

PLANNING REPORT, MARKET COMMENTRY AND VALUES

brasier
freeth.

IN RESPECT OF:

Permitted Development Rights
Proposed Article 4 Areas

PREPARED FOR:

Dacorum Borough Council

DATE OF REPORT:

8th January 2019



**PLANNING REPORT
MARKET COMMENTRY
AND
VALUES
HEMEL HEMPSTEAD, BERKHAMSTED & TRING**

**IN RESPECT OF
PERMITTED DEVELOPMENT RIGHTS
PROPOSED ARTICLE 4 AREAS**

**PREPARED FOR
DACORUM BOROUGH COUNCIL**

DATE OF REPORT: 8th January 2019

CONTENTS

1. BRASIER FREETH 1

2. INSTRUCTIONS 2

3. BACKGROUND..... 3

4. DACORUM - OFFICE MARKET COMMENT 4

5. DACORUM – INDUSTRIAL MARKET COMMENT 7

6. DACORUM RESIDENTIAL MARKET COMMENT 9

7. PROPOSED ARTICLE 4 AREAS 13

8. RELATIVE SECTOR VALUES 21

9. SUMMARY AND CONCLUSIONS..... 24

10. REPORT SIGN-OFF 26

Appendix 1

Proposed Article 4 Area Maps

1. BRASIER FREETH

- 1.1 This report is prepared by Brasier Freeth, a multi-disciplinary Chartered Surveying practice providing a range of services including Business Space Agency, Retail Agency, Professional Advice (Lease Advisory), Property Valuation, Property Management and Building Surveying.
- 1.2 Brasier Freeth was established 10 years ago with the merger of Freeth Melhuish and Brasier Harris. Both firms operated within the northern Home Counties and M25. Since the merger, the firm has retained its core markets and built on the geographical area covered.
- 1.3 Brasier Freeth has the largest property team in Hertfordshire with offices in Hemel Hempstead, Watford and Welwyn Garden City and knowledge across the North M25, A41, M1, A1 and A10 markets. Brasier Freeth is the only commercial property agents and valuation team based in Hemel Hempstead. Consequently, we have excellent market knowledge in the Dacorum area.
- 1.4 Brasier Freeth work across all size brackets and can service both larger institutional and smaller local instructions as we are based in the region with the granular knowledge of the local market.
- 1.5 Our clients include public sector authorities, institutional investment funds, asset managers, public companies, private companies and numerous private clients.
- 1.6 This report is provided by Claire Madden, Partner and Steve Oakey, Partner of Brasier Freeth Chartered Surveyors and Property Consultants.
- 1.7 Claire qualified as a Professional Associate Member of The Royal Institute of Chartered Surveyors. Claire qualified as a Chartered Surveyor on 30th November 1995. Claire joined Brasier Freeth Chartered Surveyors in December 2015. Claire has 20 years property experience in Hertfordshire markets and is based in the Hemel Hempstead office.
- 1.8 Claire is a property expert in the Hemel Hempstead, the M1 and A41 corridors. Claire has been involved in many of the commercial properties in and around this area. Claire's expertise lies in commercial agency and development.
- 1.9 Steve qualified as a Professional Associate Member of The Royal Institute of Chartered Surveyors in 1994. Steve joined Brasier Freeth Chartered Surveyors in January 2017. Steve is Head of Valuation Services and the Valuation Team based in the Hemel Hempstead office.
- 1.10 Steve began his surveying career in the West End but has spent the majority of the last 20 years based in Hertfordshire, North and East London advising a variety of Banks, private clients and Local Authorities in a valuation capacity. Steve's principal work is the valuation of a wide range of commercial and residential land and buildings throughout Hertfordshire and North London, including development sites mainly for secured lending, purchase and disposal and Local Authority asset review. Key clients include the major High Street Banks in support of commercial property finance and a variety of other private and institutional clients. Steve also provides dispute resolution advice to clients in the capacity of Expert Witness.

2. INSTRUCTIONS

- 2.1 Under the Town and Country Planning (General Permitted Development) (England) Order 2015, current government policy states that in, certain circumstances, change of use from an employment use to residential is permitted without the need for planning consent to be obtained.
- 2.2 Under Article 4(1) of the Order, it is possible for a Local Planning Authority to seek to remove permitted development rights.
- 2.3 In order to safeguard existing employment uses in the Borough, Dacorum Borough Council is considering withdrawing this right by the implementation of Article 4 directions in key employment areas. The areas under consideration are as follows:
- Maylands Business Park, Hemel Hempstead
 - Doolittle Meadows, London Road, Hemel Hempstead
 - Park Lane, Hemel Hempstead
 - Whiteleaf Road, Hemel Hempstead
 - Bourne End Mills Industrial Estate, Bourne End
 - Northbridge Road and River Park, Berkhamsted
 - Icknield Way Industrial Estate, Tring (excluding the propose extension of the employment area onto the LA5 site to the west).

The maps illustrating the proposed Article 4 areas are highlighted in red and annexed to this Report in Appendix 1.

- 2.4 It is Dacorum Borough Council's intention to withdraw permitted development rights for changes of use to residential (User Class C3) to the following uses:-
- | | | |
|------|-------------------|--------------------------|
| i) | User Class B1(a): | Offices |
| ii) | User Class B1(c): | Light Industrial* |
| iii) | User Class B8: | Storage and Distribution |

* Prior approval only applies for a 3 year period to 30th September 2020 and only if:-

- The floor space does not exceed 500sq.m;
 - The building is not Listed;
 - The building has been used solely for light industry.
- 2.5 Dacorum Borough Council has instructed Brasier Freeth to give a professional opinion of prevailing values in each of the seven potential Article 4 areas. It is intended that the report will cover office, light industrial, storage and distribution and residential values in each area.
- 2.6 Brasier Freeth has been instructed to provide an opinion on value, including valuation comment as appropriate, for each land use. Where there is a lack of direct comparable evidence, we have sought to provide a professional opinion of value based on our local knowledge and professional judgement.

3. BACKGROUND

- 3.1 Dacorum is a non-metropolitan district of England located in North West Hertfordshire in the east of England region.
- 3.2 The main town is Hemel Hempstead with a population of approximately 102,000. Significant centres within the borough include Tring, Berkhamsted, Markyate, Maylands Business Park, Hemel Hempstead town centre, Apsley and Kings Langley.
- 3.3 Dacorum is home to numerous businesses from one person offices to global technology companies. Significant occupiers with a presence in Dacorum include Blackhawk Network Holdings (known as Grass Roots Group), Bourne Leisure, Britvic, Epson, NEXT, Amazon, UTC Aerospace Systems, FFEI, Boston Scientific, Vanarama, Hertfordshire County Council, Nikon, GIST and Northgate Information Solutions.
- 3.4 Dacorum benefits from excellent road network with the arterial routes of the M1 and A41 running through the borough. The M25 is one mile to the south of Kings Langley. Access to Central London by road is a key criteria when considering land uses in the borough.
- 3.5 The west coast mainline runs through Dacorum linking the borough with Watford Junction and London Euston. Railway stations are located in Tring, Berkhamsted, Hemel Hempstead (Boxmoor) and Apsley.
- 3.6 Dacorum Borough Council are committed to creating the right conditions to foster economic growth and regenerate the main business areas in the borough. There is also a need for more housing in the Borough.

