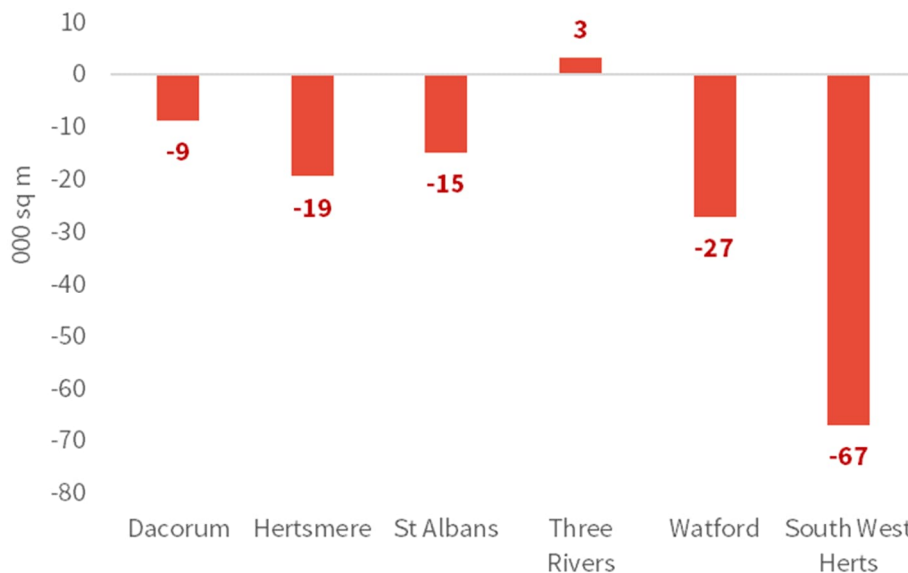
Figure 5.3 Net take up of office space by size of floorplate, 2020-2023 (YTD)



Source CoStar

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

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



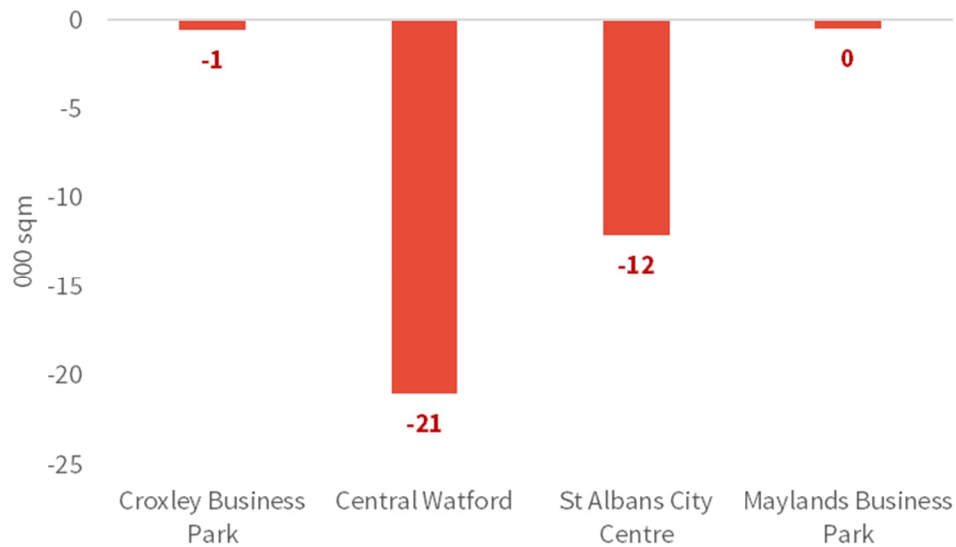
Source CoStar

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

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

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

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

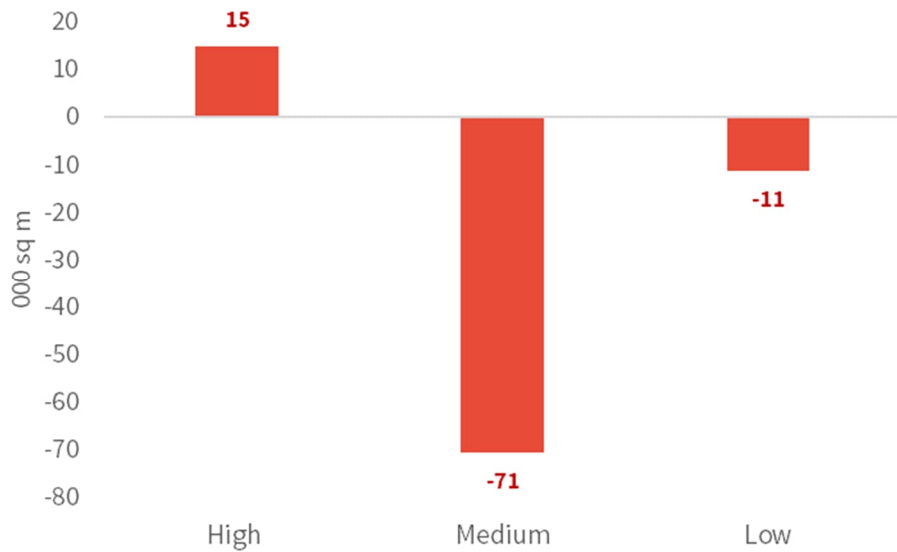


Source: CoStar

- 5.14 Figure 5.6 shows the fall in demand for office space has been driven by low and medium quality office space. However net absorption of high quality office space increased by 15,000 sq m between 2019 and 2023²⁵. This was consistent with the feedback from commercial agents who reported there had been a ‘flight to quality’ in South West Herts, as businesses increasingly look for smaller, high quality offices with strong sustainability features and high quality amenities. This is seen by businesses as a way of attracting new talent while also supporting their wider ESG (environmental, social and governance) goals.
- 5.15 It should be noted that the vast majority of office buildings in South West Herts are rated as medium quality in CoStar’s database (87%). 8% are rated as low quality and 5% are rated as high quality. This explains why the fall in net absorption is much higher for medium quality than lower quality buildings.

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

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

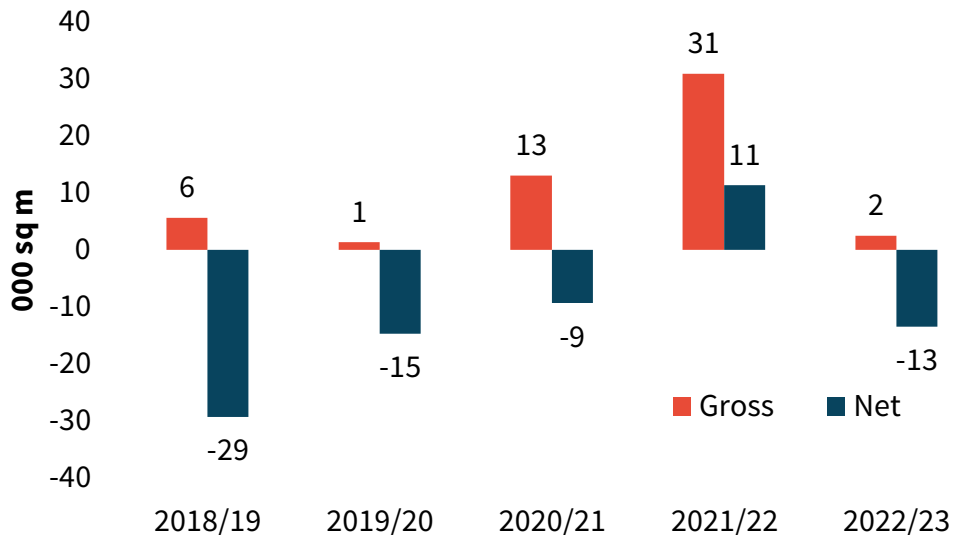


Source: CoStar.

Supply of office space

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

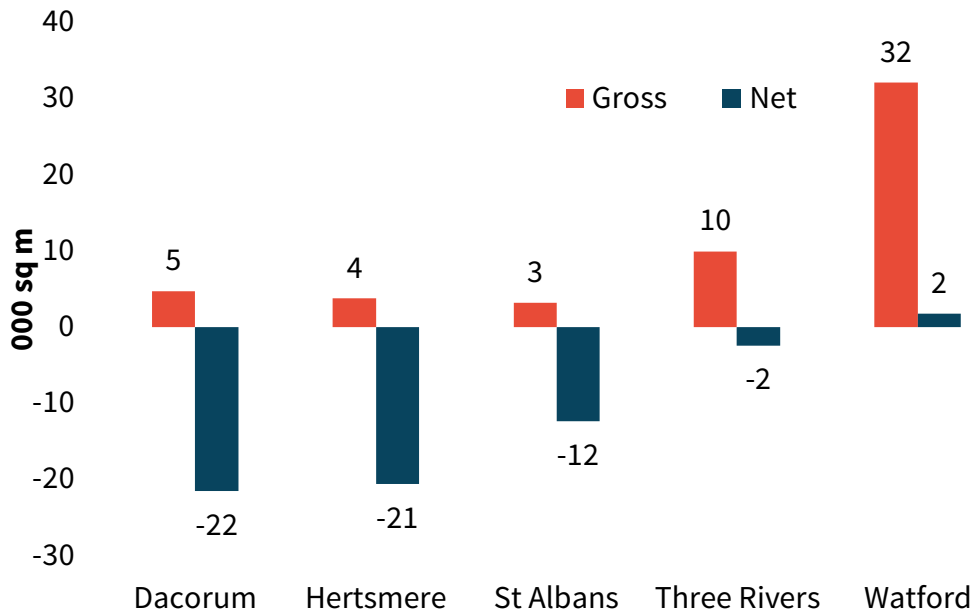
Figure 5.7 Gross and net change in supply of office space, 2018/19 to 2022/23



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

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

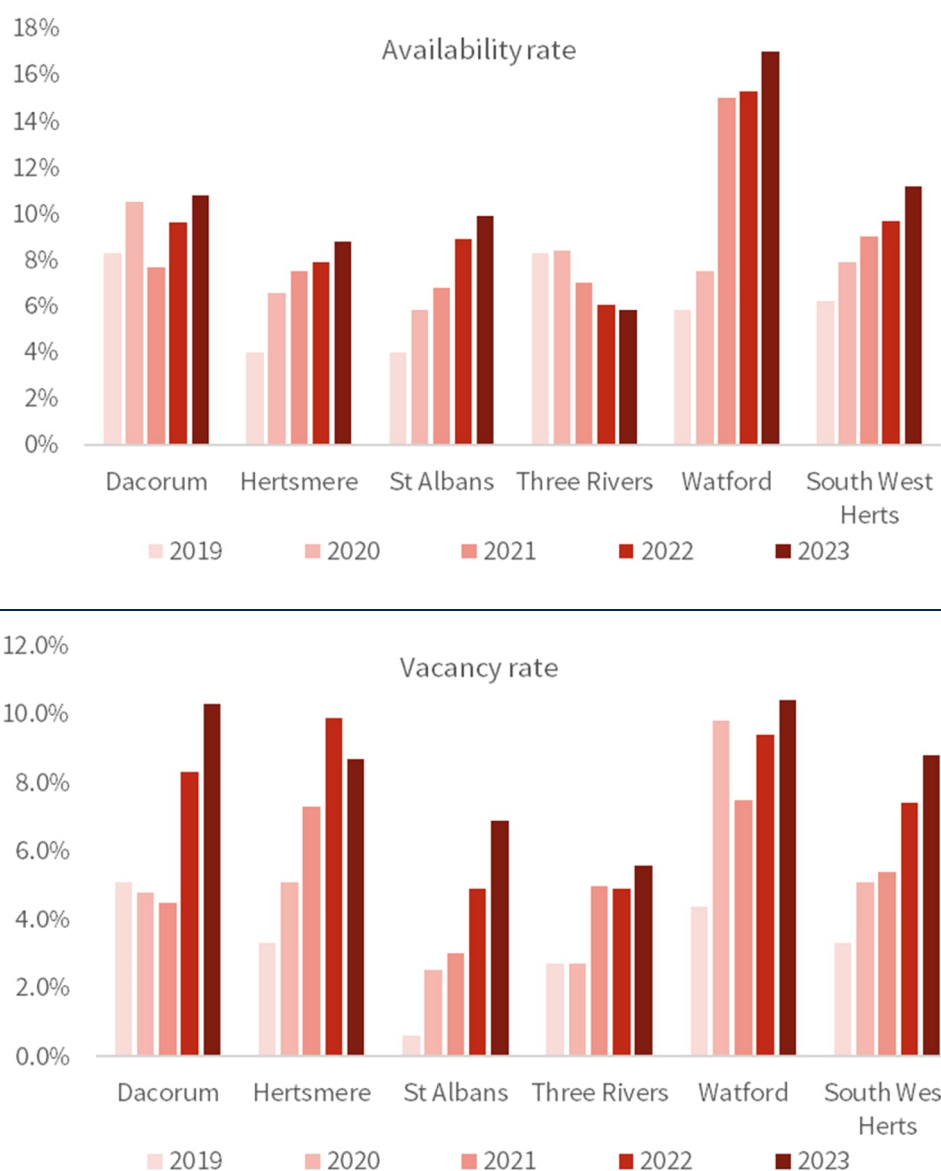
Figure 5.8 Gross and net change in stock of office space by district, 2018/19 to 2022/23



Source Herts CC

- 5.18 Despite the fall in the total supply of office space, most areas have experienced an increase in the availability rate since 2019. This has been driven by the fall in demand for office space over this period. As of July 2023, there was 162,000 sq m of available office space in South West Herts, of which 124,000 sq m is vacant. This represents an availability rate of 11.2% (indicating an oversupply of office space) and a vacancy rate of 8.8%. The largest increase in availability occurred in Watford which was driven by both an increase in the supply of office space and falling demand, particularly for larger floorplates over 1,000 sq m.
- 5.19 In Hertsmere, St Albans and Three Rivers, the availability rate is still below 10% indicating that the market is still broadly in equilibrium. However, for the first two of these areas, the upward trend suggests that these areas are likely to have an oversupply in the next few years. Commercial agents also reported there was currently a surplus of office space in the main market areas, with one commenting there was unlikely to be a need for any new development over the next five to ten years.
- 5.20 The one exception to this was Three Rivers, where the availability rate has fallen since 2019-23 although the vacancy rate has risen. The availability rate in Three Rivers is also much lower than other areas (5.8%). This is likely to be due to local factors affecting demand in Three Rivers, although the exact explanation is unclear. Nevertheless, it suggests market conditions are slightly different in Three Rivers, and the local authority should prioritise the protection of office space as far as possible.

