

Economic Strategy Refresh

Enabling economic infrastructure to unlock growth through place-based approaches



Introduction

Metro Dynamics was commissioned to support Surrey County Council (SCC) with the refresh of their economic strategy evidence base. The previous strategy had four strategic priorities, which have been reframed to three, to be supported by the Surrey Growth and Innovation Fund and future funding received by the Council to support growth. These are:

- Creating the right conditions for Surrey businesses to start, grow and thrive
- Ensuring Surrey's residents are able to support the workforce and skills demands of Surrey businesses
- Enabling economic infrastructure to unlock growth through place-based approaches

Work was completed to review and update the logic chains for each priority, which were initially developed in 2021 and were edited by the SCC team at the start of the strategy refresh. The evidence review has involved detailed data collection and analysis, updating the current position on evidence points underpinning the strategy, and undertaking new analyses to fill gaps.

Three evidence packs have been produced, one for each priority, including an update to the logic chains.

This document includes the full findings for the third priority: **Enabling economic infrastructure to unlock growth through place-based approaches**. The following pages present the evidence collected for this priority, focusing on transport, commercial properties and housing, collating the strengths, weaknesses and implications summarised in the revised logic chain.

Key findings

Transport Connectivity: Surrey has notable transport infrastructure, but there are clearer routes for travelling to and from London than across the county. In Surrey, travel to workplaces has not yet returned to pre-pandemic levels, and working from home is common, with high levels of hybrid working. Surrey has a high car dependency, and driving is the most popular mode of travel to most destinations besides London, where rail is used. Road congestion in Surrey is high compared to similar counties and has nearly returned to pre-pandemic levels despite higher home-working. However, it remains the most efficient way to get around the county. On the other hand, rail travel is largely concentrated to journeys into London, with notable hubs being Guildford and Woking. **Focus should be on aligning with Surrey’s Local Transport Plan to “Avoid, Shift, Improve” local transport by improving road and public transport infrastructure.**

Housing: Housing affordability in Surrey is significantly worse than comparators for workplace-based and resident-based earnings calculations, taking over a decade for a median earner to afford a median price home. The gap between workplace earnings and residence-based calculation also exceeds comparators, as affordability remains worse based on workplace incomes. Housing has also become less affordable faster in Surrey than in comparators, especially for local workers. Despite improvements, housing delivery has not met the estimated number of homes required in 2021-22, as seven of 11 districts delivered fewer homes than required. Changes to the NPPF and declines to planning consents is likely to make housing delivery targets more difficult to achieve. **Construction constraints of new and affordable homes could become an increasing barrier to economic participation and potential growth.**

Commercial properties: Surrey has a good share of high-quality office space but fewer Grade A industrial spaces than the UK and CIPFA comparators. Office vacancy rates are between 8-10%, above nationally, and have been stable due to tenants exiting space at a similar rate to the total space decline. For Grade A offices, vacancy rates are higher but have seen demand increase in 2024. Office rents have seen weak growth and have stagnated in recent years. Grade A industrial properties have high and growing vacancy rates following significant delivery but minimal take-up, now more than double the UK rate, and rents are also significantly above comparators. Spatially, town centres and areas closer to London tend to have more space available and charge higher rents, but it is common for rural areas of the county to have high vacancy rates. The supply of multi-tenancy space does not differ significantly from comparators, but the share of total space has declined in recent years, meaning less space is available for SMEs. Surrey has a higher share of sustainable or BREEAM-certified offices than the CIPFA average, which also has higher absorption than non-BREEAM-certified offices. However, delivery has been stagnant post-pandemic. **The availability of commercial space in Surrey is not a constraint, particularly when looking at industrial space. The focus should be on filling out existing space and maximising the opportunities it brings.**