4. DACORUM - OFFICE MARKET COMMENT

- 4.1 The quality of office stock in Hemel Hempstead varies from un-refurbished low grade offices to Grade A buildings at Breakspear Park, Breakspear Way and Westside in Apsley.
- 4.2 Supply levels have dropped from the heights of over 700,000sq.ft during 2008 to 2009 when the economy took a severe downturn. The main reason for this fall is the conversion of office accommodation to residential which started with the loss of Kodak tower and has continued under permitted development rights. Hemel Hempstead has seen the loss of 500,000sq.ft (46,451sq.m) of office accommodation to residential use over the last 10 years. The majority of this stock has been in locations in and around the town centre.
- 4.3 We have also seen the loss of office buildings where they have been uneconomic to refurbish. For example: The Campus, Maylands Avenue was purchased by Gyron in 2013, the use is now predominantly as Data Centre. The frontage site has been granted planning permission for 44,000sq.ft (4,087sq.m) of industrial/warehouse in 6 units.
- 4.4 Hertfordshire Local Enterprise Partnership, Dacorum Borough Council and St Albans Council have promoted the Enterprise Zone at Junction 8 of the M1 motorway. There is a focus of providing high quality accommodation across two large sites, namely: 17 acres owned by Dacorum Borough Council and a 132 acre site owned by The Crown Estate primarily between Green Lane and the M1 motorway. It should be noted that The Crown Estate land falls in St Albans Council area and is to provide a mix of commercial uses together with 4,050 homes on The Crown Estate's land at East Hemel Hempstead. However, in our expert opinion, office accommodation is unlikely to be built speculatively on these sites for a variety of reasons.
- 4.5 At January 2019 available office accommodation in Hemel Hempstead is circa 375,000sq.ft, however, Charter Court, Midland Road and Hamilton House, Marlowes are likely to be lost to residential in the short term leaving office availability figures closer to 328,000sq.ft. Availability is principally in four buildings Maylands Building, Maylands Avenue 95,800sq.ft, Peoplebuilding, Maylands Avenue 70,000sq.ft, Breakspear Park, Breakspear Way 48,500sq.ft and Hemel One Boundary Way 35,000sq.ft.
- 4.6 In Hemel Hempstead the 10 year average take-up is circa 106,000sq.ft (9,875sq.m). There is approximately 3 years supply available. With supply levels still high, it is unlikely that rents will grow to the levels required to permit speculative office development. Other factors such as the lack of public transport and the changing trend to take shorter term leases also have a detrimental effect.
- 4.7 Much of the office demand has been underpinned by displaced occupiers moving out of buildings going into residential use and occupiers relocating to Hemel Hempstead from inside the M25 where availability of quality office accommodation has also reduced. At the time of writing this report, there is only one suite of Grade A offices available in Watford town centre, namely: Egale, St Albans Road, Watford comprising 17,071sq.ft.
- 4.8 In 2017 Hemel Hempstead office take-up was 119,359sq.ft. Over 70% of the take-up was at Westside, Apsley. This building benefits from access to mainline rail within a 5 minute walk and is fully refurbished to a Grade A standard.

- 4.9 Hemel Hempstead office in 2018 was notably quieter at 94,966sq.ft in 14 transactions. Over 25% of this take up was from the serviced office sector. The most notable being:-

Ground Floor, Maylands Building – 25,776 sq.ft in 3 suites let to Spaces, part of the IWG Service office Group in December 2018. This letting will provide much needed amenity and life to this building. 95,769 sq.ft remain available.

First Floor, Breakspear Park – refurbished Grade A accommodation let to NHS Professionals, 20,590sq.ft, lease date July 2018, 10 year lease with a tenant only option to break at the expiry of Year 5, £27.50 per sq.ft, 21 months' rent free plus 3 months of rent free if the break is not exercised at Year 5. The break is also subject to a 6 month rent penalty. NHS Professionals relocated from Edward Hyde House, Clarendon Road, Watford.

Second Floor, Westside Two, Apsley – part second floor let to Thrive Homes. Grade A refurbished space, 9,175sq.ft, let in March 2018, lease length 10 years, £27.25 psf, 15 months' rent free. Landlord built division wall to split a 16,000sq.ft floor plate, remaining suite 6,923sq.ft. Thrive Homes relocated from Croxley Business Park, Watford.

- 4.10 In light of the take-up figures, no speculative office schemes are planned in the town. The forthcoming supply includes: Peoplebuilding, Maylands Avenue, Hemel Hempstead – this 98,000sq.ft building is currently being sold as part of a portfolio. The building is currently largely occupied but 70,000sq.ft is either available from the landlord or on the assignment market. It is likely that a new purchaser would seek to fully refurbish this building bringing it back to a Grade A standard. That said, the lease events are primarily in 2021. Clearly, there is always a chance of a new owner could be proactive and bring this timetable forwards.
- 4.11 Planning has been granted for Swallow Court, Swallowdale Lane. This is a small freehold scheme comprising 4 units. Marketing of this scheme has recently commenced. The developer has no plans to build the scheme on a speculative basis.
- 4.12 In our opinion, the optimum place for future office development is next to the mainline rail station in Boxmoor, but due to site assembly and planning, this is still some considerable way off.

Rents

- 4.13 Rents vary greatly across proposed Article 4 areas primarily due to the quality of the accommodation. Grade A stock at Breakspear Park, Breakspear Way and Westside, Apsley have achieved headline rents £27 to £28 per sq.ft. Grade B rents vary greatly across Hemel Hempstead from £14 to £20 per sq.ft. It is worth noting that these are headline rents. Large incentives and tenant break clauses are still available to occupiers.
- 4.14 In compiling this report we have taken into account the Maylands Masterplan which clearly has a preference for office accommodation on the Maylands Avenue frontage. However, the values achieved on this frontage also vary greatly depending upon the quality. 55 Maylands Avenue (a headquarters style building which was last refurbished in the late '90's some 20 years ago) has recently been let at a headline rent of £15 per sq.ft. To achieve higher values significant investment is required. At Maylands Building, Maylands Avenue the first transaction comprising 7,400 sq.ft has recently completed at a rent of £23.50 per sq.ft.

Capital Values

- 4.15 The most recent site sold for office development is Swallow Court, Swallowdale Lane. This is a corner site at the corner of Eastman Way in front of the Atlas Copco building. The site comprises approximately 0.8 acres and was sold at £460,000 – i.e. £575,000 per acre. However, it is worth noting that the site has a number of restrictive covenants. This price per acre clearly illustrates the lack of interest in pure office sites on Maylands compared to industrial land values which are significantly higher.
- 4.16 Charter Court, Midland Road comprising 12,200sq.ft is currently under offer for residential development. Until recently, the property was occupied by Park Resorts who have simply closed their Hemel Hempstead operation prior to the lease expiry in 2019. The building was marketed on a freehold or leasehold basis. There was no interest on a leasehold basis and freehold interest was received from residential developers only. The property is currently under offer and due to complete shortly at £262 per sq.ft. In our view it is unlikely that the un-refurbished office building would command more than £200 per sq.ft even if there was an office occupier to take it.

5. DACORUM – INDUSTRIAL MARKET COMMENT

- 5.1 The location of Hemel Hempstead and its prime industrial and warehouse stock in relation to the M1 and M25 motorways and the A41 is the key criteria to its success.
- 5.2 Hemel Hempstead is located 24 miles north west of London enabling easy access to markets. The speed at which deliveries can be made into the Greater London market has made it a popular location for the food and drink industries, retailers and ecommerce.
- 5.3 A number of factors has promoted Hemel Hempstead as an industrial location in the last 10 years:
- The Buncefield Oil Depot incident in December 2005 led to mass redevelopment and modernisation of the industrial and warehouse stock.
 - Both inside the M25 and within Hemel Hempstead, we have seen a loss of industrial sites due to pressure from residential uses;
 - The economy has generally performed well.
 - The industrial stock generally benefits from a range of uses - light industrial B1(c), general industrial B2 and warehouse B8.
 - Availability of cost effective labour both within the town and within easy commuting distance.
 - Dacorum Council has active business generation policies.
- 5.4 Currently the supply of warehouse and industrial accommodation across the Hemel Hempstead area is at an all-time low. At November 2018 availability of industrial units in the Hemel Hempstead area comprises six units totalling 17,296sq.ft; the largest unit is 5,500sq.ft. Quoting rents for these small units vary between £12.00 to £12.50 per sq.ft.
- Given the lack of availability, it is likely that transactions will be achieved close to the quoting figures.
- 5.5 As a consequence of high demand and low supply levels, developers are now building key schemes in Hemel Hempstead.
- 5.6 Prologis Park, Maylands Gateway comprises 33 acres. It was sold in 2016 at a price of £34 million for un-serviced land. This equates to £1.03 million per acre. Prologis have undertaken a large scale infrastructure project to bring in a new road, utilities and create plateaus for development.
- 5.7 Prologis Park, Hemel Hempstead comprises 10 units ranging in size from 8,784sq.ft to 169,003sq.ft. Prologis are currently building 9 of the 10 units. DC2 80,000sq.ft was pre-let to Hermes Logistics and DC7 comprising 21,535sq.ft has exchanged with completion due at practical completion December 2018. At the time of writing DC3 (169,003sq.ft) is under offer. It is highly likely that Prologis will build out DC1 early 2019 if the letting to DC3 reaches a successful conclusion.