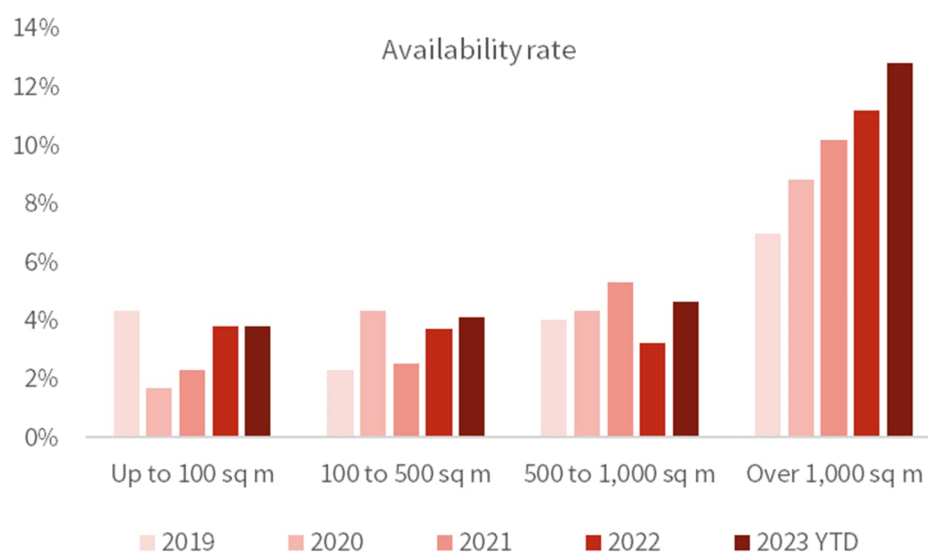
Figure 5.9 Availability and vacancy rate of office space, 2019-2023



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

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

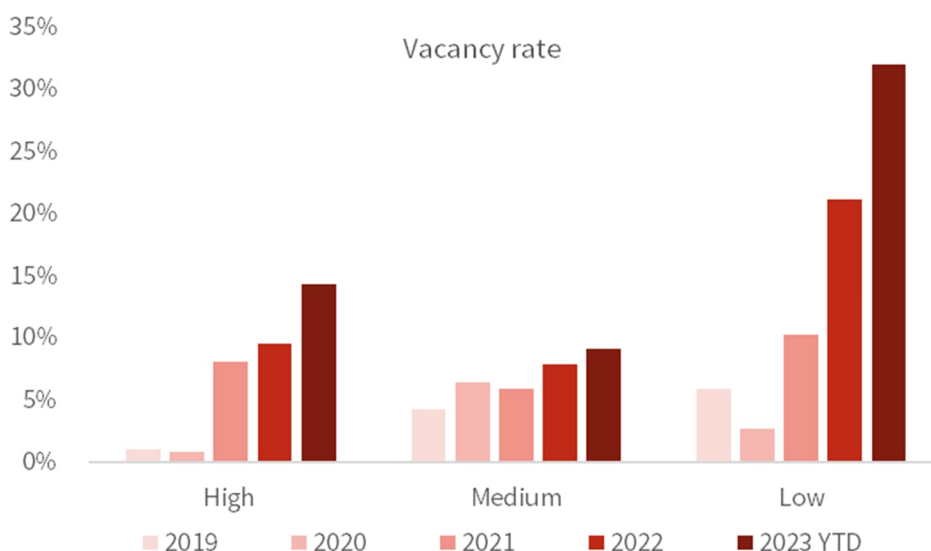
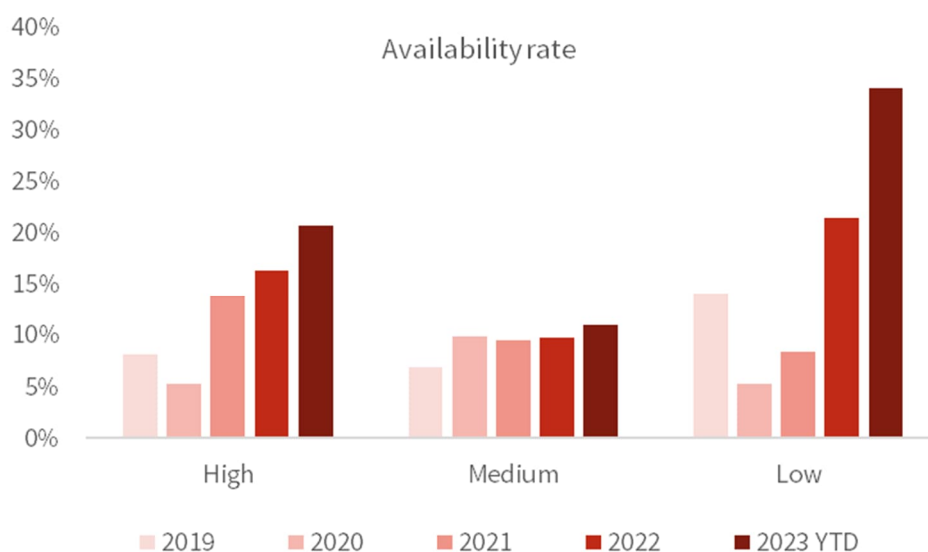
Figure 5.10 Availability and vacancy rates of office space by size of floorplate, 2019-2023



Source CoStar

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

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



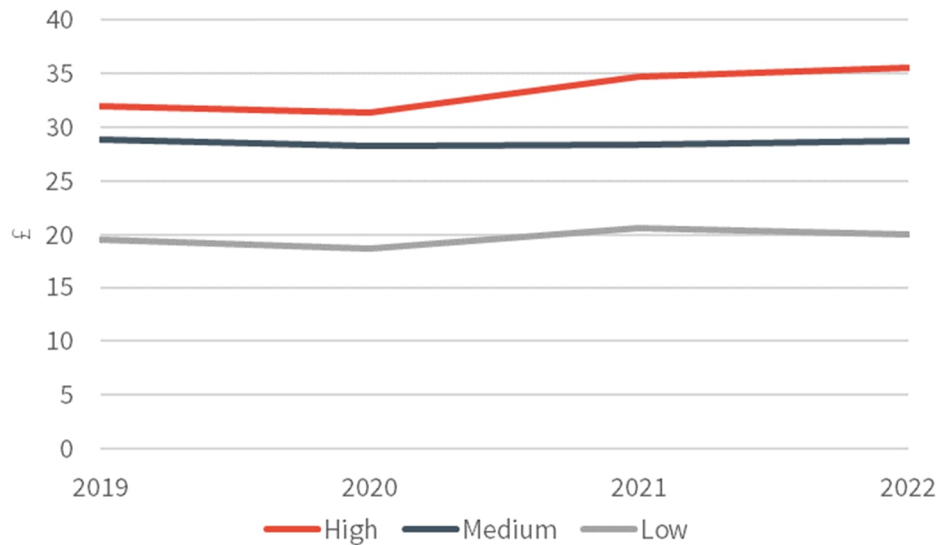
Source: CoStar

Rental values

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

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

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



Source CoStar

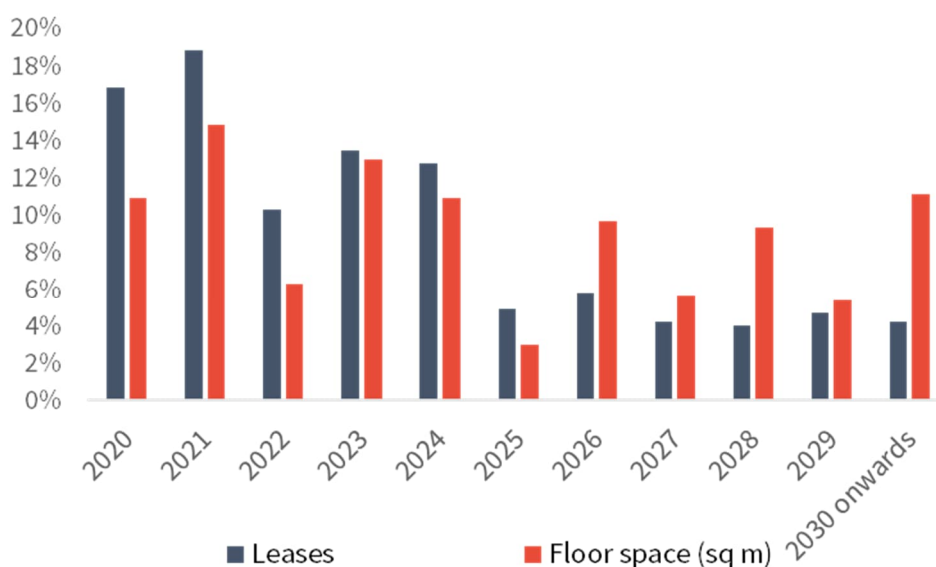
- 5.26 Data in Appendix C shows variation between rental values in each of the South West Herts districts. Watford borough, whose central Watford office area is the most significant such location in the area, has the highest average values reported at c. £35 per sq ft, with evidence that certain developments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

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

- 5.27 The full effects of the Covid-19 pandemic and changing working patterns are not likely to emerge until all of the leases signed before the pandemic have expired or reached a break-point (a date at which the tenant or landlord can choose to terminate the lease). It is at this point that tenants will decide to either renew the lease, downsize, increase their space or relocate.
- 5.28 Analysis of CoStar shows around 47% of leases signed before the pandemic have not yet expired or been the subject of a lease-break²⁶. These unexpired leases tend to be for larger floorplates, meaning the proportion of the total office spaced leased which is still to expire or be the subject of a lease break is even higher, at 65%.

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

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

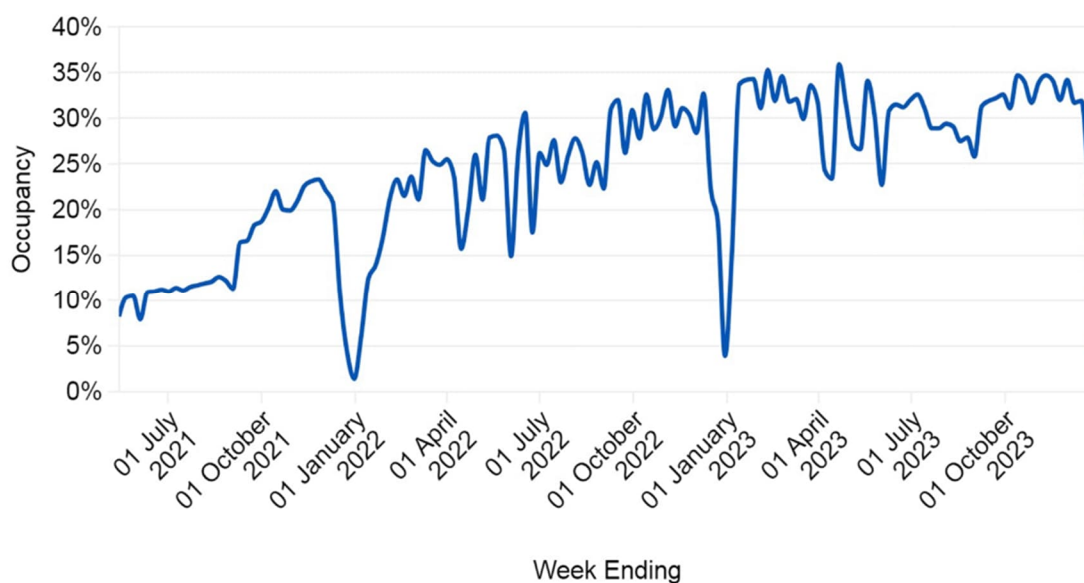


Source CoStar. Based on a sample of 617 leases for office space

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

²⁷ See Figure 4.21

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



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

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

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

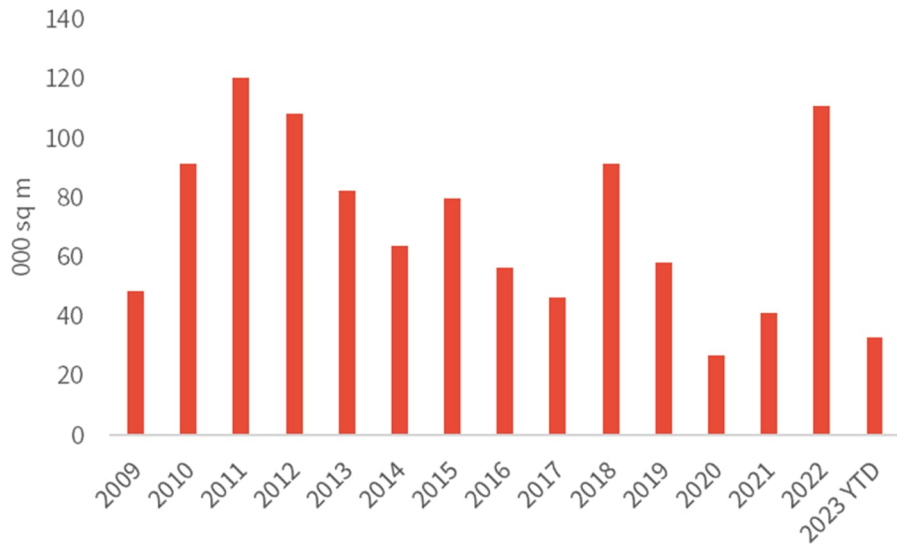
Industrial market²⁸

Demand for industrial space

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

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

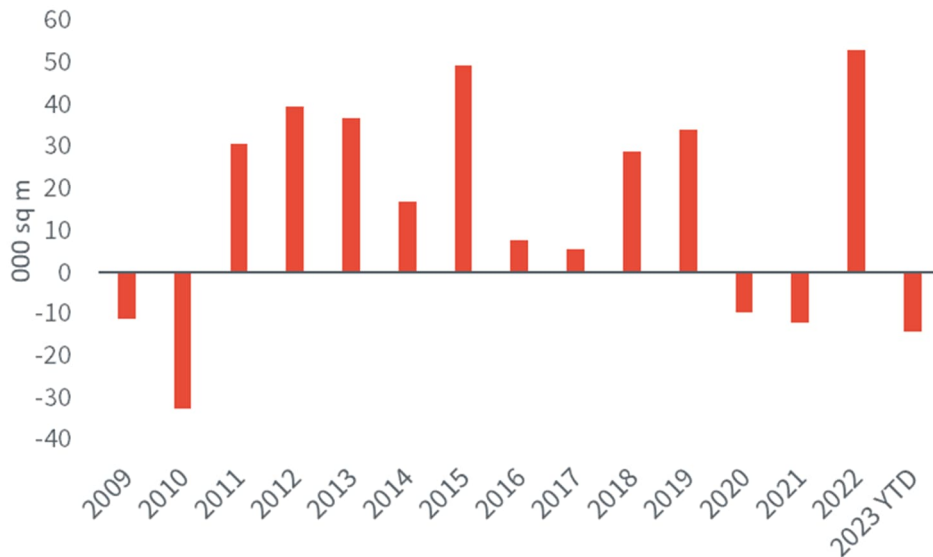
Figure 5.15 Gross absorption of industrial space, 2009-2023 (YTD)