Additional infrastructure: Digital connectivity is generally strong in supporting businesses and residents, but cross-county divides exist as rural areas to the south have lower access to reliable speeds. Per capita carbon dioxide emissions are below comparators and have decreased since 2005 in line with nationally. **Surrey must continue to ensure that digital and electricity infrastructure supports businesses and homes across the county, including rural areas.**

Revised Logic Chain

Evidence

- Surrey has notable transport corridors. Public transport is highly connected and widely used for commuting to London, while driving is a more efficient mode of transport around the county.
- Research in 2021 found that pre-pandemic, 42.5% commuted out of Surrey, and 23.2% commuted into London. There was a positive net in-flow of workers of 22,935 due to homeworking during the pandemic. Homeworking is significantly more common now, 58% of workers work from home at least once a week.
- Research in 2021 found that Surrey had the fourth-highest traffic levels in the country and below-average availability of EV charging points. Vehicle delays are still high, almost returning to pre-pandemic levels.
- Research in 2021 found commercial vacancy rates were 5.4% (of all types). This research finds that office vacancy rates in Surrey have historically been higher than comparators, and there is available space across the full county. Vacancy is high for industrial units, especially Grade A units without strong take-up post construction, potentially linked to high rents for industrial units in Surrey.
- This research also finds that Surrey has a high share of good-quality office space at Grade A, where rental premiums are lower than comparators. The supply of environmentally friendly space is also strong but has stagnated recently.
- Research in 2021 found that median house prices are 11.5 times the median annual earning and are consistently poor relative to national and regional averages. Affordability is still poor relative to comparators and in all Districts. Housing is 11% less affordable when looking at workplace-based earnings in Surrey, compared to just 6% in CIPFA
- Across Surrey, housing delivery is almost 6% lower than the estimated requirement over the last three years. However, this has improved considerably since the previous analysis, which had housing delivery at almost 20% lower than the expected requirement. Recent trends in planning consents and construction starts, partnered with changes to the NPPF is likely to make meeting housing delivery targets more difficult.
- Research from 2021 found that 66% of premises have Ultra-Fast Broadband connectivity or faster (above the national average), which has since increased to 77.5%.
- No Town Deals or Future High Streets Fund deals in Surrey in 2021. Each district has received the minimum UKSPF funding and multiply funding for Surrey at a per capita level is one of the lowest of CIPFA counties.

Implications

Improved town centres and high street offers, including residential, to attract and retain talent and business. Aim to tackle the lack of diversity and creativity due to high rents and property values.

Lack of connectivity by sustainable public transport for employment sites will likely put long-term pressure on competitiveness and business investment. Also leads to high car dependency. Pressure on transport systems will likely increase/change if out-commuting stays low.

Housing unaffordability leads to a net outflow of people, particularly younger professionals, making it harder to attract a diverse range of people to live in Surrey.

Given the cost of public transport innovation and car dependency, EV charger rollout matters.

High vacancies, especially for industrial space, indicate that supply is not a constraint. The focus should be on understanding why there is a low take-up of existing space. There is potential for targeted promotion of available space at sites.

Much of the infrastructure is outside of SCC's direct control. The strategy must advocate for other strategic processes and focus objectives on activities SCC can/will drive.

Objectives*

Invest in town centres to support local economic growth and prosperity.

Enable the development of physical and digital infrastructure to facilitate growth and avoid opportunity loss

Be able to take a strategic view across all funding streams to maximise benefits to local people and places.