- 5.8 Practical completion of 8 units in November to December 2018. The quoting rents for small to medium sized products vary between £11.95 psf and £12.95 psf. DC7 has recently let at £11.95 psf, 20 year lease, tenant only break at Year 15 and 7 months' rent free. The larger units, namely DC1 and DC3 quoting rents are currently £9.95 psf. However, they fully expect the quoting rents for the units over 100,000sq.ft to be revisited on practical completion.
- 5.9 The most recent land transaction on Maylands is the purchase of 1.8 acres at The Campus (front development site), Maylands Avenue by M&G Investments. This site was sold in June 2017 at a price of £2.22 million, i.e. £1.34 million per acre. M&G Investments/Chancerygate are currently on site building 44,000sq.ft in 6 units. The smallest unit is 4,520sq.ft and Unit 6 comprises 11,135sq.ft together with a dedicated yard. The development completes end February 2019. The units are available by way of a new lease on terms to be agreed at a quoting rent of £13.50 psf. This is directly comparable with recent transactions at McDonald Business Park, Maylands Avenue where headline rents for trade units have been established at lease renewal at £13.10 psf.

Rents

- 5.10 Rents vary across Hemel Hempstead depending upon size, eaves height, percentage site cover, age and accessibility. However, due to the strength of the industrial market, we have seen excellent rents across the Maylands area, at Bourne End Mills and at Whiteleaf Road. There currently appears to be no bad location in Hemel Hempstead.
- 5.11 Even secondary units have now reached double figure rents. By way of example, 2 Eastman Way, an un-refurbished 41,000sq.ft building was let at the end of 2017 to 66 Books by way of a 10 year lease without breaks, £10 psf and 12 months' rent free.
- 5.12 Industrial rents across the region have seen year on year growth. This has been seen from Park Royal, Wembley to Watford and Hemel Hempstead. The ripple effect now continues up the M1 corridor to Luton, Dunstable, Houghton Regis, Leighton Buzzard, Bedford and Milton Keynes.

Capital Values

- 5.13 With the projected increase in rents, developers are paying higher site values. This is illustrated at the new Junction 11a of the M1 motorway. First Panatoni bought a 22 acre site in September 2018 for £38.1 million, this equates to £1.8 million per acre. The land is capable of accommodating two industrial units of 340,000sq.ft and 70,000sq.ft.
- 5.14 Land values now in Luton adjacent to the M1 motorway at these figures begs the question that if a site came to the market in Maylands Business Park, developers could probably justify land values of circa £1.9 - 2 million per acre. At this moment in time, there is no land available to test this theory but as the key market leading agent in Hemel Hempstead, we would suggest that developers will easily get to this figure for a serviced plot.

6. DACORUM RESIDENTIAL MARKET COMMENT

- 6.1 There remains significant pressure through both National and Local Planning Policy for the delivery of new housing across the Borough.
- 6.2 The Dacorum Borough Council Adopted Core Strategy (September 2013) sets a target for the development of 10,750 new homes across the Borough during the Plan period 2006 – 2031, equivalent to a rate of approximately 430 dwellings per annum. Approximately 8,800 of these homes are expected to be built within Hemel Hempstead, 1,180 within Berkhamsted and 480 in Tring.
- 6.3 The residential property market within the Borough has remained fairly robust in the wake of the UK's referendum vote to leave the EU. However, demand for housing undoubtedly softened during the latter part of 2017 and early 2018.
- 6.4 Many local estate agents have reported a quiet period during the summer months of 2018 with extended marketing periods and the usually expected autumn upturn has failed to materialise. It is evident that potential purchasers have reverted to a 'wait and see' approach so far as Brexit and other economic indicators are concerned.
- 6.5 Whilst demand for housing remains fairly steady across the regional market, a marginal average house price reduction has been apparent since the Spring of 2018 with price reductions prevalent across the market. Sales are nevertheless proceeding to completion, provided vendor expectations remain realistic.
- 6.6 One of the key characteristics of the Hemel Hempstead market is the predominance of similar 'New Town' housing stock with little variance in housing size, style/design or pricing across many neighbourhoods.
- 6.7 For the above reasons, new build housing tends to attract good levels of demand and with a limited supply of new build stock, particularly houses as opposed to flats, new build stock is perceived to be desirable and tends to attract premium pricing.
- 6.8 The Government's Help to Buy initiative has, and continues to support the new build market by comparison with existing stock and this trend is expected to continue.
- 6.9 Average house prices within Hemel Hempstead during the last year were £227,000 for flats, £346,000 for terraced houses, which make up the majority of the local housing stock, and £427,000 for semi-detached properties.
- 6.10 Overall, average houses prices within the town were 3% lower than the previous year although remain 15% higher than the same period in 2015.
- 6.11 The figures are marginally higher for Apsley where the average flat price was £261,500 during the same period, increasing to £373,750 for terraced house and £435,000 for detached properties.
- 6.12 Average pricing in Apsley remained broadly static from the previous year and approximately 14% higher than 2015.
- 6.13 Average house prices in Tring and Berkhamsted tend to be substantially higher.

- 6.14 In Tring, the majority of housing sales remain terraced houses with an average price of £404,000. Semi-detached houses sold for an average of £504,500 and detached houses for an average of £678,250. Again, average pricing in the town remained broadly static from the previous year and 8% higher than for the same period in 2015.
- 6.15 Berkhamsted recorded the highest average pricing with terraced properties achieving £495,750, semi-detached houses achieving £596,500 and detached houses, which make up the majority of sales, reaching an average of £976,250.
- 6.16 Average pricing in Berkhamsted was 3% higher than the previous year and 18% higher than 2015.

Residential Land Values

- 6.17 In recent years there has been a trend towards higher density housing development in Hemel Hempstead, particularly within the town centre, Maylands, Apsley and Two Waters areas, often featuring taller landmark buildings with basement or undercroft parking. Sites of this nature can command premium pricing reflecting the economies of scale achievable. A number of examples are detailed below.

74 / 78 Wood Lane End

- 6.18 Terms have recently been agreed for the sale of the above site, which forms Phase 3 of the Heart of Maylands project, on a subject to planning basis.
- 6.19 The site has an area of 0.789 hectares (1.950 acres) with potential to construct in the region of 55 residential units. Extensive additional site remedial works are required reflecting the site's industrial heritage.
- 6.20 The agreed purchase price equates to a rate in excess of £2,500,000 per acre accounting for the remediation works.

Drew Wharf, Ebbens Road, Apsley

- 6.21 A site of approximately 1 acre sold to a housing developer in April 2016 for the sum of £3,600,000. The site had the benefit of planning consent for the construction of 21 houses and 8 flats. This is a relatively high density waterside scheme with limited external space requirements.
- 6.22 The price agreed reflects a rate marginally in excess of £3,500,000 per acre.

Frogmore Road, Hemel Hempstead

- 6.23 A site of approximately 3 acres was sold by Brasier Freeth, unconditionally, to a housing developer with the benefit of pre-application advice but without planning consent in May 2017 for the sum of £7,750,000 reflecting a rate marginally in excess of £2,500,000 per acre.
- 6.24 Previous offers on a subject to planning basis had been in the region of £10,000,000 reflecting a rate in excess of £3,300,000 per acre.
- 6.25 The site has frontage to the canal but is otherwise situated in a predominantly industrial area.

- 6.26 The scheme proposed on the site is for a higher density flat development although an application, Reference 4/02601/17/MFA, for the construction of 184 apartments on the site was refused in October 2017 on the grounds of inappropriate height, scale and massing of development which was considered to be overbearing on the surrounding area. A revised application for a total of 170 apartments has subsequently been approved.

Dacorum Residential Sales Q3 2017 – Q3 2018

Hemel Hempstead - New Build Housing

Unit Type	Average Sale Price
Average House Price	£362,500
Average Flat	£227,000
Average Terraced House	£346,000
Average Semi-Detached House	£427,000

Apsley - New Build Housing

Unit Type	Average Sale Price
Average House Price	£407,500
Average Flat	£260,000
Average Terraced House	£373,750
Average Semi-Detached House	£435,000

Tring - New Build Housing

Unit Type	Average Sale Price
Average House Price	£459,750
Average Terraced House	£404,000
Average Semi-Detached House	£504,500
Average Detached House	£678,250

Berkhamsted - New Build Housing

Unit Type	Average Sale Price
Average House Price	£662,000
Average Terraced House	£495,750
Average Semi-Detached	£596,500
Average Detached House	£976,000

7. PROPOSED ARTICLE 4 AREAS

7.1 The proposed article 4 areas in Hemel Hempstead are as follows:

- A) Maylands Business Park (junction 8 M1 motorway), Hemel Hempstead
- B) Park Lane, Hemel Hempstead
- C) Whiteleaf Road, Hemel Hempstead
- D) Doolittle Meadows, London Road, Apsley
- E) Bourne End Mills Industrial Estate
- F) Northbridge Road and River Park, Berkhamsted
- G) Icknield Way Industrial Estate, Tring

7.2 Taking these areas in turn and with regard to the market commentary above we summarise values as follows:

A) Maylands Business Park, (junction 8 M1 motorway) Hemel Hempstead



7.3 Maylands is a mixed use employment area located adjacent to junction 8 M1 motorway. The area owned by a number of institutional funds and owner occupiers. Occupiers range from serviced office providers ie one person offices up to Amazon who occupy to large warehouses of 465,000sq.ft and 150,000sq.ft.