Source: CoStar

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

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



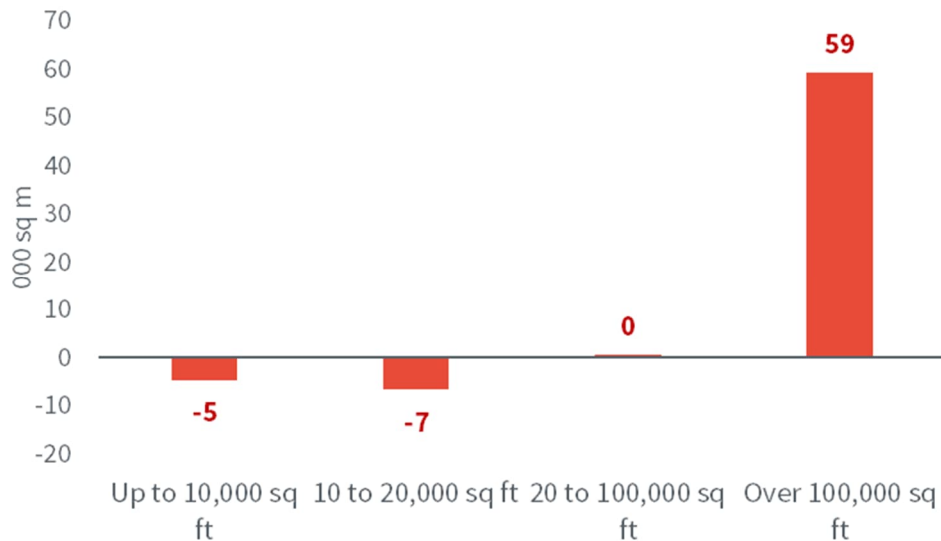
Source CoStar

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

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

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

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

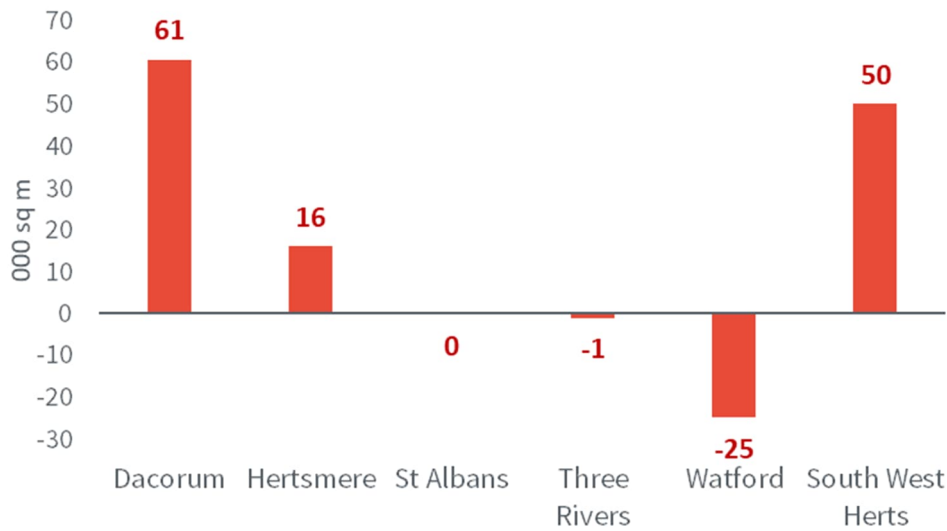


Source CoStar

- 5.37 Figure 5.18 shows demand for industrial and storage & distribution space was concentrated mainly in Dacorum, particularly around Maylands Business Park and Prologis Park Hemel Hempstead. Demand for space is very strong in this location because of its access to the M1 but it is also the only location in which there has been large scale development in recent years (e.g. Prologis Park). Commercial agents confirmed that demand would be high in any location offering large plots with good access to the motorway.
- 5.38 Watford experienced a significant fall in net-absorption, which is explained by the loss of industrial space. CoStar shows the total stock of industrial space fell by c. 28,000 sq m between 2019 and 2023, with a fall in net absorption of 25,000 sq m, suggesting that almost all of the space that was lost was occupied by businesses²⁹.

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

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

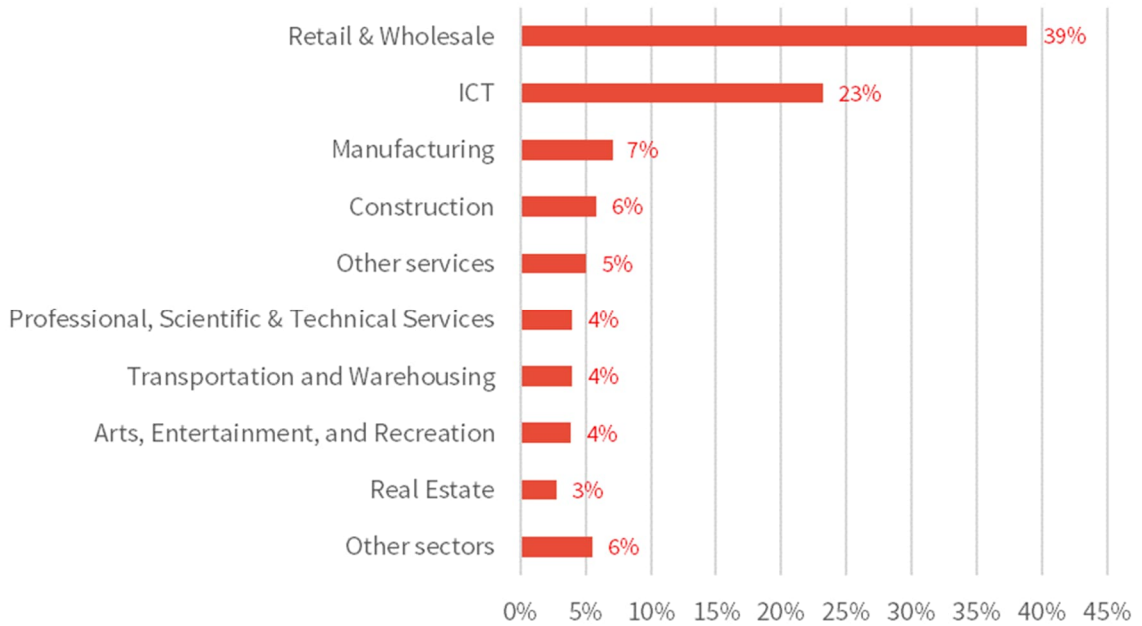


Source CoStar

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

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

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

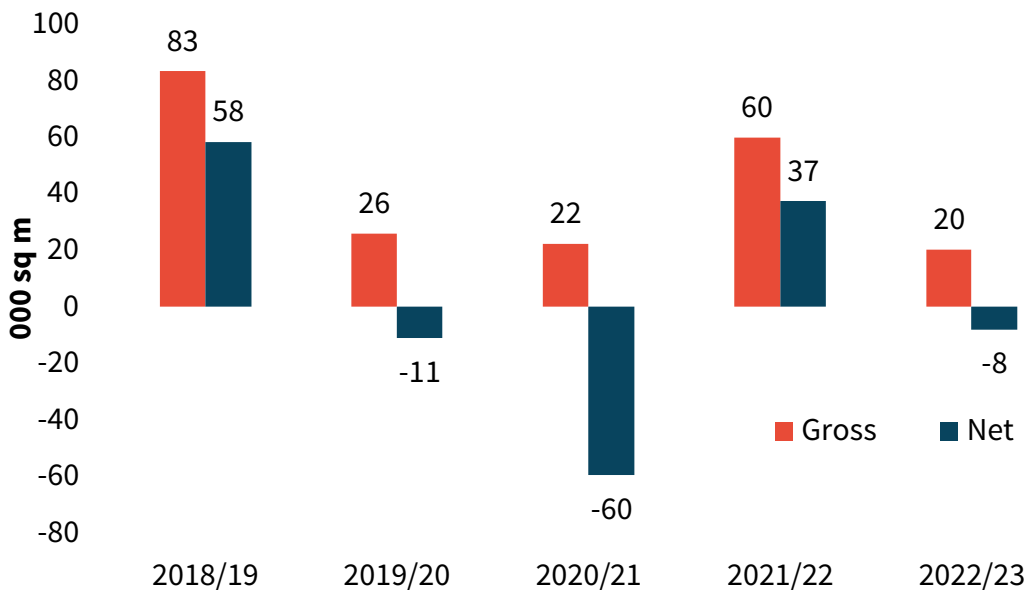


Source: CoStar

Supply of industrial space

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

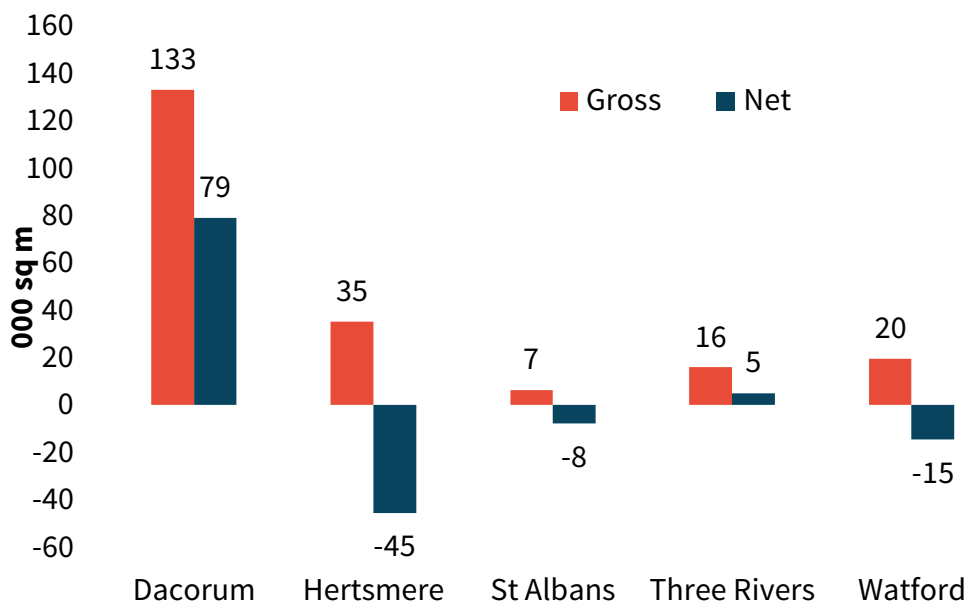
Figure 5.20 Gross and net change in supply of industrial space, 2018/19 to 2022/23



Source Herts CC

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

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



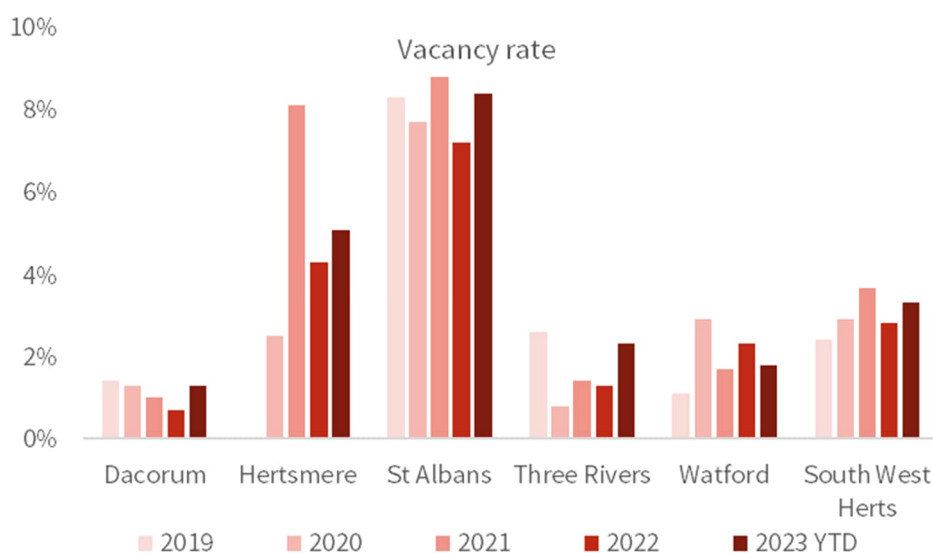
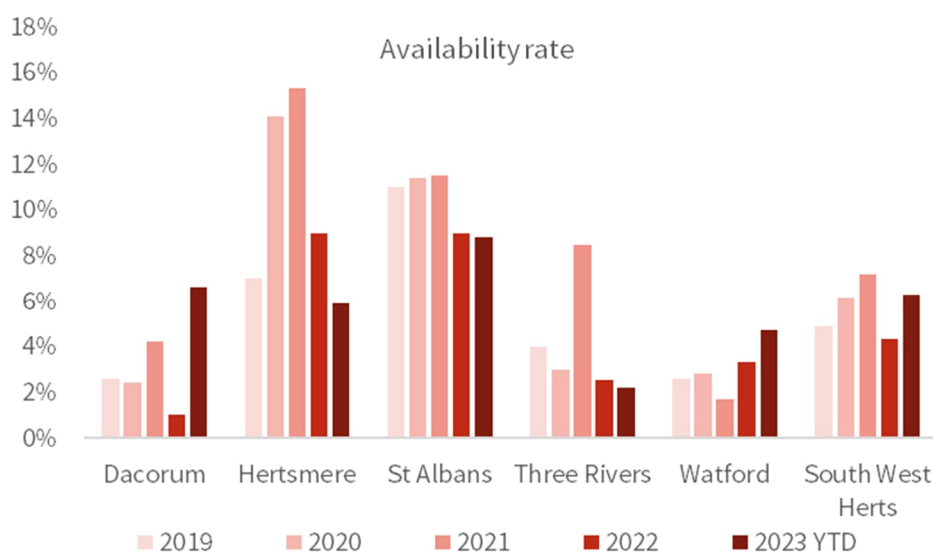
Source: Herts CC Note that the industrial space figures include E(g)iii (formerly B1c), B2 and B8

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

5.45 The chart shows that the availability rates are particularly low in Three Rivers and Watford. Dacorum also has a very low vacancy rate³¹, which reflects the fact that a high proportion of industrial space in this district is in large units over 100,000 sq ft which have been in greatest demand. The only area currently with an availability rate of over 8% is St Albans.