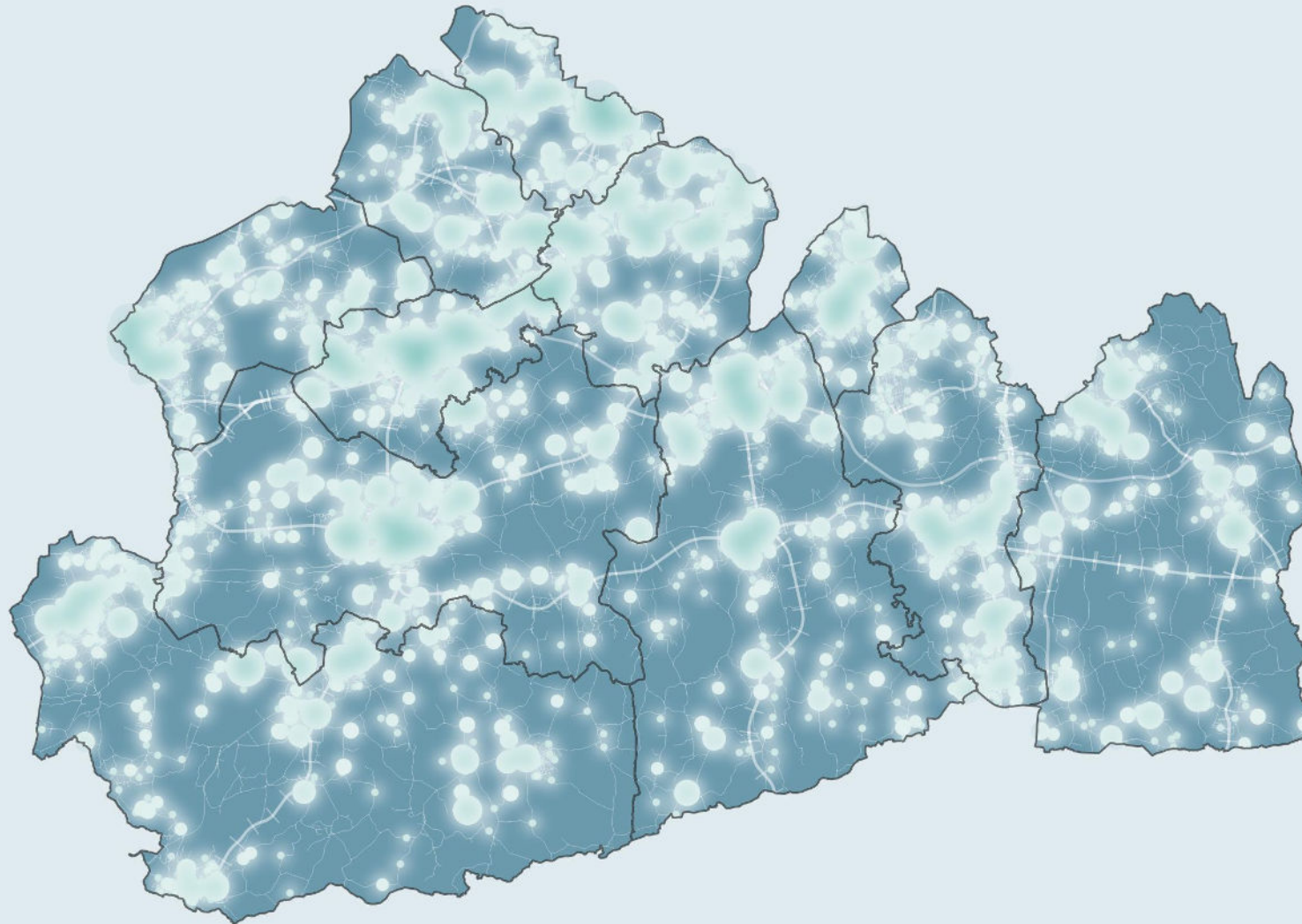
Develop a more integrated and efficient transport network to improve access to jobs, reduce pressures on the road network, and reduce environmental harm.

Support the delivery of affordable homes.

Ensure employment and commercial land demands are balanced against growing housing targets.

*Objectives reflect the objectives set out by Surrey at the time this evidence work was conducted; these may not be the same as the objectives in the final strategy as the evidence work was an input to strategy development.