7.4 Maylands is a largest commercial area in Dacorum by some considerable margin. The estate employs over 18,000 people. It is therefore a significant estate not just in Dacorum but the whole of the south east of England.

7.5 The main through route is Maylands Avenue (A4147). Historically office users have in the main migrated to this road but this is simply no longer the case. The frontage is now mixed use and reflects the remainder of the estate.

- 7.6 Maylands is a large complex area, however, land is highly sought after as and when it comes to the market. However, most of the estate is built out, as a consequence land transactions are scarce. In our view there is not sufficient evidence to define sub-areas in terms of land values. In essence due to demand there appears to be no such thing as a low value area on Maylands.

Grade A offices

- 7.7 The only true Grade A office on Maylands is Breakspear Park, Breakspear Way. The building has always been promoted as a regional building of quality. The property has seen large scale investment over a 13 year period and is home to Britvic, Boston Scientific, Regus, NHS Professionals and BAM Construction. Headline rents are £27-£28 per sq.ft.

Refurbished offices

- 7.8 Headline rents vary greatly subject to size of suite and quality. Headline rents vary from £14-20 per sq.ft. The largest voids are currently Maylands Building, Maylands Avenue, Peoplebuilding, Maylands Avenue and Hemel One, Boundary Way.

Industrial



- 7.9 Assuming industrial units with a 5-10% office content, 6m+ eaves height,

Units under 5,000sq.ft = £11.50 - £13 per sq.ft.

Unit 20-100,000sq.ft = £9 - £12 per sq.ft.

100,000sq.ft+ = £9.25 - £9.50 per sq.ft.

B) Park Lane

- 7.10 One Park Lane is a town centre headquarters building built in 1989. The property is arranged over 4 floors in two wings plus two lower levels of car parking accessed via Wolsey Road. The car parking ratio is good for a town centre location at 1:308. The majority of the building is occupied by Bourne Leisure trading as Haven Holidays, a long standing employer and investor in Hemel Hempstead. Bourne Leisure is an owner occupier. The building is fully let with the third floor circa 20,000sq.ft is sub-let in 3 parts.
- 7.11 The building has been well maintained by previous owners and Bourne Leisure but by modern standards the building does not quite reach Grade A. In our opinion the rent would be £20 per sq.ft.
- 7.12 Park House, is a two storey office building built early 1970's and refurbished 10 years ago to provide a mix of office and workshop / showroom space on the first floor and first floor offices. Each floor is circa 6,000sq.ft. The building benefits from a loading door at ground floor level accessed via the rear parking / loading area. This is a Grade B property.

C) Whiteleaf Road

- 7.13 This 34 unit industrial development was built in 2007. The unit sizes vary from 3-6,000sq.ft. The whole development was built as Chancerygate Business Centre. At completion the front 10 units on the lower level were sold to a fund and rebranded as London Road Trade Centre. The 4 units at the rear of the lower level remained part of the Chancerygate Business Centre. The front 10 units have a trade counter planning consent (Topps Tiles, ATS, Dulux Decorating Centre, Sally Hair & Beauty) and were built without first floors.
- 7.14 Two of the London Road Trade Centre units were sold to a non-trade operator. Therefore, 8 units remain operating as trade units. The trade units have generally commanded a premium rent. If there was a void today, we would aim to achieve £13.50 per sq.ft.
- 7.15 The 4 rear units on the lower level and the upper level units have been altered hugely by the tenants and owner occupiers over the last 10 years. Many have built mezzanine levels and fitted out offices. The original base specification was 7m eaves, unfitted first floor office content, no WC. We have assumed that as a minimum occupiers would fit WC accommodation and the first floor office. On this basis the rent is £10.50-£11.75 per sq.ft.

D) Doolittle Meadows, London Road



- 7.16 This area comprises Meadowside and Network House to the north side and Westside to the South. Meadowside and Network House is occupied by Hertfordshire County Council. Westside is multi-tenanted where occupiers include Epson, HSBC, DAI Environmental, Harman International and Blackhawk Network (formerly Grass Roots Group) and Thrive Homes.
- 7.17 Despite the fact this is a large office area the quality of the offer varies hugely. Westside is a Grade A building in a landscaped environment. The property was comprehensively refurbished in 2016 at the cost of circa £100 per sq.ft.
- 7.18 Meadowside and Network House are 1980's buildings. In our opinion if the buildings were vacant they would present an ideal opportunity for office refurbishment or residential development. There is already a precedent for residential development clearly following what has already taken place along the Grand Union Canal at Apsley and Nash Mills.
- 7.19 Westside is a Grade A building. Rents are established at £27 per sq.ft.

- 7.20 Our opinion of the rents at Meadowside and Network House reflect the older style of building and the need for investment at £18 per sq.ft.
- 7.21 This location has good access to mainline rail (Apsley station is within a 5 minute walk). It is certainly a USP for occupiers who increasingly demand access to public transport. The location gives easy access to the M25 (junction 20) via Kings Langley.

E) Bourne End Mills Industrial Estate



- 7.22 Situated on the A41 this newly built estate has proved a popular location. The 12 units completed February 2017.
- 7.23 The A41 gives easy access to the M25 motorway at junction 20. The estate was marketed on a freehold basis. 11 units range in size from 2000-10,000 sq.ft. Unit 1 is the largest unit at 30,000sq.ft.
- 7.24 Units 2-12 were sold off plan to owner occupiers at £155-£163 per sq.ft. The specification was aimed at the owner occupier market ie unfitted yet the fundamentals of eaves height, car parking and turning circles were all excellent. If we had the development to sell again today we would be confident of achieving £190-200 per sq.ft such is the demand for freehold property in Dacorum.
- 7.25 Unit 1 30,000sq.ft including 5,000sq.ft offices was sold to an investor and within 3 months was let at £10 per sq.ft. In our opinion the rental tone today is £11 per sq.ft.
- 7.26 There remains two older units to the front of the estate. Despite the fact they have the original asbestos roofs and are in need of investment they are well situated, and the surrounding new development has greatly improved the area. We are therefore of the view that the rent for these rents is in the order of £8.50-£9 per sq.ft.

F) Northbridge Road and River Park, Berkhamsted

- 7.27 In recent times, Berkhamsted town centre has experienced the loss of office accommodation under Permitted Development Rights on both stand-alone buildings and retail upper parts. However, for the purposes of this report, we have been asked to consider Northbridge Road and River Park, only. The estates are the main industrial and employment areas located approximately 1 mile to the north of the town centre.
- 7.28 River Park is a small, well-maintained private estate off Billet Lane (a turning off the A4251) and with frontage to the Grand Union Canal. River Park was constructed in the mid-1980's and comprises a terrace of 7 good quality industrial units. The units are of steel portal frame construction with an eaves height of 5.9m. The units benefit from a single loading door, fitted offices and good loading and car parking areas. A rental tone generally in this area of the estate is established at £9 per sq.ft. There are currently two transactions under offer which may improve on this figure slightly but in the main any improvement would reflect the level of tenant fit-out already in situ.
- 7.29 Northbridge Road is again accessed via Billet Lane. The road is mixed in the age and type of industrial units and office buildings but the buildings are generally well maintained and a number are in owner occupation.
- 7.30 At Hardy House rents have been achieved at £16 to £20 psf. The building is well managed and benefits from good car parking. Audley House is a serviced office centre benefitting from good parking ratios. The small suites are offered on flexible terms at an all-inclusive rent. On a net basis, rents are still in excess of £20 psf.
- 7.31 The industrial stock on Northbridge Road varies from terraced industrial units of limited eaves height and loading where rents for all units start at around £9 psf. It is worth noting that even though the stock is older and has limitations, good rental values are achieved due to the sheer lack of choice in Berkhamsted market. The most modern development situated at the head of Northbridge Road industrial estate adjacent to the Grand Union Canal is known as Canalside. This development comprises a total of 50,000sq.ft arranged as 10 starter units and 3 main buildings sold to owner/occupiers. In our view Canalside is the best quality stock in the Berkhamsted industrial market and if a unit was to come to the market it could easily be valued at £10.50 to £11 psf.