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

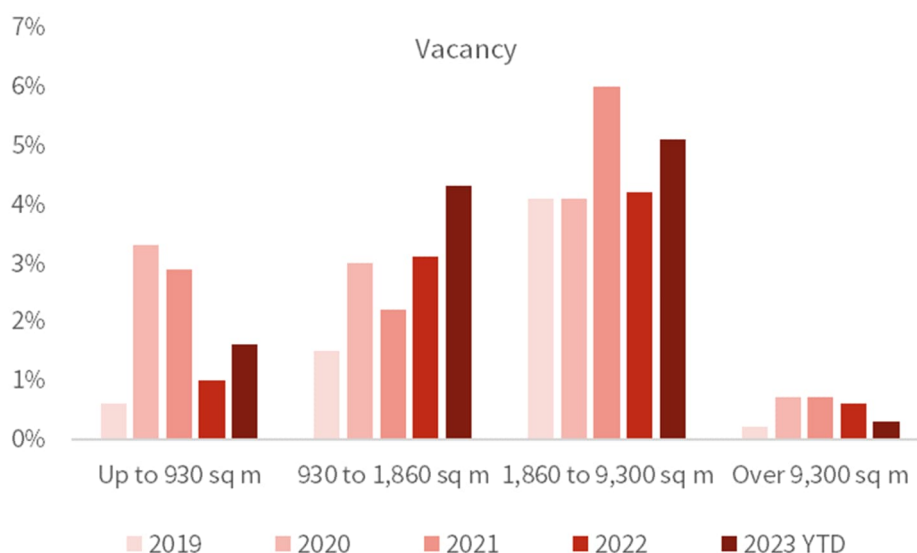
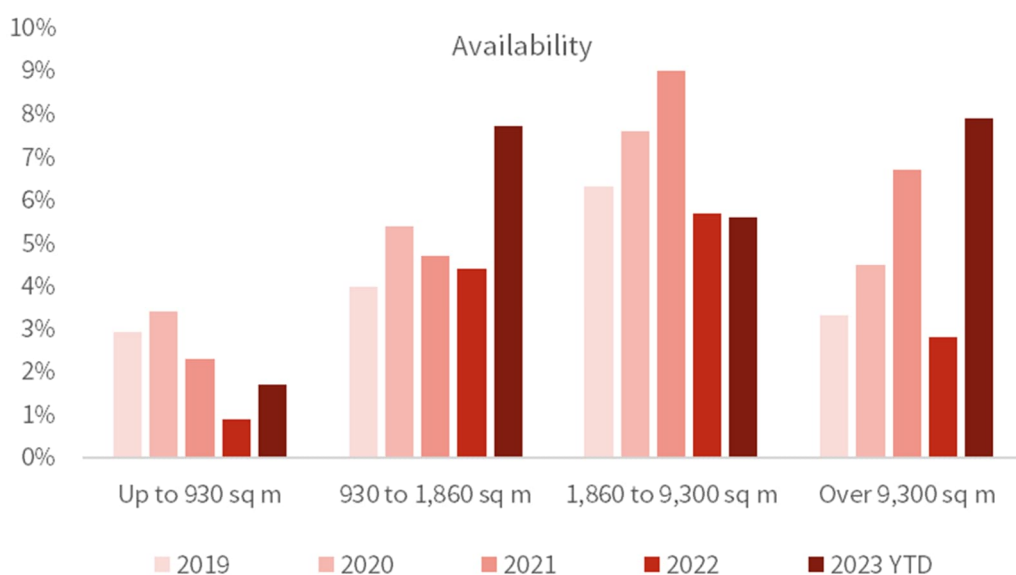
Figure 5.22 Vacancy rate of industrial space by district, 2019-2023 (YTD)



Source CoStar

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

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



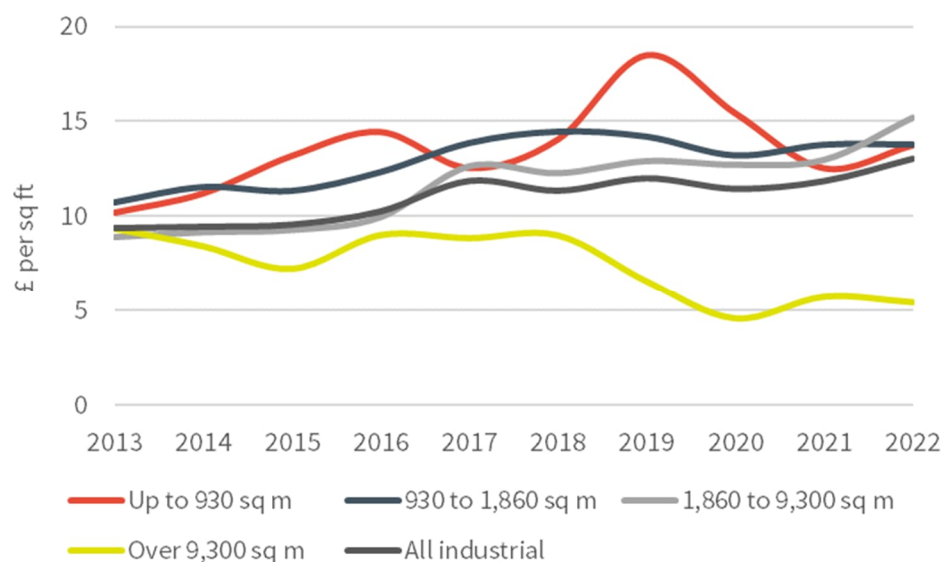
Source CoStar

Rental values

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

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

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



Source CoStar

Wider M1 market

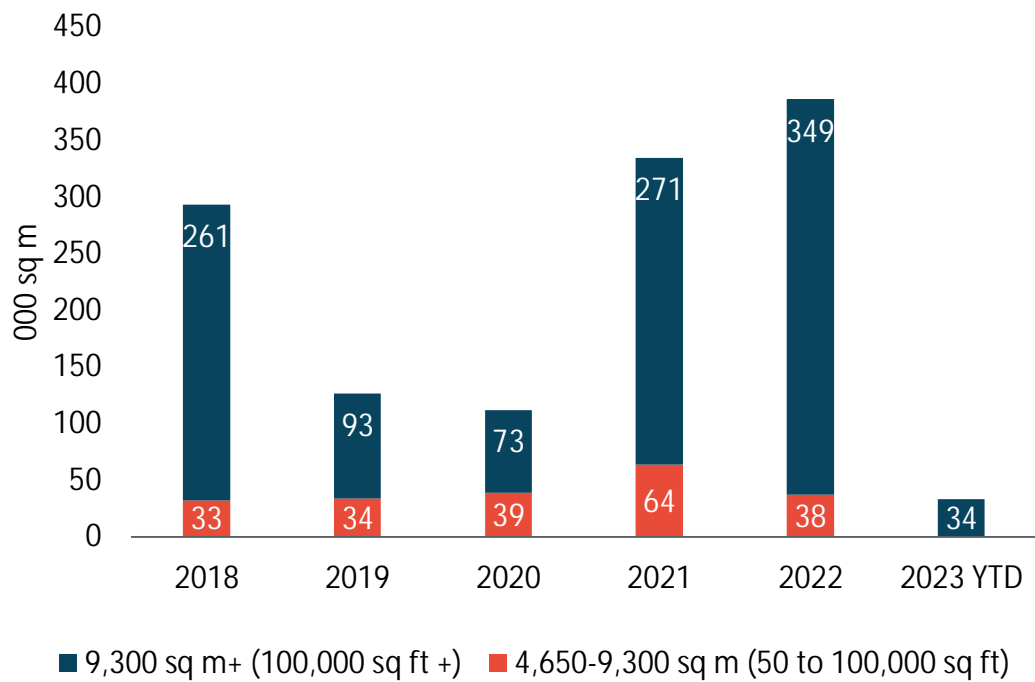
5.51 We have also undertaken analysis of the wider M1 industrial market (outside South West Herts). The reason for this is to understand whether development in these locations could help to meet some of the demand in South West Herts. The analysis has focused on:

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

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

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

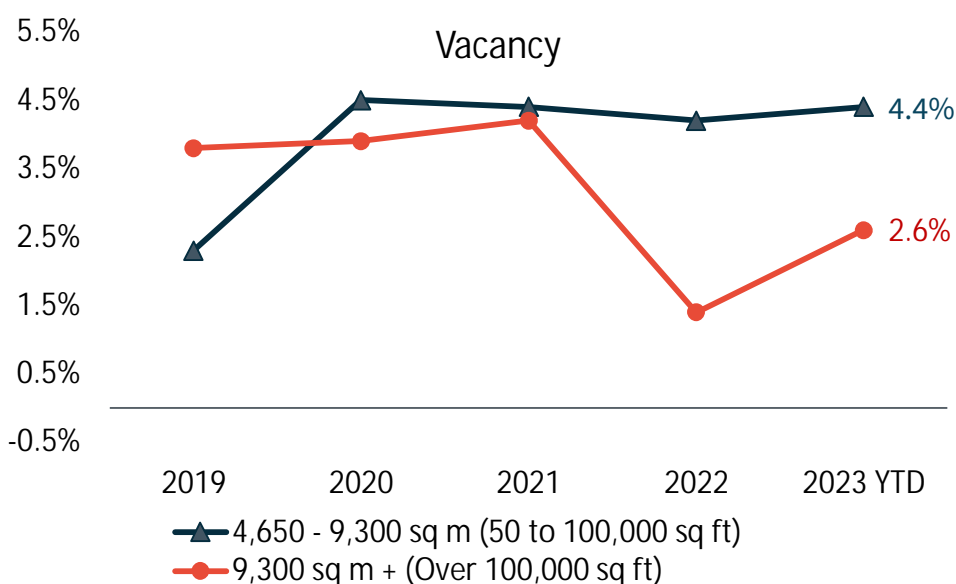
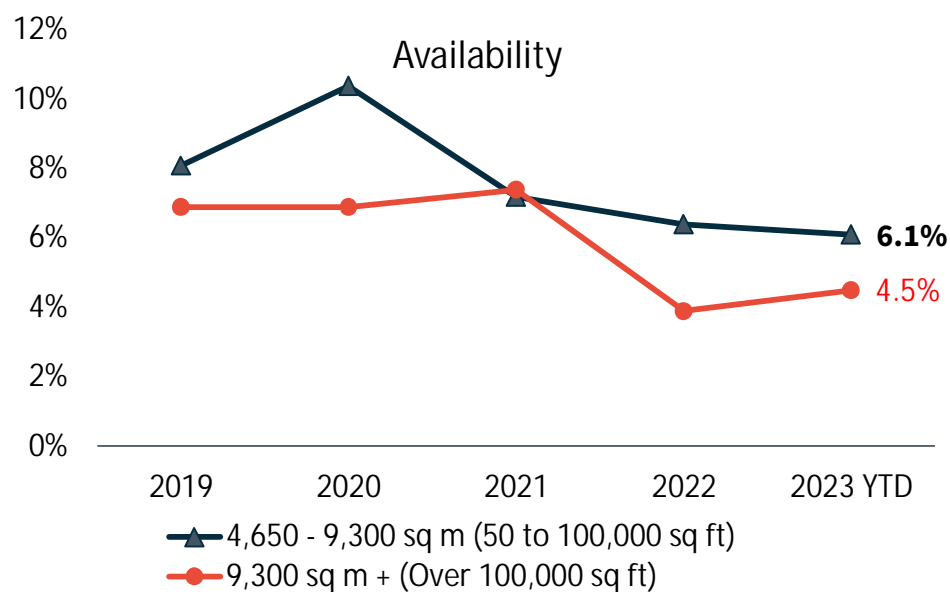
Figure 5.25 Deliveries of new industrial floorspace over 50,000 sq ft, 2018 to 2023 (YTD)



Source CoStar

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

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



Source CoStar

Property requirements of data centres

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

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

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

Source: DBC

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

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

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

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

Key drivers of demand for data centres

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

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

- 5.61 Additionally, a recent study found that data storage requirements have surged in the last few years. From an average of 3.34 terabytes in 2018, they have escalated to 25.64 terabytes in 2023, representing a compound annual growth rate of 50.3%³².
- 5.62 Data is stored in the “core” (i.e. traditional data servers and cloud data centres), the “edge” (infrastructure such as institutional servers) and in a global collection of “endpoints” (PCs, smartphones and other information storage devices). The share of data held in the core – i.e. data centres – is growing rapidly, meaning the need for data centre capacity is growing even faster than all data storage.
- 5.63 Within data centres, there is a major shift underway from traditional enterprise data centres (serving one business) to colocation and hyperscale centres. Driven by the economies of scale and need for increased capacity to deal with large volumes of data, hyperscale data centres will have grown from 39% of total traffic within all data centres in 2016 to an estimated 55% by the end of 2021³³.