Transport connectivity



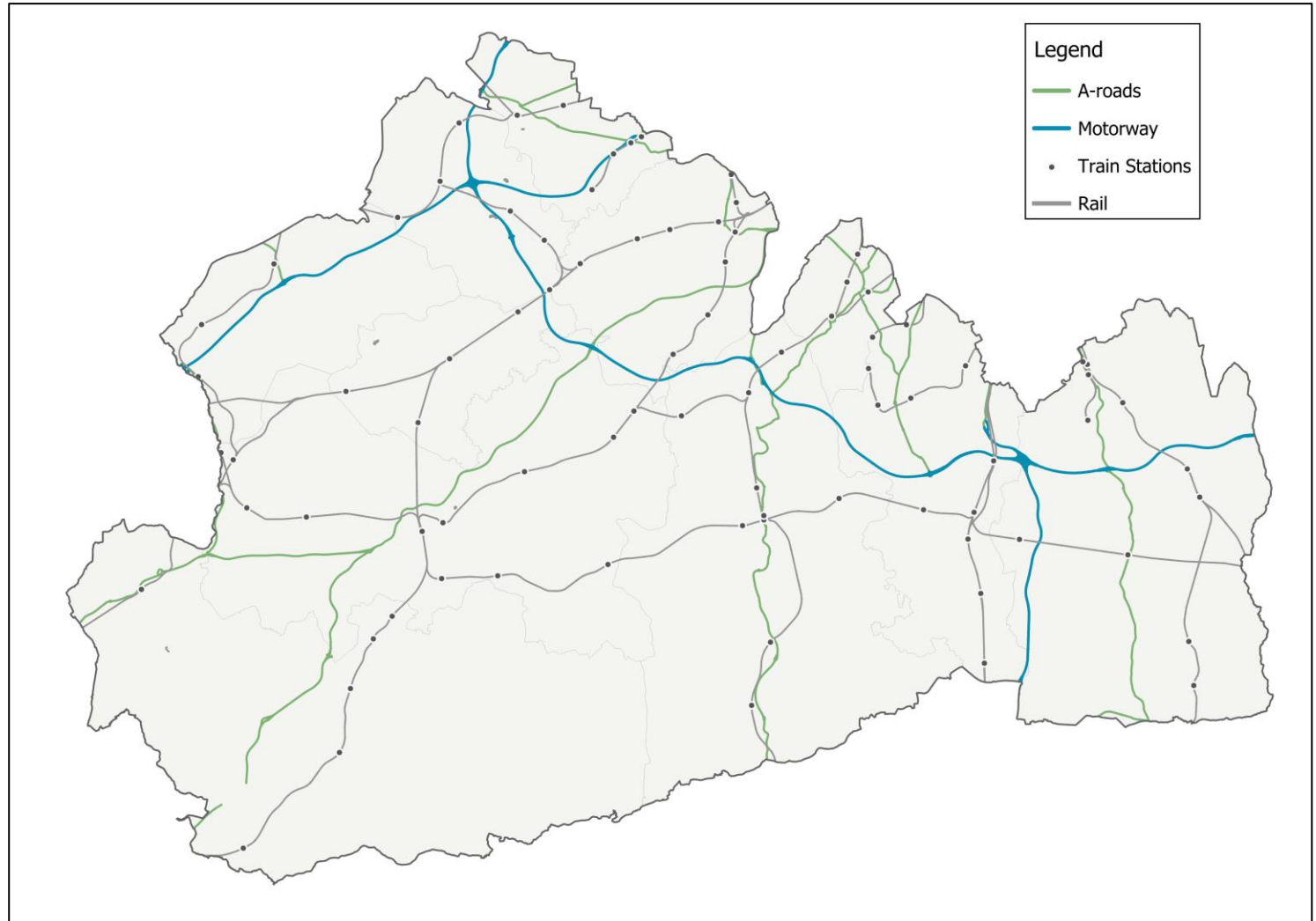
Surrey's transport routes

Surrey has several transport routes in, out and across the county via road and rail.