- 7.32 Adjacent to the Canalside development is Berkhamsted household waste recycling facility. This is a well-run Council owned site which only goes towards emphasising the mixed nature of the road.

G) Icknield Way Industrial Estate, Tring



- 7.33 Icknield Way Industrial Estate is located on Icknield Way 1 mile to the east of the A41 junction with access to north Tring and Aston Clinton. The A41 provides easy access to the M25 (Junction 20) being 14 miles to the east. The subject site is situated on the outskirts of Tring and the surrounding area is predominantly open fields and residential.
- 7.34 The total site is approximately 12.5 acres with 265,000sq.ft of industrial and office suites on the site. The estate has been in private ownership for over 50 years. The site was originally developed for the company's owner occupation and as such was extended according to demand. The company no longer operates from the site but the family have kept the company as a property business. The size and quality of the units varies enormously across the site and there is a small caretakers house situated at the main entrance to the estate.
- 7.35 Our records show that the first factory on the site was built in the mid-1970's and further development took place during the 1980's and 1990's. Unit 8 comprising 18,759sq.ft let to Stokvis Tapes and Unit 14 comprising 22,815sq.ft let to Sonoco Thermosafe are the most modern units on the estate. The units of steel frame construction and an eaves height of approximately 6m. The office content is typically 5-10% and both units benefit from yard and parking areas. The rental tone at these properties is currently £6.50 psf, however, both lettings are linked to larger occupations on the estate.
- 7.36 Icknield Way is an important estate in north Dacorum, it is home to a number of excellent businesses and a skilled workforce. At the time of writing this report, the estate could be said to be fully let albeit that the offices at 6 and 7 and the warehouse at 5G are under offer by way of an Agreement for Lease.
- 7.37 The most recent industrial letting was Unit 4/4b, 26,204sq.ft, 10 year lease with a break at 5, £6.25 psf and no rent free. The landlord has been upgrading units when companies vacate which on the basis this appears to be a rare phenomenon at Icknield Way, this could be a slow process.
- 7.38 The estate has a number of long standing occupiers including Stokvis Tapes, Nikon, Giga Communications Limited, Sonoco Thermosafe and Rennie Grove Hospice.

- 7.39 Over time, the office buildings have been divided up into small suites which have been refurbished to include new suspended ceilings, LED lighting, perimeter trunking, new carpeting and refurbished WC accommodation. The rental tone is circa £12 psf. This rent is arguably less than offices achieved in Tring town centre, however, it is not every business which is happy to locate office staff on an industrial estate. However, Icknield Way does have the advantage that each unit comes with a good car parking ratio.
- 7.40 The hands on property management at Icknield Way is very different to that of an institutional owner. The company are primarily driven by income and as such have sought to keep the estate fully occupied rather than drive rents to their highest levels. If an institutional investor were to buy this estate at a future date (it is not for sale!) then they would probably look at phased redevelopment and a rental tone for new stock circa £8.50 to £10.00 psf.

8. RELATIVE SECTOR VALUES

A) Maylands Business Park (junction 8 M1 motorway), Hemel Hempstead

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	£27.50	£300	£0.8m
Grade B Offices	£14.00-£18.00	£200-£250	£0.8m
Warehousing	£9.00-£12.00	£135-£180	£1.3m-£1.5m
Light Industrial	£9.00-£12.00	£135-£180	£1.3m-£1.5m
Residential	N/A	£400-£450	£2.25-£2.50m

B) Park Lane, Hemel Hempstead

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	N/A	N/A	N/A
Grade B Offices	£20.00	£225	£0.8m
Warehousing	N/A	N/A	N/A
Light Industrial	N/A	N/A	N/A
Residential	N/A	£400-£450	£2.25-£2.50m

C) Whiteleaf Road, Hemel Hempstead

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	N/A	N/A	N/A
Grade B Offices	N/A	N/A	N/A
Warehousing	£10-50-£11.75	£155-£170	£1.3m-£1.5m
Light Industrial	£10.50-£11.75	£155-£170	£1.3m-£1.5m
Residential	N/A	£400-£450	£2.25-£2.50m

D) Doolittle Meadows, London Road, Apsley

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	£27.00	£300	£0.8m
Grade B Offices	£18.00	£225-250	£0.8m
Warehousing	N/A	N/A	N/A
Light Industrial	N/A	N/A	N/A
Residential	N/A	£425-£475	£2.50m-£2.75m

E) Bourne End Mills Industrial Estate, Hemel Hempstead

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	N/A	N/A	N/A
Grade B Offices	N/A	N/A	N/A
Warehousing	£9.00-£11.00	£135-£150	£1.3m-£1.5m
Light Industrial	£9.00-£11.00	£135-£150	£1.3m-£1.5m
Residential	N/A	£400-450	£2.00m-£2.25m

F) Northbridge Road and River Park, Berkhamsted

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	£20.00-£22.00	£275-£300	£0.8m
Grade B Offices	£16.00-£20.00	£175-£200	£0.8m
Warehousing	£9.00-£11.00	£125-£150	£1.0m-£1.1m
Light Industrial	£9.00-£11.00	£125-£150	£1.0m-£1.1m
Residential	N/A	£500-£550	£2.75m-£3.00m

G) Icknield Way Industrial Estate, Tring

	Rent psf	Capital Value psf	Land Value per acre
Grade A Offices	£18.00-£20.00	£250-£275	£0.8m
Grade B Offices	£12.00-£14.00	£175-£200	£0.8m
Warehousing	£6.50-£7.50	£90-£110	£1.0m-£1.1m
Light Industrial	£6.50-£7.50	£90-£110	£1.0m-£1.1m
Residential	N/A	£450-£500	£2.50m-£2.75m

9. SUMMARY AND CONCLUSIONS

- 9.1 It is a fact that we could make a case for every development site in Dacorum to be residential in order to meet the housing demand. However, it is imperative to retain employment opportunities within all centres in Dacorum. A spread of employment uses across all centres is a healthy mixed environment which encourages people to work close to home and reduces commuting.
- 9.2 Under Permitted Development Rights legislation Dacorum has seen the loss of many office buildings. It could be argued that many of the poor quality office buildings, by way of example Swan Court, Waterhouse Street and Viking House, Redbourn Road, needed to find alternative uses as the landlords are reluctant to invest money to refurbish when rental values are low. Constrained supply had a positive effect on landlords' willingness to refurbish as rents increased. However the tipping point has been reached and good quality buildings have now been lost.
- 9.3 Particularly badly hit is Hemel Hempstead town centre with only 8 office buildings of note remaining namely The Galleries KD Tower, High Trees Hillfield Road, Park House Park Lane, One Park Lane, 5-7 Alexandra Road, Telford House Corner Hall, 1&2 Waterhouse Street and The Forum, Marlowes (Dacorum Borough Council's own office). It is our opinion that in all instances demand from residential developers would exceed existing use.
- 9.4 Brasier Freeth recently marketed Charter Court, Midland Road comprising a town centre office building of 12,200sq.ft. This building was built mid 1980's and until recently this good quality office was occupied by Park Resorts. From our marketing campaign we had no viewings or interest for office use. All interest came from the residential sector. The property completed to a Housing Association in December 2018. In this example the valuation for residential use was 30-35% higher than office use.
- 9.5 Berkhamsted and Tring are affluent centres where residential values are high. The towns are popular with London commuters and local people. Where buildings have come to the market, by way of example Salter House, High Street, Berkhamsted and 9 Akeman Street, Tring have been converted to residential. As the commercial areas at Northbridge Road and River Park, Berkhamsted and Icknield Way, Tring are the only areas of their type in these centres it is particularly important to protect them from a change to residential use.
- 9.6 Every centre in Dacorum is surrounded by green belt. Residential development is already under consideration in the green belt (the new Local Plan is in the consultation phase but large areas of green belt may be allocated to residential use). The only new commercial area in the green belt will be the Maylands extension at junction 8, although it is worth noting that this site falls in the St Albans district. Dacorum has not yet decided whether the new Local Plan will include any employment allocations on land currently within the green belt.
- 9.7 People living in Dacorum benefit from a high standard of living, access to excellent schools and amenities. Every centre is within easy commuting distance of London. As evidenced by the values given in this report, residential values across all types of housing are high.