Data centres in the UK

- 5.64 London is currently the pre-eminent data centre location in Europe and accounts for the majority of data centres and capacity in the UK. Knight Frank estimated there are 153 data centres in London in 2021, with 1,134 of built MW capacity, 199 MW under construction and 636 MW planned³⁴. However the exact geographical definition of “London” is rarely defined in data centre market reports, and this appears to use a broad definition which includes Greater London and surrounding areas close to the M25. For example, Slough is often included in this definition of London despite being located in Berkshire. Therefore, parts of the FEMA are also likely to be included in this definition of London.
- 5.65 This role of London is a result of several factors: it is the major global financial and business centre in Europe; it has excellent connectivity; and secure and reliable power supplies. London also has the largest concentration of IT personnel and (now) data centre expertise in Europe.

Locational requirements

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

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

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

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

- Location in an ‘availability zone’.

- 5.67 Availability zones (AZs) are distinct areas within a ‘cloud region’. A cloud region is a specific geographical area where cloud providers operate data centres. These regions host cloud services and infrastructure, allowing users to select a region closest to them or their customers to minimize latency and comply with data residency regulations. Each region is made up of multiple, isolated AZs for enhanced reliability and fault tolerance. These zones are geographic locations in which public cloud service providers' data centres reside, meaning there is a tendency for data centres to be clustered.
- 5.68 Each of the major cloud providers (Google, AWS, Microsoft) has a cloud region in London, with each region having a number of availability zones. However, again, the exact geography of these availability zones is obscure. Each AZ is given a code, however we have been unable to find any information on which areas are covered by each.
- 5.69 Nevertheless, there are references to a ‘Hemel Hempstead Availability Zone’ in news articles relating to the application for a new data centre at Abbots Langley³⁵. This would explain the clustering of data centres around Maylands.

Property requirements of priority sectors

Film and TV

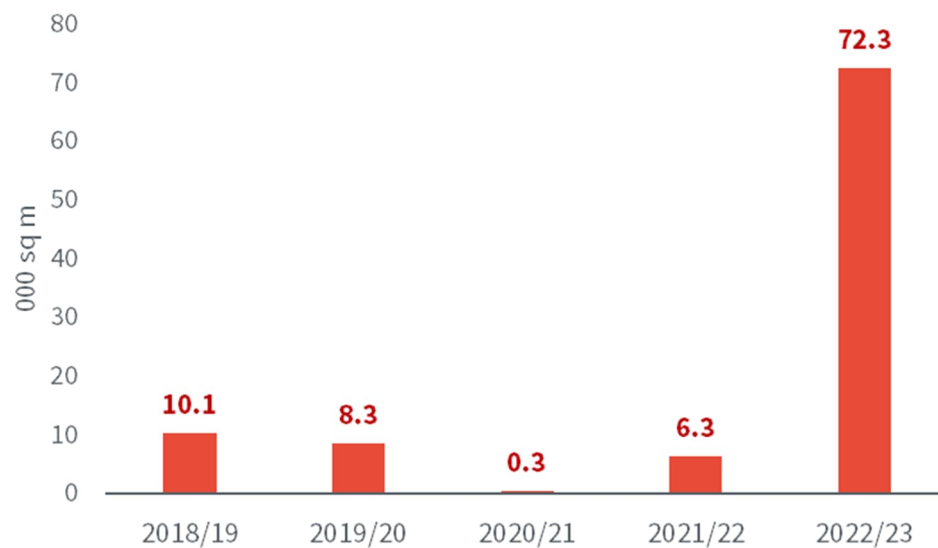
Recent developments

- 5.70 There are several notable film and TV studios in South West Hertfordshire, each contributing to the area’s reputation as a prominent filming location. These include:
- **Warner Bros Studios Leavesden:** this lies on the boundary of Watford and Three Rivers. The studios are known for producing major films, including the Harry Potter series.
 - **Elstree Studios:** Located in Borehamwood in Hertsmere. It is a significant hub for film and TV production.
 - **Sky Studios Elstree:** also in Hertsmere, this is described as the UK’s newest, state of the art film and TV studio, featuring 12 sound stages varying in size from 10,000 to 40,000 sq ft.
 - **Bovingdon Studios:** located near Hemel Hempstead in Dacorum is a 180 acre site (c. 73 Ha) on a former airfield, offering a range of facilities for film and TV production.
- 5.71 Figure 5.27 shows the scale of studio-related development in South West Herts since 2018/19. Before 2022/23, most new development related to expansion of existing studios (e.g. new sound stages or other production facilities at Leavesden or Bovingdon Studios). The large increase in 2022/23 relates to the development of Sky Studios Elstree (60,000 sq m³⁶).

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

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

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



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

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

Property challenges

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

sound stages³⁷ in Hertfordshire and thought further large scale development was unlikely. Although some local authorities have commissioned sector studies (e.g. Hertsmere), none of the studies reviewed actually assess or quantify the future need for film and TV studios, meaning it has not been possible to provide an estimate of the need for new studio space.

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

³⁷ One consultee reported that Hertfordshire now has more sound stages than Hollywood

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

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

Indicative estimate of future requirements for film and TV studios

- 5.81 The commentary above makes clear that the future requirement for film and TV studios is highly uncertain and could be affected by a range of factors, not least changes to the tax incentives for the sector. It is therefore not possible to provide a robust quantitative estimate of future requirements.
- 5.82 Nevertheless, to provide a broad indication of the potential requirement for space, we have drawn upon the findings of a national market report by Knight Frank⁴⁰. This report provides forecasts for a low growth and high growth scenario, based on various sector developments and assumptions. Based on these scenarios, it estimates that, across the UK as a whole, the sector is likely to require between 2.0 million sq ft and 3.2 million sq ft of studio space between 2022 and 2028 (186,000 to 298,000 sq m).
- 5.83 The report estimates there is currently 6.9 million sq ft (642,000 sq m) of studio space in the UK. We estimate that at least 15% of this is based in South West Herts⁴¹ (1.0m sq ft or 94,300 sq m), but the figure is likely to be higher given the presence of Sky Studios whose facility alone has 45,000 sq m of space. Assuming at least 15% of future demand for space was also in the FEMA, that would give a requirement for between 28,000 and 45,000 sq m of new studio space in South West Herts between 2022 and 2028. However this is purely indicative. The requirement could be substantially higher or lower than this. Therefore no weight should be attached to this estimate.

Life sciences

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

⁴⁰ [uk-film-and-television-studios-market-2023-10567.pdf \(knightfrank.com\)](#)

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

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

Agri-tech

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

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

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

Table 5.2 LCEGS subsectors and property requirements

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

5.92 Although the LEP has commissioned research analysing Hertfordshire's strengths in this sector, so far there has been no geographical mapping of the sector and as yet there is no database of businesses in the sector⁴². This makes it difficult to understand the needs of the sector and the most urgent priorities for South West Herts.

5.93 The FEMA's main asset in this sector is the Building Research Establishment campus in Watford⁴³. This is a key centre for building science and sustainability in the UK, contributing significantly to research and development in construction, building materials, and environmental engineering.

⁴² The LEP reported they are in the process of creating this database

⁴³ Agri-tech is also included in this sector

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

Future Skills Requirements

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

⁴⁴ Hertfordshire Local Enterprise Partnership (2022) Hertfordshire Local Skills Report

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

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

Potential uses in the Herts IQ Enterprise Zone

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

Findings of other studies

Herts IQ: Future scenarios, SQW

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

Maylands Masterplan, Draft Report

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

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

Conclusions

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

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

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

6. Future Growth Scenarios

- 6.1 This section sets out future scenarios for the demand for employment floorspace, including:
- Office space; formerly B1a, now E(g)(i)
 - Industrial space; including B2 and E(g)(iii)
 - Storage & distribution space; B8
- 6.2 The chapter shows the results for four scenarios:
- Employment led scenarios (labour demand) - using sectoral employment forecasts to assess the potential future demand for floorspace and land
 - Labour supply scenarios - assessing how employment might change in light of the projected growth in an area's resident workforce, and deriving the implications for the demand for floorspace and land.
 - A trends-based scenario based on gross development rates of new employments space
 - A trends-based scenario based on the net change in occupied floorspace (net-absorption).
- 6.3 For each scenario we show the forecasts for South West Herts as a whole and for individual districts. The district level forecasts are presented for information and should not be interpreted as the employment space/land which needs to be addressed in each district. A recommended apportionment is provided later in the report.
- 6.4 Floorspace requirements are shown for the period 2021-41 to align with the end date for local plans. However we also show requirements for the period 2041-2050 (by extrapolating the trend for 2021-41). This is to inform planning for the South West Herts Joint Strategic Plan which will cover the period to 2050. The forecasts for this later period are subject to significant uncertainty and should be treated with a high degree of caution.

Treatment of specialist floorspace

R&D space

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

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

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

Film and TV studio space and related development

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

Data centres

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

Employment-led scenario

6.13 The employment-led scenario uses sector employment forecasts to estimate the demand for floorspace and employment land. This requires a number of assumptions to be made about the relationship between employment change in different sectors and businesses' land and premises requirements. The key steps are as follows:

- **Test jobs growth assumptions:** the assumptions made about sector jobs growth are the key inputs in to the model. While all employment forecasts are subject to uncertainty, the robustness of these forecasts needs to be tested as far as possible. This includes testing for inaccuracies in the model, consistency with past trends and local knowledge about sector growth.
- **Convert jobs to FTEs:** this is done on the basis of the ratio between full time and part time employment in each sector.
- **Estimate number of jobs in workplaces (i.e. not working at home):** the data on home working presented in Figure 4.22 was used to estimate the proportion of FTEs in each broad sector who work somewhere other than their home. Note that this is likely to underestimate the total number of people who work somewhere other than their home part of the time as the survey only asked people to state their main workplace.
- **Allocate jobs to use classes** (E(g)(i) formerly B1a, E(g)(ii) formerly B1b, E(g)(iii) formerly B1c, B2, B8 and non B8): this requires assumptions to be made about the type of employment floorspace that is needed by businesses operating in different sectors. Given the diversity of activities that exists within sectors, we need to estimate the proportion of jobs in workplaces that require different types of floorspace. This has been done by matching business level IDBR⁴⁶ data to the Valuation Office Agency (VOA) database. This allows us to estimate the proportion of employees in each sector that use different types of premises.
- **Convert FTEs to floorspace:** for each use-class we need to estimate the average amount of floorspace required for each FTE. This has used the 2015 HCA Employment Densities Guide (see Appendix D), which remains the most up to date guidance document on employment densities. We refer to other, more recent evidence where this is available.
- **Allowance for vacancy and safety margin:** these adjustments can be added to the floorspace estimates to allow for delays in sites coming forward and to provide a choice of sites for potential occupiers.
- **Convert floorspace to land requirements:** this relates to the relationship between the quantity of floorspace and typical plot sizes for different use classes (the plot ratio). This relationship can vary significantly depending on the nature of development in different parts of the FEMA. For instance, a new office development in the centre of Watford is likely to have a much higher plot ratio than a new business park development at Croxley or Maylands.

Employment forecasts

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

⁴⁶ Inter Departmental Business Register

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

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

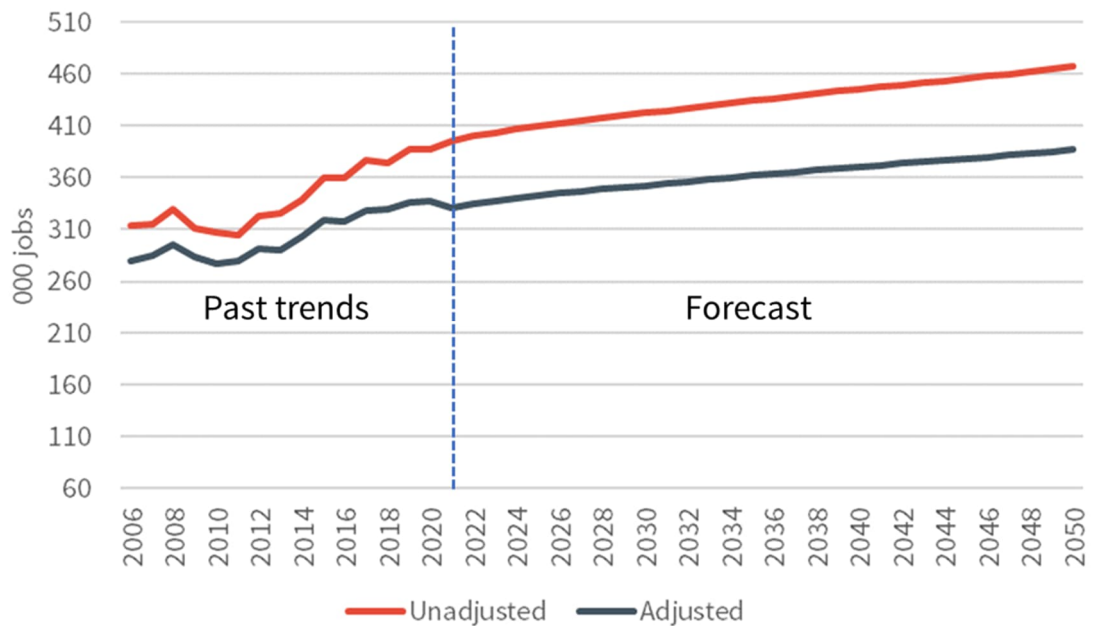
6.15 The employment forecasts for South West Herts are linked to all of CE's forecasting models including its global, national and regional forecasts. The forecasts are therefore influenced by global and national macroeconomic trends. Growth at a local level is based on the regional forecasts and is determined by the concentration of particular sectors in relation to one of the following:

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

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

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

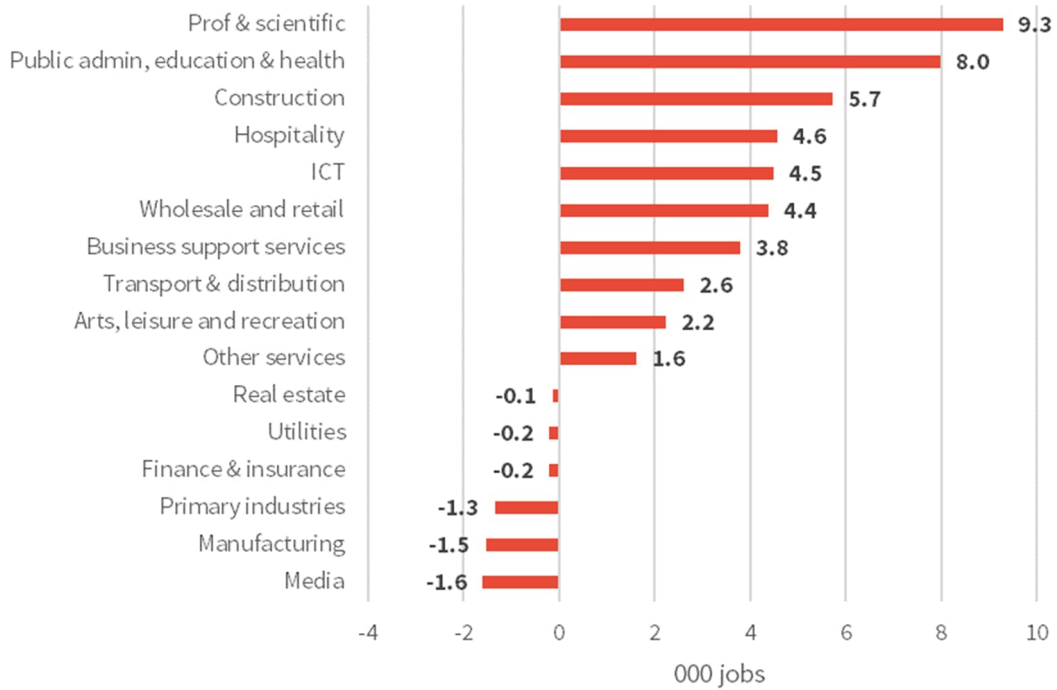
Figure 6.1 Adjusted and unadjusted employment forecasts



Source Cambridge Econometrics with adjustments made by Hatch

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

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



Source Cambridge Econometrics adjusted by Hatch

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

Figure 6.3 Forecast employment growth by district, 2021-2041



Source Cambridge Econometrics with adjustments made by Hatch.