Surrey has three motorways which pass through the county. These are the M3 (connecting London to Hampshire through Spelthorne, Runnymede and Surrey Heath), the M23 (connecting Tandridge to Crawley and Gatwick Airport), and the M25 (circling Greater London, passing through eight districts).

Surrey is also home to several A roads, most of which act as commuting routes into London. The only major road connecting East Surrey to West Surrey is the M25.

Surrey is also home to several rail routes and 84 stations, serviced by SWR, Southern, GWR and Thameslink. Similar to roads, most routes go from London outwards, as several journeys across the county require routes that go into London and switch at stations such as Clapham Junction. The main line connecting East Surrey to West Surrey is the GWR service connecting Guildford to Tandridge, but it still lacks connectivity to districts to the northwest of the county.



There are 20% fewer journeys to workplaces since pre-COVID

These charts show that the mobility of residents going to each place category has returned to normal, besides workplace in which there are still 20% fewer journeys.

The Google mobility reports show movement trends by region across different categories of places since a baseline of January 3 – February 6, 2020. The y-axis represents the percentage change in the number of people travelling to each place category. The time frame covers from 15/02/2020 to 15/10/2022 when reports stopped being updated.

These charts suggest that, like the UK, mobility to residential places and retail and recreational places has returned to similar levels as pre-pandemic, only within a 5-10% difference. However, unlike the UK, mobility to transit in Surrey has fully returned to pre-pandemic levels, whilst for the UK, this remains at 20% lower. For workplaces, travel to workplaces has not yet returned to pre-pandemic levels, at 22% less for Surrey and 19% less for the UK.



More than half of workers work from home at least once a week

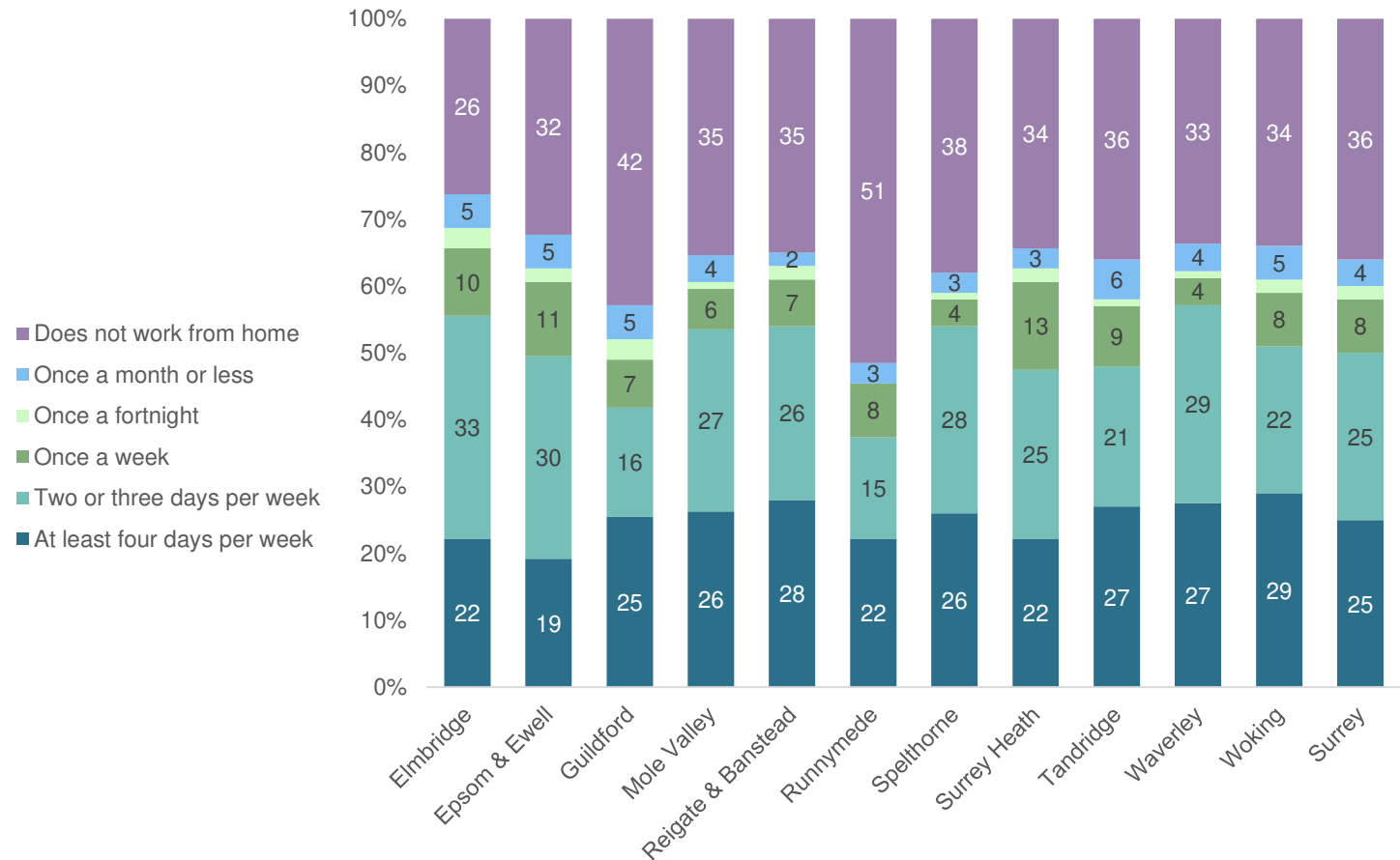
58% of workers in Surrey are hybrid, most common in Elmbridge.