- 9.8 The range and depth of market evidence within Hemel Hempstead is substantial and, by necessity, it is from Hemel Hempstead that the majority of the evidence base is derived. There have been few, if any, significant land transactions in either Tring or Berkhamsted recently and it has therefore been necessary to extrapolate from the available data in order to provide benchmark land values for these areas.
- 9.9 Most of the major residential developers would prefer new build options to ensure they can meet the latest building regulations and provide a quality product for the long term whereas some recent conversion projects have been for pure profit and the quality has been poor. We are aware that financial institutions are steering away from lending on this type of property, especially when they are situated in mixed use areas.
- 9.10 The pressure from residential developers to buy permitted development opportunities is being repeated across the Borough, Hertfordshire and the Home Counties. It is our strong view that Dacorum Borough Council should seek to protect the commercial areas highlighted in this report.

10. REPORT SIGN-OFF

We trust the above is sufficient for your purposes. However, should there be any matters arising from our report or should any further comment or clarification be required we will be pleased to hear from you further.

Yours faithfully:

Counter Signatory:



Signed:

Signed:

**STEPHEN OAKEY BSc (HONS) MRICS
For and on Behalf of BRASIER FREETH LLP**

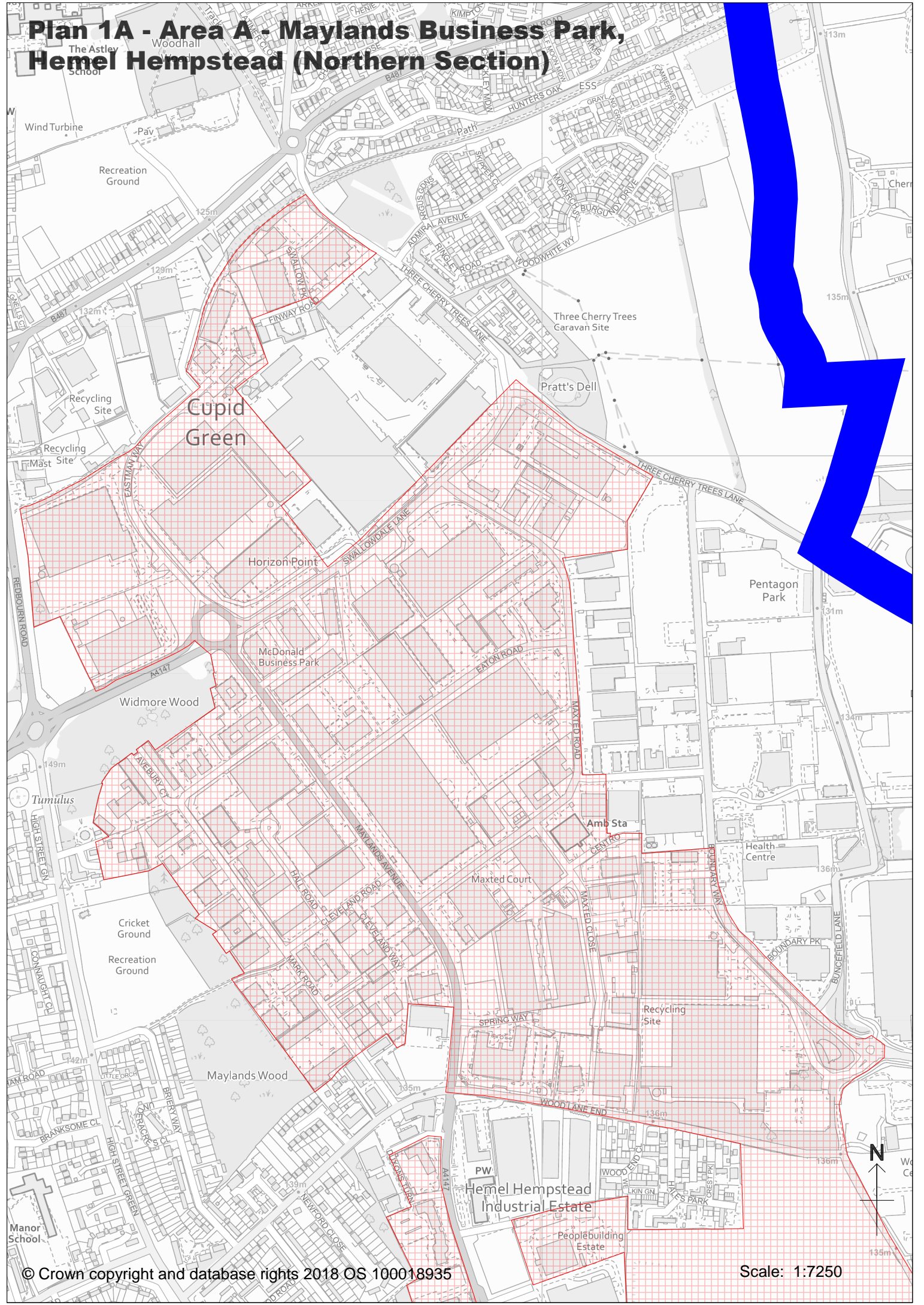
**CLAIRE MADDEN BSc (HONS) MRICS
For and on Behalf of BRASIER FREETH LLP**

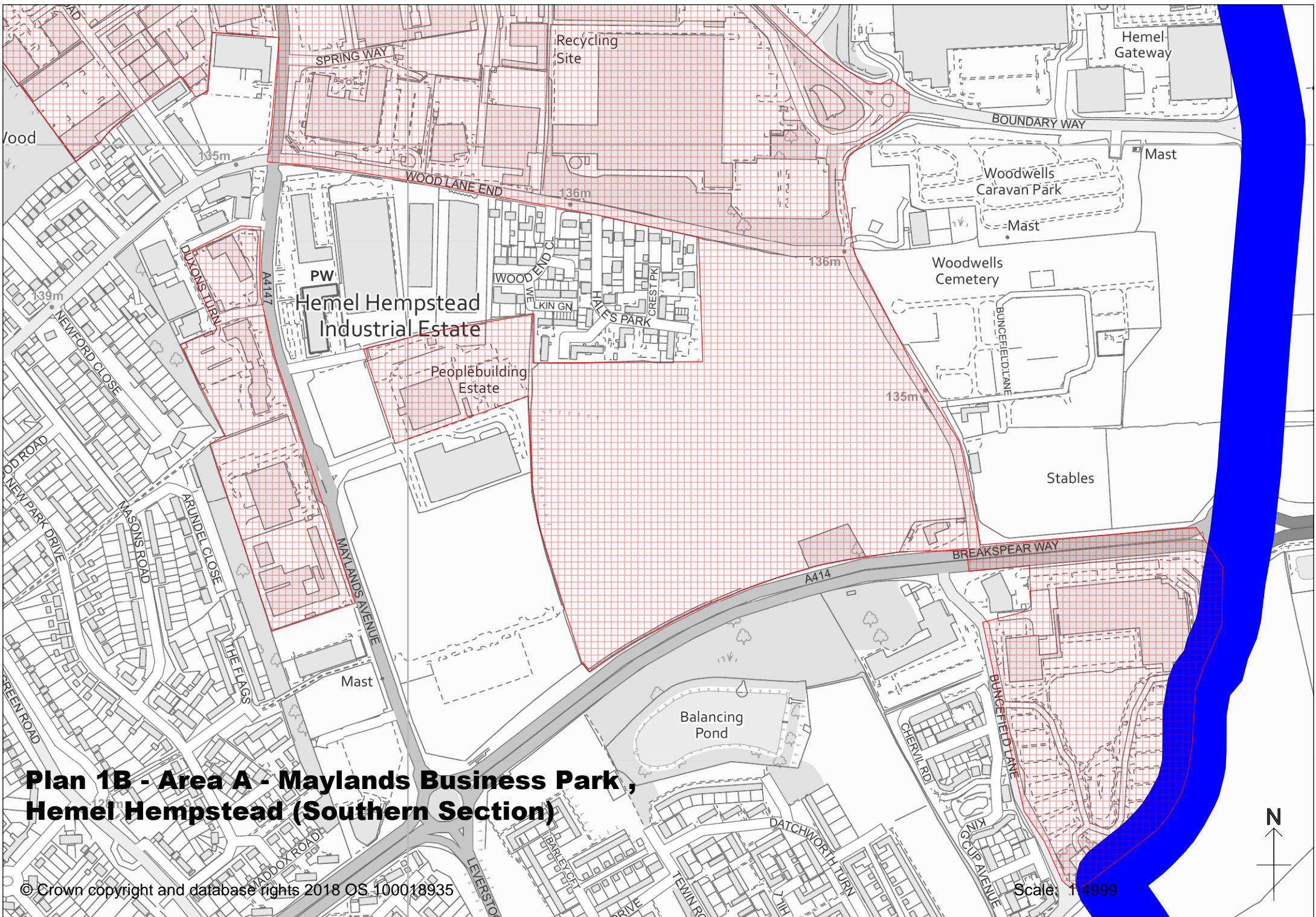
Date: 8th January 2019

Appendix 1

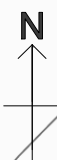
Proposed Article 4 Area Maps

Plan 1A - Area A - Maylands Business Park, Hemel Hempstead (Northern Section)