Translating jobs growth to floorspace requirements

Converting jobs to FTEs

- 6.22 We have converted total employment in to FTEs for each of the 45 sectors in the CE model. This was based on the long term average of the ratio between full and part time employment in each sector. The FTE ratios are shown in Appendix E. The forecasts suggest the number of FTEs in South West Herts will increase by 35,400 between 2021 and 2041 and by a further 12,400 between 2041 and 2050. The results for local authority areas are shown in Table 6.1.

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

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

Source: Cambridge Econometrics, analysis by Hatch

Estimating the number of jobs not based at home

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

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

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

Source: Hatch using data from Cambridge Econometrics and APS

Allocating FTEs to use classes

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

Table 6.3 Forecast growth in FTEs requiring different types of floorspace

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

Source: Hatch using data from Cambridge Econometrics and APS

Employment densities

6.26 The HCA 2015 Employment Densities Guide remains the most up to date source of information on employment densities⁴⁷. This recommends the following densities:

- Office: ranging from 8 sq m per FTE in call centres to 13 sq m per FTE in corporate offices (based on the net internal area, NIA). R&D space is much lower density at 40-60 sq m per FTE, however this is only likely to account for a very small proportion of commercial space in South West Herts. A 2020 report by the British Council of Offices (BCO) recommends 10-12m² per person (NIA) in offices to promote productivity and wellbeing, and reduce carbon emissions. The 2019 report used a central estimate of 12 sq m per FTE (NIA) and 14.4 sq m per FTE for the Gross External Area (GEA)
- Industrial: ranging from 36 sq m per FTE (based on Gross Internal Area (GIA)) to 47 sq m per FTE (based on NIA). This was used in the 2016 and 2019 reports.
- Storage & distribution: ranging from 70 sq m per FTE for final mile distribution centres to 80 sq m per FTE for regional distribution centres (based on the Gross External Area) . The 2019 report assumed 70 sq m in all areas except Dacorum and St Albans where we assumed 80 sq m per FTE (GEA) due to the larger size of units at Maylands/East Hemel Hempstead where most large B8 development is likely to be located. However, DBC has confirmed that they do not expect large warehouses on any of the remaining allocated sites. Therefore we have assumed Dacorum has the same employment density as Hertsmere, Three Rivers and Watford (70 sq m per FTE) but a slightly lower density in St Albans (80 q m per FTE)

6.27 All of the figures presented in this report are for the GEA in line with the 2016 and 2019 report. If necessary these can be converted in to Gross Internal Area (GIA) by applying a factor of 0.95.

⁴⁷ The relevant table from the HCA densities guide is provided at Appendix E

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

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

Source; Hatch using HCA Employment Densities Guide

Vacancy and safety margin

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

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

Floorspace requirements

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

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

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

Table 6.5 Floorspace requirements in the employment-led scenario

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

Source: Hatch

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

Table 6.6 Floorspace requirements in employment led scenario by district

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

Source; Hatch using Cambridge Econometrics forecasts

Translating floorspace to land requirements

- 6.32 To translate the floorspace estimates to land requirements we have applied the same plot ratios used in the 2019 study, shown in Table 6.7. As noted in the previous study, plot ratios vary considerably from site to site. For example some of the office developments close to Watford train station achieve a much higher plot ratio than 1.0. This means the land required to deliver a given quantity of floorspace can be significantly reduced in some parts of the FEMA.
- 6.33 The plot ratios below should therefore only be used as broad guidance. The authorities should not apply the plot ratios in a mechanistic way, but should consider the circumstances of each location separately when deciding which plot ratios to apply.

Table 6.7 Plot ratio assumptions

	Office	Industrial	Storage & distribution
Dacorum	0.8	0.4	0.4
Hertsmere	0.8	0.4	0.4
St Albans	0.8	0.4	0.4
Three Rivers	0.8	0.4	0.4
Watford	1	0.4	0.4

Source: Hatch

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

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

Source: Hatch using Cambridge Econometrics forecasts

Summary

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

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

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

Labour supply scenarios

- 6.37 The employment forecast scenario represents a labour demand driven view of future employment floorspace and land requirements. However, it is also important to consider the implications of changes in the population and labour force for potential jobs growth in South West Herts. In effect, this is asking the question: "how many jobs in South West Herts would be required in response to future population and labour force growth in the area?".
- 6.38 This scenario uses the same approach as the 2019 study. We have drawn upon projections generated as part of the Local Housing Need Assessment Update (LHNA)⁴⁸ for South West Herts, which has modelled the population growth implications of two scenarios:
- **Standard method:** based on the population change which would occur if South West Herts authorities delivered the minimum number of houses implied by the standard method for assessing housing need, as set out in PPG.
 - **2014 based population projections:** based on the population change shown in the 2014 based sub-national population projections, which are the starting point for assessing housing need in the standard method. However, no adjustment is made for market signals (e.g. deteriorating affordability).
- 6.39 Hatch has prepared a third scenario which is based on the more recent 2018-based sub-national population projections produced by ONS. Our reasons for doing this are that the 2014 based projections are now several years out of date and have already been shown to overestimate the size of South West Herts' population in 2021 by just under 20,000 people. In contrast the 2018 based projections underestimated South West Herts' population by 7,500. The scenarios based on the 2014 and 2018 based population projections show the potential implications of lower housing delivery.
- 6.40 In order to convert population change in to the number of jobs we then make a series of adjustments based on economic activity rates, unemployment, commuting and double-jobbing to derive the number of jobs that we would expect to be supported by this level of population growth. A full breakdown of the assumptions used is provided in Chapter 6 of the LHNA⁴⁹.
- 6.41 Table 6.9 shows the estimated change in the number of jobs in each of the scenarios described above. This shows that, if the South West Herts authorities delivered the minimum level of housing implied by the standard method, the number of jobs in South West Herts would increase

⁴⁸ Icenl (2024) South West Herts Local Housing Needs Assessment Update, March

⁴⁹ Ibid.

by 79,300 between 2021 and 2041 and by a further 36,600 between 2021 and 2050⁵⁰. This would represent an annual average growth rate of 1.1% p.a. which is well above past trends and significantly higher than the level of growth in the employment led scenario.

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

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

Source: Hatch

- 6.44 The results above are based on a number of assumptions about the relationship between population and jobs growth, which are subject to significant uncertainty. In particular, it assumes that the commuting ratio (the balance between the number of employed residents and the number of people who work in the FEMA) will remain at the level it was at in 2011 (the latest date for which reliable data on commuting is available). In practice there is a chance that a significant increase in housing and population growth in South West Herts could result in increasing numbers of people commuting out of the area, particularly in popular residential areas which are well connected to London. This would change the commuting ratio and result in lower jobs growth in this scenario.
- 6.45 Finally, it should be noted that assuming a static commuting ratio implies a direct linear relationship between population and jobs growth. The reality is more complex; although there is a relationship between population and jobs growth, this relationship is strongest in sectors such as health, education and retail where an increase in the population will generate demand for these sectors' services. The growth rates of other sectors are influenced more by factors such as total business activity (professional services, ICT) or global economic trends (manufacturing) than by the scale of the local population.

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

Floorspace requirements

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

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

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

Land requirements

- 6.48 Floorspace has been converted into land requirements using the same plot ratios as the employment led scenario. The land requirements for each scenario, broken down by district, are shown in Table 6.11. Again, it should be noted that the additional land required will be lower if demand could be met through existing space or sites with planning permission.
- 6.49 The table shows a wide range of results, particularly for storage & distribution space, with land requirements ranging from 1 Ha in the scenario which uses 2018 based projections⁵¹ to 121 Ha in the scenario which uses the standard method.

⁵¹ Over the period 2021-2041

Table 6.11 Land requirements in labour supply scenarios

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

Source: Hatch

Summary

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

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

Trends based scenario – gross development rate

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

Office space

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

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

Source: Herts CC

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

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

Source: Hatch

Land requirements

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

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

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

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

Source: Hatch

Industrial, storage & distribution space

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

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

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

Source: Herts CC

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

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

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

Source: Herts CC

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

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

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

Industrial space/land requirements

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

Gross Development Rate Alternative A

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

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

Source: Herts CC, checked by individual local authorities

Gross Development Rate Alternative A

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

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

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

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

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

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

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

Source: Hatch using Herts CC data

Gross Development Rate Alternative B

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

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

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

Source: Herts CC, checked by individual local authorities

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

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

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

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

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

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

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

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

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

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

Source: Hatch using Herts CC data

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

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

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

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

Summary

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

Trends based scenario – net-absorption

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

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

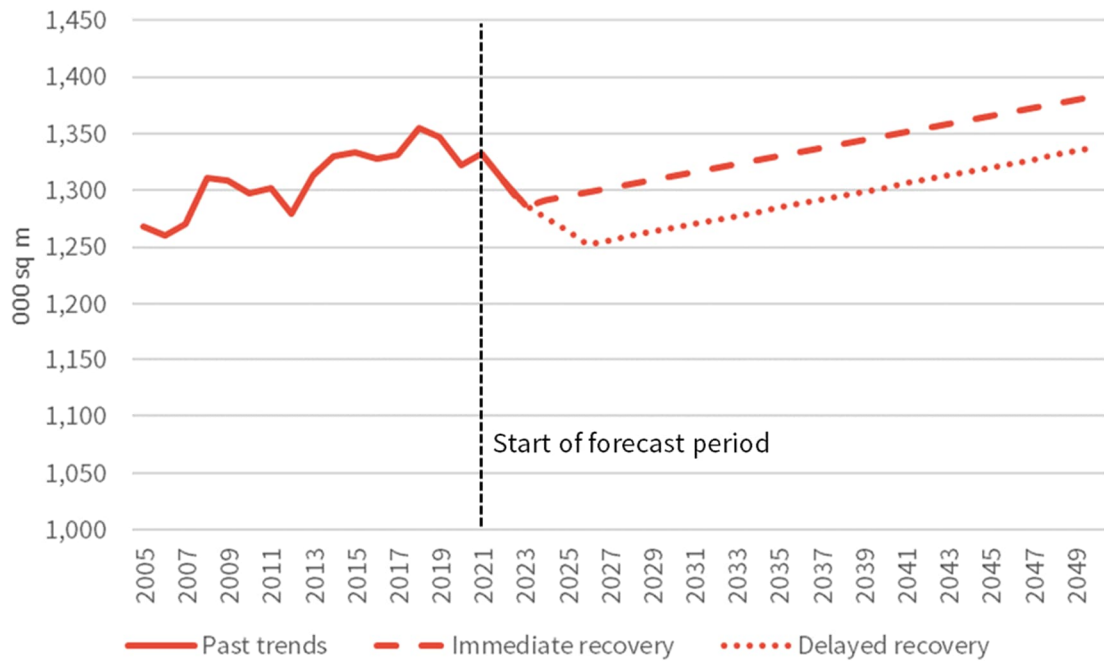
Office space

- 6.76 Figure 6.4 shows the trend in occupied office space between 2005 and 2023 (year to date). On average, net absorption (the change in occupied office space) increased by 3,555 sq m p.a. over this period. However this was negatively affected by the period 2020 to 2022 (coinciding with the Covid pandemic) when net absorption decreased by over 35,000 sq m p.a.
- 6.77 The chart also shows two alternative scenarios for how this could change in future. In the first scenario, there is an immediate recovery in demand and net absorption reverts to the long term average of 3,555 sq m p.a. from 2024 onwards⁵³. We believe this scenario is unlikely because it is likely to take some time for the full effects of the pandemic to emerge as there are still many tenants still bound by the terms of their lease which was signed before the pandemic (see paragraphs 5.27 to 5.32).
- 6.78 The second scenario is based on a delayed recovery in demand for office space following a period of structural adjustment. This assumes that occupied office space falls by a further 35,000 sq m in the short term. This is the same amount by which occupancy fell between March 2020 and July 2023. We make this assumption because our analysis in Chapter 5 showed that around half of the leases signed before March 2020 have still not expired or been the subject of a lease break/review. It is therefore reasonable to assume that only around half of the fall in occupancy has occurred to date. We assume that net absorption of office space falls by 11,700 sq m p.a. (in line with the trend between 2020 and 2023) until 2026 when it reverts back to the long term average of 3,555 sq m p.a. In this scenario, occupied office space does not recover to its pre-pandemic level over the forecast period.
- 6.79 It should be noted that the base year for forecasts is 2021. We know that net absorption decreased by 45,000 sq m between 2021 and July 2023⁵⁴ (the latest date for which CoStar data is available) meaning that, even in the 'immediate recovery' scenario there is a fall in demand in the first two years of the forecast, from which it takes a long time to recover.