These stacked bar charts show the proportion of Surrey workers who work from home and how regularly. The 2021 census found that working from home was more common in Surrey than the CIPFA and England average, implying that COVID-19 impacted the county in ways of working more than comparators.

The graph shows that three years on, Surrey still has a high share (58%) of the population working from home at least once a week and 25% at least for days per week. Just 36% of workers do not work from home at all.

Woking has the highest share of people working from home at least four days a week, at 28%, followed by Reigate and Banstead. However, Elmbridge has the highest share of hybrid workers, with 65% of the population working at least once a week. In contrast, Runnymede has the highest share of workers not working from home at all, at 51%, followed by Guildford and Spelthorne.

Percentage of people working from home by district

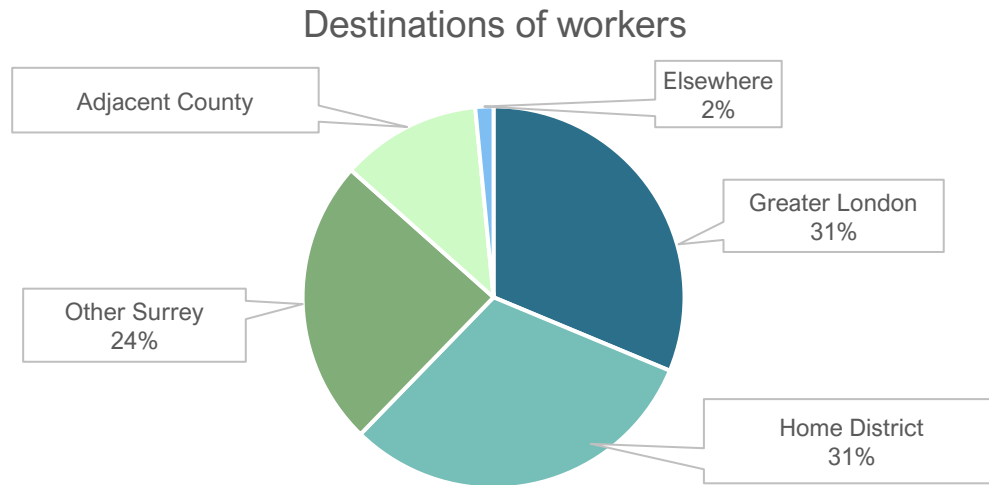