**Plan 1B - Area A - Maylands Business Park,
Hemel Hempstead (Southern Section)**



Plan 1 - Area B - Park Lane, Hemel Hempstead

ALBION HILL

Wolsey House

Hotel

Lincoln House

Surgery

The Marlows Centre

El Sub Sta

Park House

WOLSEY ROAD

PARK LANE

ORCHID DRIVE

Hertfordshire House

ESS

SELDEN HILL

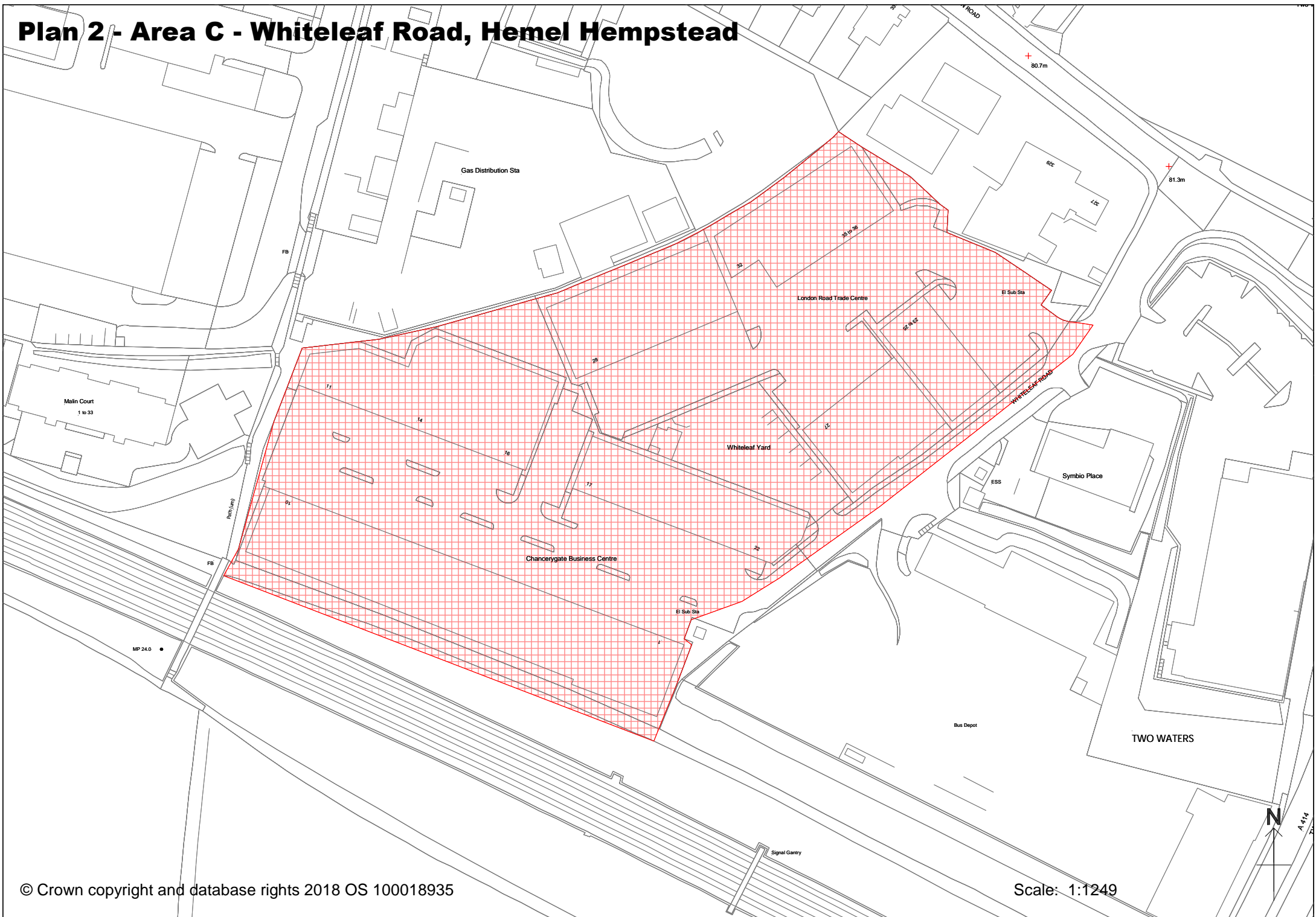
El Sub Sta

Byrston Court

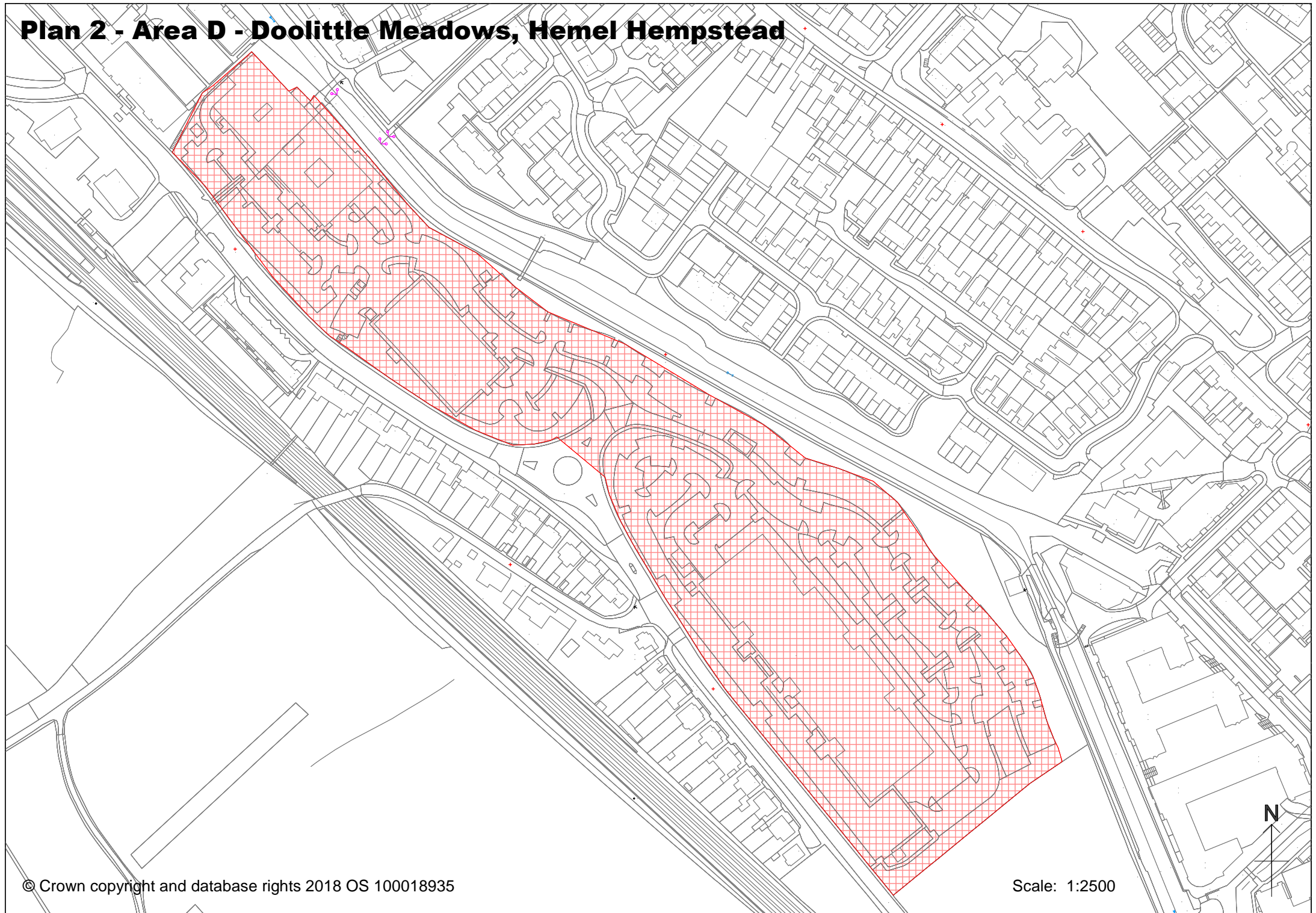
Brookfield House

N

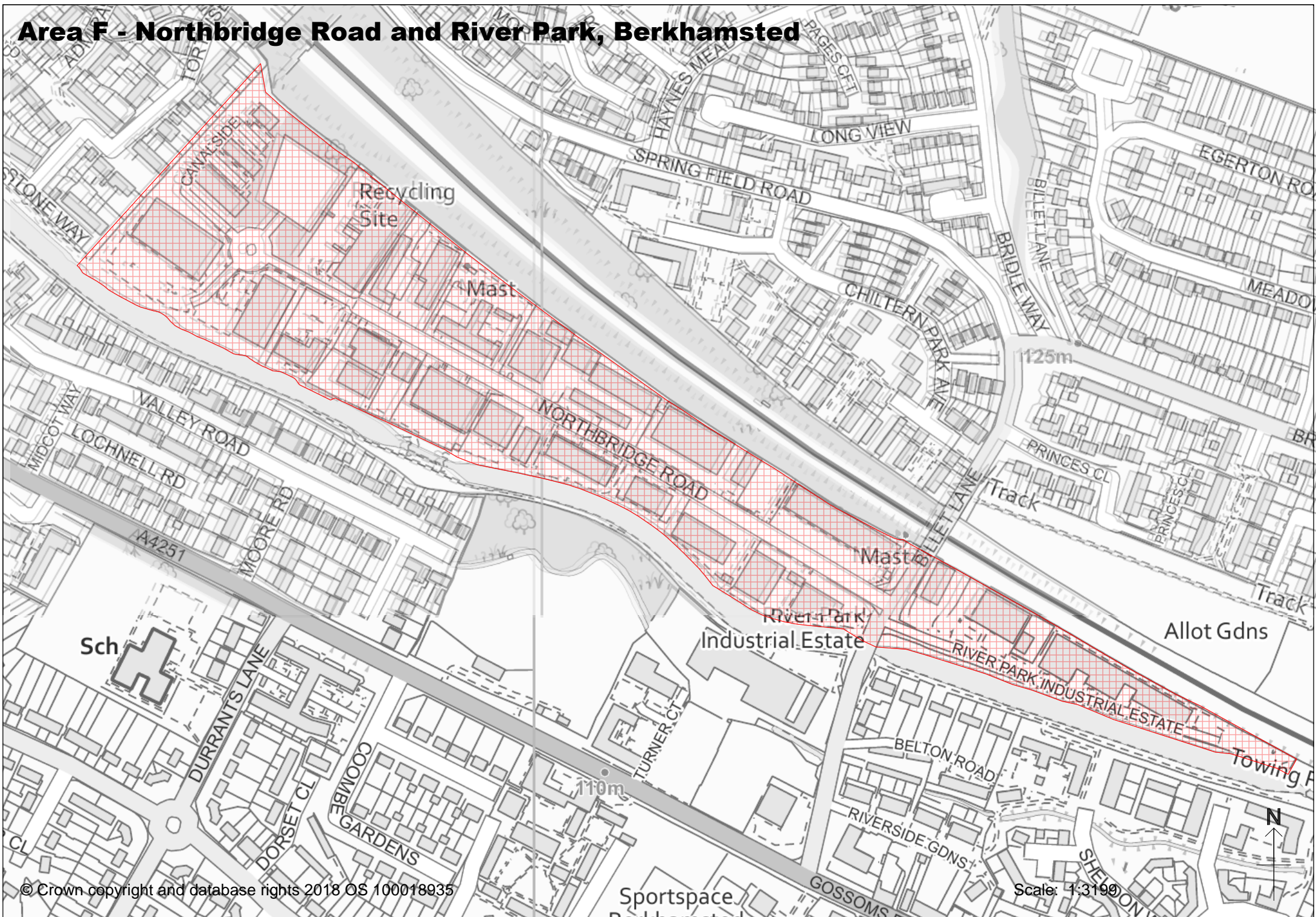