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

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

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



Source CoStar and analysis by Hatch

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

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

Source: Hatch using CoStar

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

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

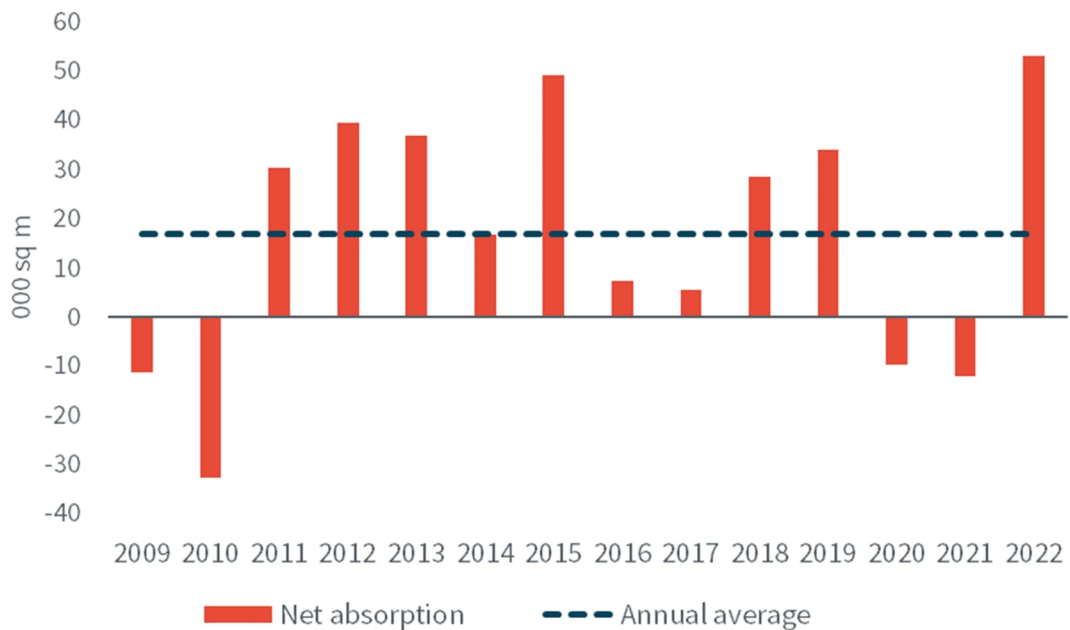
	Office space (sq m)		Land requirement (Ha)	
	2021-2041	2041-2050	2021-2041	2041-2050
Dacorum	(2,000)	-3,400	(0.3)	(0.4)
Hertsmere	5,700	9,800	0.7	1.2
St Albans	(1,000)	-1,700	(0.1)	(0.2)
Three Rivers	17,200	29,200	2.2	3.6
Watford	(1,100)	-1,900	(0.1)	(0.2)
South West Herts	18,800	32,000	2.4	4.0

Source: Hatch

Industrial, storage & distribution space

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

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



Source CoStar

Adjustment for latent demand

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

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

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

Source: Hatch

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

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

Source: Hatch

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

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

Source: Hatch

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

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

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

Source: Hatch

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

Summary

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

Conclusions

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

Offices

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

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

- The net absorption scenarios are the only scenarios which reflect the large fall in demand for office space which has occurred since 2021 (the base year). All of the other scenarios assume that demand increases from the first year of the forecast and are therefore likely to significantly overstate office requirements, given that it will take a number of years for demand to recover to its 2021 level.
- The net absorption scenarios are the only scenarios based on actual evidence of demand for office space. Both the employment-led and labour supply scenarios use forecasts as their starting point, and then make a wide range of other assumptions to translate these to floorspace requirements, all of which are subject to significant uncertainty.
- The gross development trend scenario shows gross requirements rather than net requirements for office space. It is therefore not comparable with the other scenarios. In our view, the scenarios which inform planning employment land should be based on net requirements as this represents the actual supply which will be available to employers. Setting targets based on gross development rates could actually result in a large fall in the supply of office space if this followed past trends⁵⁵.
- We believe the ‘immediate recovery’ scenario is too optimistic about the recovery in demand for office space. This is on the grounds that there are still a significant number of leases signed before the pandemic which have not expired or been reviewed. Given the low levels of office utilisation it is reasonable to assume that a significant number of occupiers will reduce their office space requirement when the lease is reviewed, meaning further falls in net absorption are likely in the short term.
- The delayed recovery scenario may be too pessimistic in its assumptions about further falls in office occupancy. The decisions made by occupiers whose leases expired during, or in the immediate aftermath of, the pandemic may be different to those whose leases expire a number of years after it. This is particularly likely if office utilisation continues to increase, albeit slowly (e.g. through use of staff incentives) or if landlords offer more favourable terms as an incentive to stay.

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

Table 6.29 Summary of scenarios for office requirements

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

Source: Hatch.

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

Requirements for Grade A space

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

Requirements for flexible office space

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

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

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

Industrial, storage & distribution requirements

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

Table 6.30 Summary of scenarios for industrial requirements

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

Table 6.31 Summary of scenarios for storage & distribution requirements

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

Source: Hatch

7. Supply of Employment Land

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

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

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

Existing commitments

7.3 Table 7.1 shows the potential change in employment space for all sites with planning permission which have yet to be implemented. This includes both gains and losses (e.g. as a result of demolitions or permissions for residential conversions). This has been based on data provided by Herts County Council but has been reviewed and updated by each of the local authorities.

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

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

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

Summary of strategic sites

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

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

- 7.6 Table 7.2 presents a summary of the findings of the review of strategic sites identified by each of the local authorities⁵⁶. This provides the status of the site, identifies suitable uses and the quantity of land with development potential. Where the sites have planning permission we have assumed the land with development potential is zero to avoid double counting commitments in Table 7.1.
- 7.7 Overall we identify 93.2 Ha of land with development potential. However only 67.4 Ha of this land is on sites which are realistically available (i.e. they are already allocated or safeguarded, or are not currently in the green belt).
- 7.8 A large number of the sites are suitable for a mix of uses, including office, industrial and storage & distribution development. Although, given the market trends described in previous chapters, we would expect most of these sites to come forward for industrial or storage & distribution development.
- 7.9 The following sections provide district level summaries of the sites. These provide a qualitative assessment of the sites and their suitability for meeting the needs of the FEMA.

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

Table 7.2 Summary findings of strategic sites review in South West Herts

	Status	Counted towards available supply	Suitable uses	Land with development potential (Ha) ⁵⁷	
Dacorum	Bourne End Mills extension	Proposed allocation	No	Mix (small units)	1.2
	Land between Upper Bourne End Lane and A41	Green belt	No	Mix (small units)	2.9
	Two Waters Road/A41 Junction	Proposed allocation	No	Mix (small to medium units)	5.6
	Adjacent to Shendish Manor	Potential site considered	No	Not suitable for employment uses	0.0
	Dunsley Farm	Proposed allocation	No	Mix (small to medium units)	5.4
	Total for Dacorum				15.1
	Total available			0.0	
Hertsmere	Land north of Hilton Doubletree and south of Sky Studios	Safeguarded for employment	Yes	Mix (small to medium units)	2.1
	Land north west of Cranbourne Road Industrial Estate	Proposed allocation (not in green-belt)	Yes	Mix (small to medium units)	1.8
	Centennial Park - Land South of Aldenham Reservoir	Proposed allocation	Yes	Mix (small to medium units)	4.9
	Centennial Park - Caspian and Tasman House	Previous developed land	Yes	Mix (small to medium units)	1.4
	Mercure Hotel, Tyler Way	Site with planning permission	Yes	Mix (small to large units)	0.0
	Elstree Way	Allocated/existing site	Yes	n/a	0.0

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

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

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

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

Dacorum

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

Hertsmere

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

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

St Albans

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

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

- 7.22 Through the Maylands Masterplan Plus (currently being prepared) and Duty to Co-operate discussions between St Albans City and District and Dacorum Councils, consideration is being given to the possibility of reserving some land on the East Hemel Hempstead Central site for:
- uses relocating from other parts of Hemel Hempstead (e.g. household waste site), to help meet the town's wider needs.
 - a retail park (probably close to Breakspear Park). Dacorum's retail consultants are considering this issue.
- 7.23 At the current time there is no certainty over whether land will be reserved for these uses and, if so, how much. Therefore, for the purpose of this assessment we have assumed the rest of the site (35.7 Ha⁵⁸) could come forward for strategic distribution, providing an extension to Maylands Business Park. Land with development potential: 52.7 Ha.
- 7.24 **Strategic Rail Freight Interchange, Radlett.** This is a very large (96.7 Ha) greenfield site to the north of the M25 and on a rail corridor. The site has planning permission for 331,665 sq m of B8 units with ancillary offices and B2 space. The developers plan to develop the rail freight interchange in the first phase and are planning to deliver around 500,000 sq ft (46,500 sq m) of new floor space per annum, meaning the whole site could be built out by 2031-33. Given its strategic position, the site is likely to be very attractive to the market for large scale, strategic storage & distribution uses. The fact that it is rail linked means the site is expected to serve a national as well as a regional market. The sale of the land at Radlett was the subject of a court ruling in June 2024 that rejected an application for judicial review. Land with development potential: 0 Ha.

Three Rivers

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

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

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

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

Watford

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

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

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

8. Demand and Supply Balance

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

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

8.2 The main focus of this section is on the overall balance of demand and supply for South West Herts. As noted elsewhere in the report, the purpose of defining the FEMA is to ensure that economic needs are assessed for a functional economic area with shared strengths and locational advantages. How these needs are met across the FEMA should depend on the availability of sites which will appeal to the market, which is the focus of this chapter.

8.3 The balance for individual local authority areas is presented to inform duty to cooperate discussions and the preparation of local plans, although these are subject to significant uncertainty.

Office market balance

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

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

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

- the FEMA loses 23,800 sq m of office space per annum in every year from 2024⁵⁹ to 2041. This is based on the trend in losses of office space between 2019/20 and 2022/23; and

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

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

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

Industrial and storage & distribution market balance

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

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

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

Source: Hatch

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

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

8.14 Our justification for this is as follows:

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

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

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

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

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

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

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

- 8.19 **Scenario 2:** This scenario draws on analysis of the share of net absorption of industrial/distribution space since 2009 which was in floorplates over 200,000 sq ft⁶⁰ (18,600 sq m). It is reasonable to assume that this take-up relates to demand from strategic distribution occupiers serving a very large market area. CoStar data shows that net absorption for these large warehouses between 2009 and 2023 was 51,600 sq m. This represents 24% of total net absorption of industrial, storage and distribution space over the same period (219,000 sq m). The implication is that 79,600 sq m of the floorspace with planning permission at Radlett SRFI would count towards meeting the needs of the FEMA (24% of 331,665 sq m).
- 8.20 The evidence referred to above indicates that larger scale floorspace delivered in the FEMA has been driven by Maylands Business Park. The assumption that only 24% of Radlett SRFI meets need in South West Herts is a conservative one which may underestimate this contribution.
- 8.21 Table 8.3 shows the remaining need after making this adjustment to commitments. We estimate the South West Herts authorities would need to identify sites with capacity to support 237,800 sq m of industrial and distribution floorspace. Assuming a plot ratio of 0.4, this results in a requirement for 59.5 Ha of land.

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

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

Source: Hatch

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* Scenario 1; ** Scenario 2

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

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

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

9. Conclusions and Recommendations

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

Definition of the FEMA

- 9.3 The earlier studies identified a functional economic market area made up of Dacorum, Hertsmere, St Albans, Three Rivers and Watford. This was based on evidence of strong commuting and migration relationships and shared leisure, retail and public sector catchment areas. This study has tested this definition of the FEMA by analysing data on commuting and migration from the 2021 Census. Commuting patterns in 2021 were heavily influenced by the Covid 19 pandemic which meant a very large proportion of people were working from home. Nevertheless, the data shows that overall, the five authorities retain stronger relationships than those with other areas (with a small number of exceptions). The five authorities also share common strategic transport infrastructure, particularly access to the M1 which provides connections to London and is a major driver of demand for industrial and storage & distribution premises. Therefore we conclude that the definition of the FEMA is still valid.

Relationship with London

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

Economic and labour market performance

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

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

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

Requirements of priority sectors

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

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

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

Office market trends

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

Industrial and storage & distribution market trends

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

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

Future scenarios

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

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

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

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

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

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

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

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

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

Conclusions on additional floorspace and land requirements

Office

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

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

Industrial, Storage and Distribution

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

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

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

Industrial

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

Table 9.1 Land Need by Scenario Industrial, 2021-41

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

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

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

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

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

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

Other Recommendations

- 9.41 Other recommendations arising from this study which the South West Herts authorities and Hertfordshire LEP may wish to consider are as follows:
- 9.42 **Office space conversions:** At the time of the report's preparation there is currently 124,000 sq m of vacant office space in South West Herts and a risk that this could increase further in the next few years. A significant proportion of this space is likely to be outdated and poor quality space which is unlikely to be required by the market, even after demand recovers. Therefore the South West Herts authorities may consider removing any Article 4 directions in these areas, identifying redundant buildings in their area and work with landowners and developers to identify opportunities for redevelopment where those buildings are of poor quality and cannot be made fit for purpose as office accommodation either for lower value uses or for prime occupiers, ensuring that higher quality space is retained. This should consider the potential to repurpose buildings as light industrial workspaces as well as residential, retail and leisure spaces. However this should focus only on buildings outside the main office market areas of central Watford and St Albans. A range of stakeholders, including commercial agents, noted that office space in these areas should be protected as far as possible and any Article 4 directions should remain in place.
- 9.43 **Meeting the needs of SMEs:** Throughout the report the locational requirements and the types of space required for businesses of different sizes and different sectors are identified where there is evidence of specific needs. SMEs and micro-businesses account for most of the businesses operating in South West Herts, and the report points to several requirements which should be considered in setting planning policies to sustain and grow the economic contribution they make:
- **Grow-on space:** The need for grow-on space generally is recognised in the report, and also as a specific need linked to the agritech sector where Rothamsted has pointed to requirements for space for growing businesses that it may not be able to accommodate on its site. Typically office grow-on space is considered to be in the 100-300 sq m range, whilst industrial is in the 300-500 sq m range although in practice it is driven by the requirements of individual businesses. This is not a need specific to one area only of South West Herts, and could be met through Councils working with landowners and developers to deliver new accommodation as part of schemes on new sites (East Hemel Hempstead Central may be one such location suitable) or through the redevelopment of buildings where they are no longer in demand from established SMEs and large businesses.
 - **Encouraging flexibility in leasing terms:** Although this is a challenging issue which cannot easily be addressed in policy, evidence in the report points to small businesses finding difficulties (currently) with the cost of leasing and the inflexibility of leasing terms. Where Councils are the landlord of commercial properties options should be