Nearly a third of commuters travel to London for work

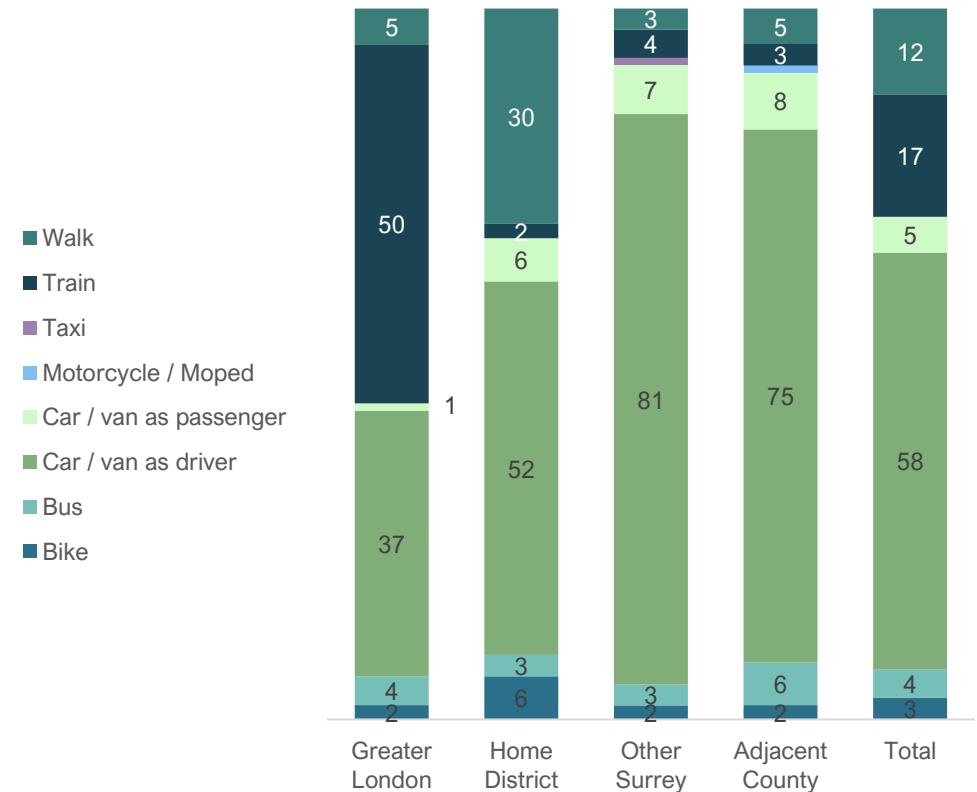
Driving to work is the most common mode of transport for workers in Surrey. The only destination where driving is not the most common mode of transport is Greater London, where train journeys are more common, despite accounting for only a fraction of journeys to other destinations.

The pie chart shows the most common destination of workers living in Surrey. The chart shows that many workers dependent on London as the most common destination for commuters at 31%. However, the majority stay within Surrey at 55%.

The bar charts show the mode of transport used by commuters to each destination. Driving is the most common form of transport used in Surrey, accounting for 58% of commuters. However, when travelling to other districts in Surrey or an adjacent county, this share is even higher at 81% and 75%, respectively. In contrast, when travelling to London, train journeys are more common, used by half of commuters.