Plan 2 - Area C - Whiteleaf Road, Hemel Hempstead



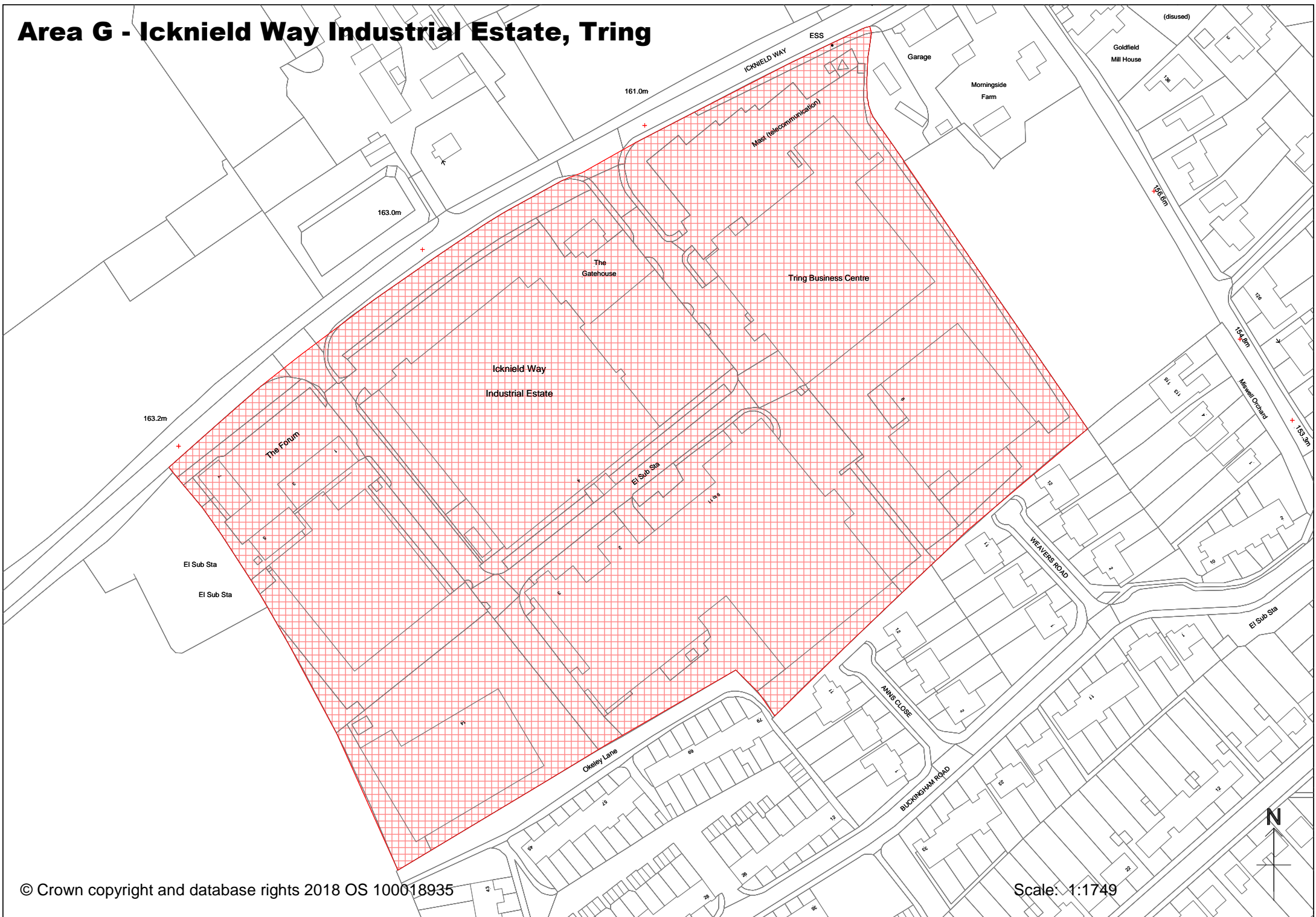
Plan 2 - Area D - Doolittle Meadows, Hemel Hempstead



Area F - Northbridge Road and River Park, Berkhamsted



Area G - Icknield Way Industrial Estate, Tring



- Lettings & Sales
- Acquisitions
- National Retail Agency
- Building Surveying
- Project Management
- Lease Advisory Services
- Valuations & Rating
- Property Management
- Planning & Development Consultancy