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

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

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

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

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

⁶² Dacorum Borough Council (2017) Employment Land Availability Assessment, para. 7.18

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

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

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

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

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

Appendix A - Total Employment by Sector 2021

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

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

Source: Cambridge Econometrics, adjusted by Hatch

Appendix B - Key Points from Consultations with Commercial Agents

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

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

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

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

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

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

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

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

Appendix C - Commercial Property Market Data

Office Market Data

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

Table C.1 Office market data for South West Herts

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

Table C.2 Office market data for Dacorum

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

Table C.3 Office market data for Hertsmere

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

Table C.4 Office market data for St Albans

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

Table C.5 Office market data for Three Rivers

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

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

Industrial Market Data

Table C.7 Industrial market data for South West Herts

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

Table C.8 Industrial market data for Dacorum

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

Table C.9 Industrial market data for Hertsmere

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

Table C.10 Industrial market data for St Albans

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

Table C.11 Industrial market data for Three Rivers

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

Table C.12 Industrial market data for Watford

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

Appendix D - Employment densities table from HCA Employment Density Guide

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

Appendix E - Full-Time Equivalent Ratios

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

Arts	0.80
Recreational services	0.75
Other services	0.75

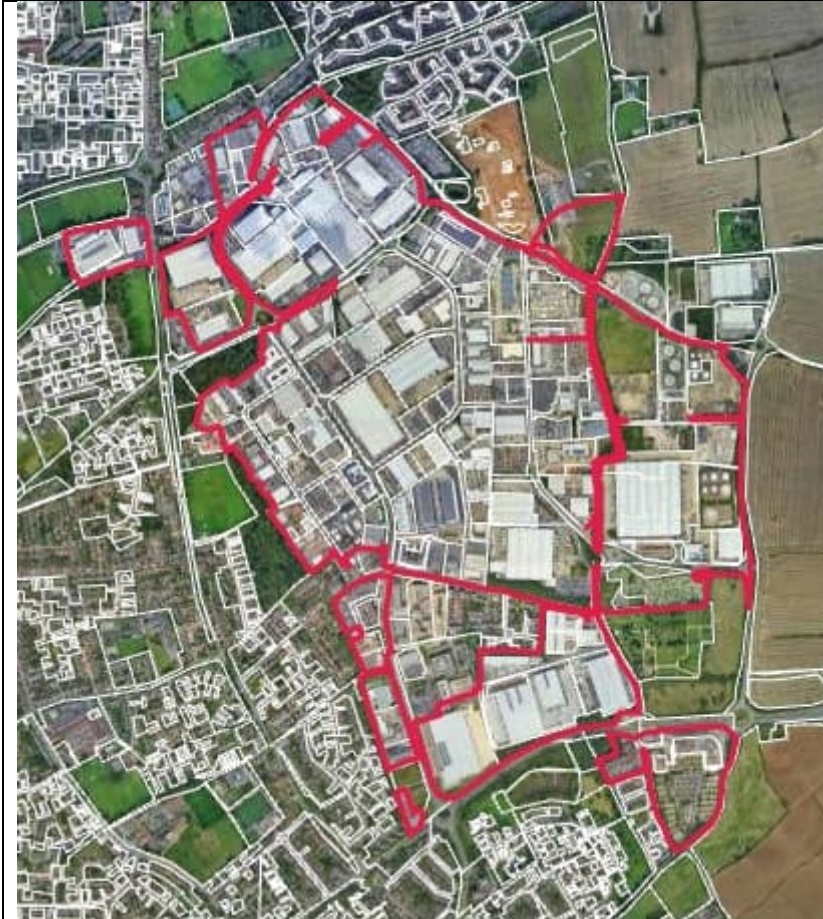
Appendix F - Assumptions for allocating FTEs to use classes

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

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

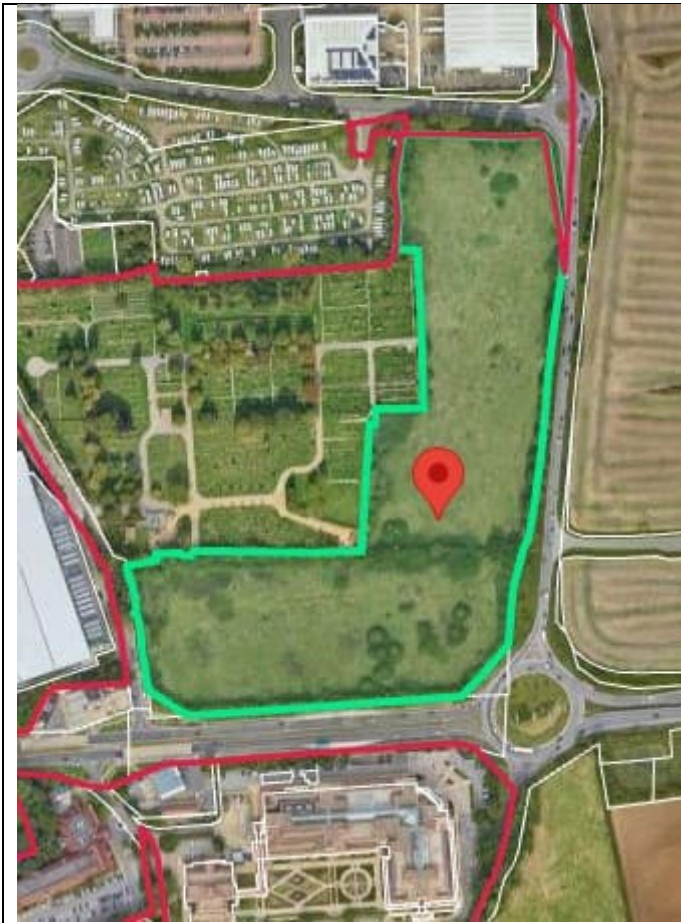
Appendix G - Site pro-formas

Dacorum



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

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



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



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



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



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



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



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

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

Hertsmere



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

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



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

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



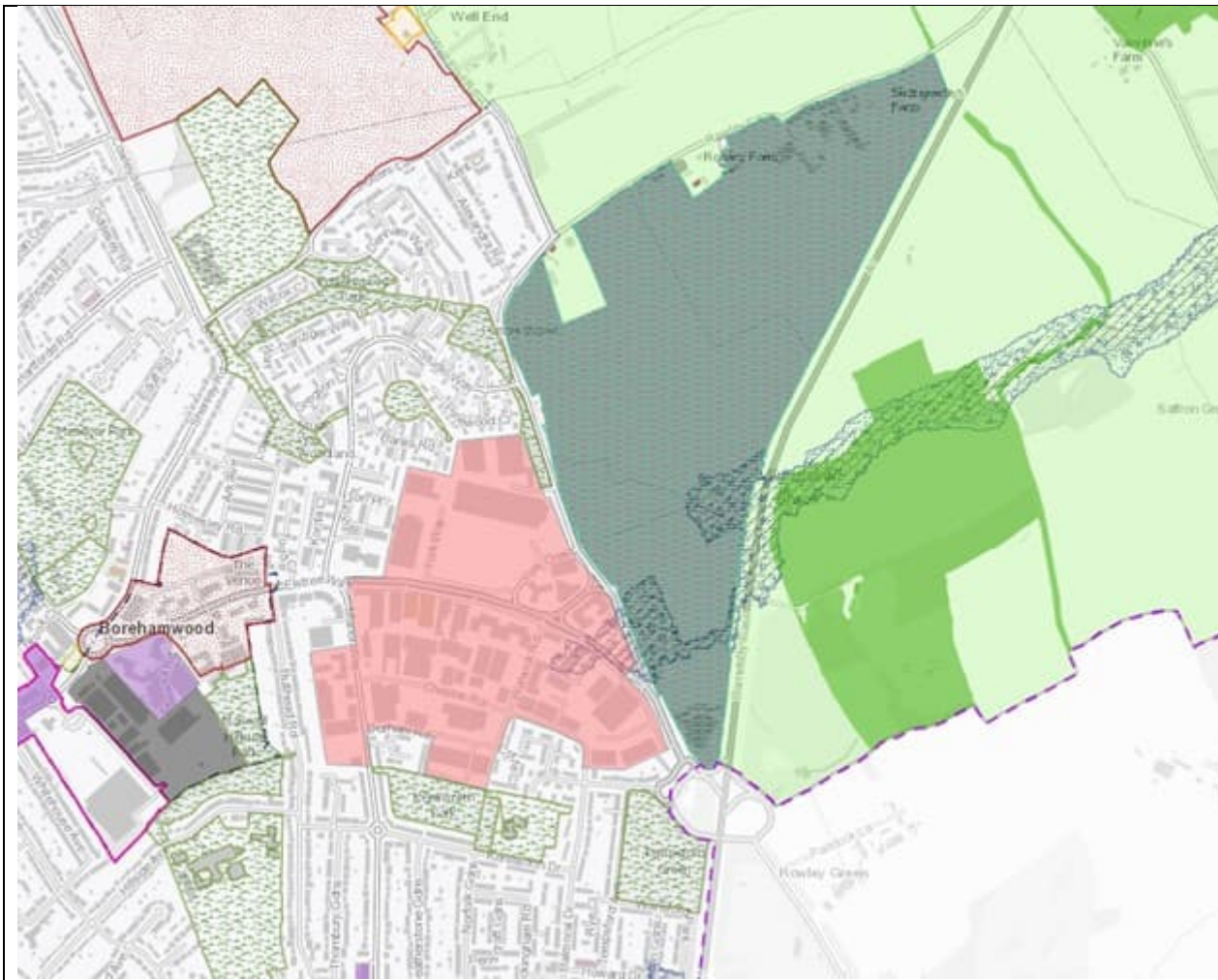
Site Reference Number	
Name	Caspian and Tasman House
Owner(s)	Zurich Assurance
Vacant Land Available	Total site is 1.90 ha. Planning for 1.39 ha of the site.
Market Availability	Proponent has brought forward application for commercial uses.
Planning Designation	Local Plan (current) – Green Belt Local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

Serviced	Yes
Recommendations	Suitable for employment uses.



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

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



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

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



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

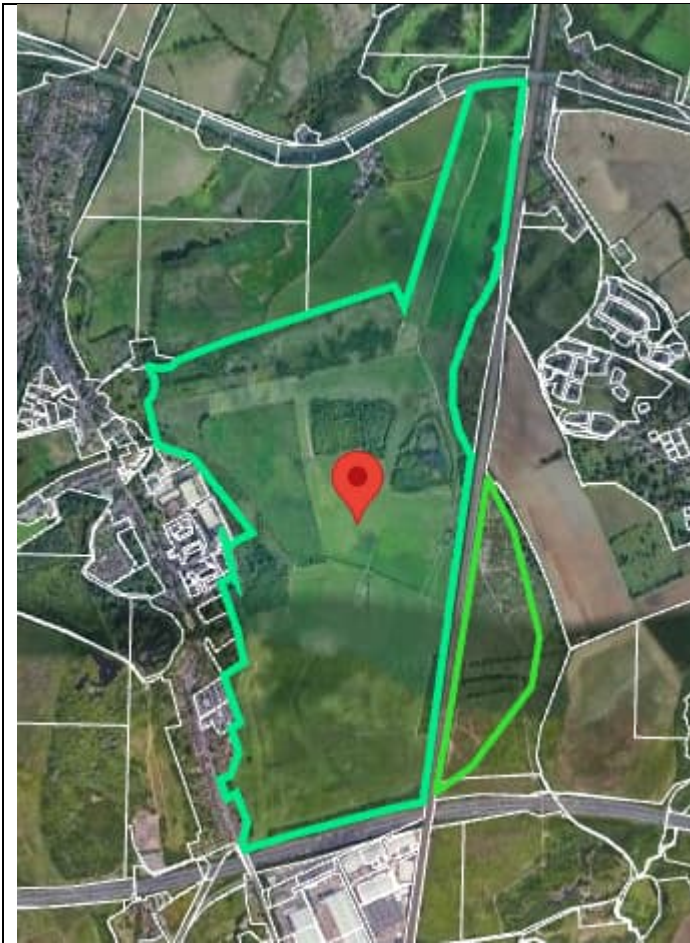
Comments	Vacant site to the west of the existing employment area at Otterspool. Some moderate sloping. Key location, near to a junction for the M1 and the A41. Good potential for employment uses, including small to large units. Site is in single ownership. Has been put forward in call for sites process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

St Albans



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

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



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

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

Three Rivers



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



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



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



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

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



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

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



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

Watford



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

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



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



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



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

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



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

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



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

Appendix H - Review of Existing Non-Strategic Sites

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

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

Dacorum Existing Employment Areas

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

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

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

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

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

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

Hertsmere Existing Employment Areas

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

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

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

St. Albans City and District Existing Employment Areas

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

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

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

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

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

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

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

Three Rivers Existing Employment Areas

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

Watford Existing Employment Areas

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

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

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

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

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

- I.1 This appendix is included to show what would happen to office vacancy rates if:
- 1) Demand for office space followed the trend in the net-absorption delayed recovery scenario. This sees demand for office space decrease by 11,700 sq m p.a. for the first three years of the forecast, then increase by 3,500 sq m p.a. in each remaining year of the forecast. This scenario is explained in more detail in Chapter 6 of this report.
 - 2) Losses of office space continue in line with the trend over the period 2019/20 to 2022/23 (-23,800 sq m). In this scenario we assume there is no new development of office space
- I.2 The scenario uses CoStar data on the total quantity of office space and how much of this is vacant. CoStar’s database does not capture 100% of office space in South West Herts, so the true figures are likely to be higher.

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

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

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

DISCLAIMER AND LIMITATIONS OF USE

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

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

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

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

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

HATCH



www.hatch.co.uk

London: 0207 352188 Manchester: 0161 234 9910