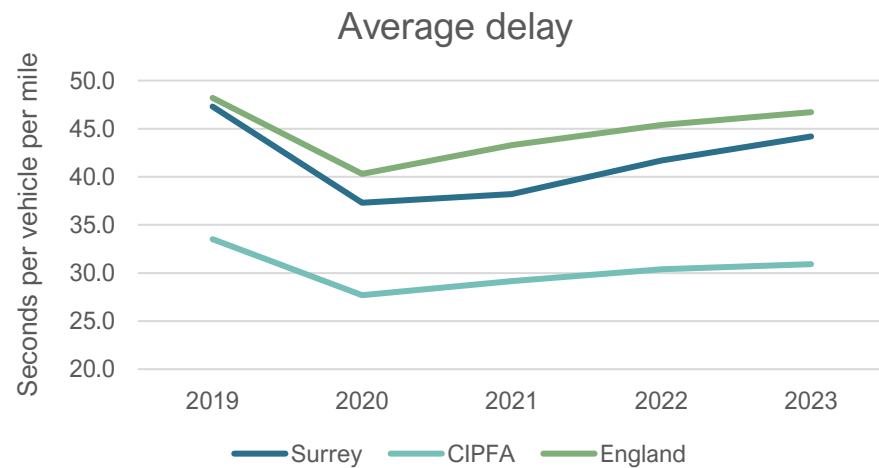


Mode of transport to work by destination



Road congestion has almost returned to pre-pandemic levels

Average delays in Surrey are slightly below the England average, but significantly greater than other CIPFA counties, several key A-roads have high congestion. Since 2020, road congestion has increased to just 7% below pre-pandemic levels.



Road name	Average delay (spvpm)	Route details
A232	84.9	Connecting Epsom and Ewell to Sutton & Croydon
A318	76.4	Connecting Elmbridge and Runnymede
A317	68.5	Connecting Elmbridge and Runnymede
A3050	66.2	Through Elmbridge between Runnymede and Kingston
A2003	61.8	Dorking town, Mole Valley
A2022	60.5	Connecting Epsom and Ewell, Reigate and Banstead, Sutton and Croydon
A23	58.5	Connecting Reigate and Banstead to Croydon and Crawley
A307	55.4	Connecting Elmbridge to Kingston upon Thames
A244	55.1	Connecting Mole Valley, Elmbridge, Spelthorne and Hounslow
A245	54.9	Connecting Woking, Elmbridge and Mole Valley

The line chart demonstrates the average delay on roads in Surrey and comparator regions, reflected by seconds per vehicle per mile (spvpm). The average delay for Surrey was 44.2 spvpm, slightly below the England average of 46.7 but significantly higher than the CIPFA average of 30.9 spvpm. Surrey comfortably has the highest delays of all CIPFA counties, with second place being East Sussex at 38.3. Of all unitary authorities in England, Surrey ranks between Leeds (45.7) and Swindon (43.8), both significantly more urban areas. This demonstrates that road congestion is an issue in Surrey, likely increased by the high car dependency of workers.

The table shows specific A-roads in Surrey that experience high levels of road congestion and the route through Surrey they go. This highlights that road congestion is worse on certain routes through the county. Notably, counties bordering London boroughs have highly congested roads like Elmbridge or Epsom and Ewell. Popular commuting routes also have some of the largest congestion levels like connecting Elmbridge with Kingston and Runnymede or Epsom and Ewell and Reigate and Banstead to Sutton. Alternative transport routes can relieve congestion on these roads.

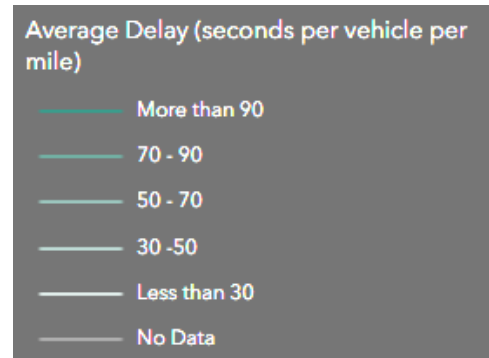
Road congestion is higher in urban parts of Surrey



The map shows that road congestion continues to be worse in Surrey’s larger towns, where bottlenecks exist.

This map shows that the average delay is generally higher in town centres across Surrey.

Notable areas with high levels of congestion include the town centres of Dorking, Guildford, Reigate, and Staines and the roads around Addlestone, which connect to Chertsey, Weybridge, and West Byfleet.



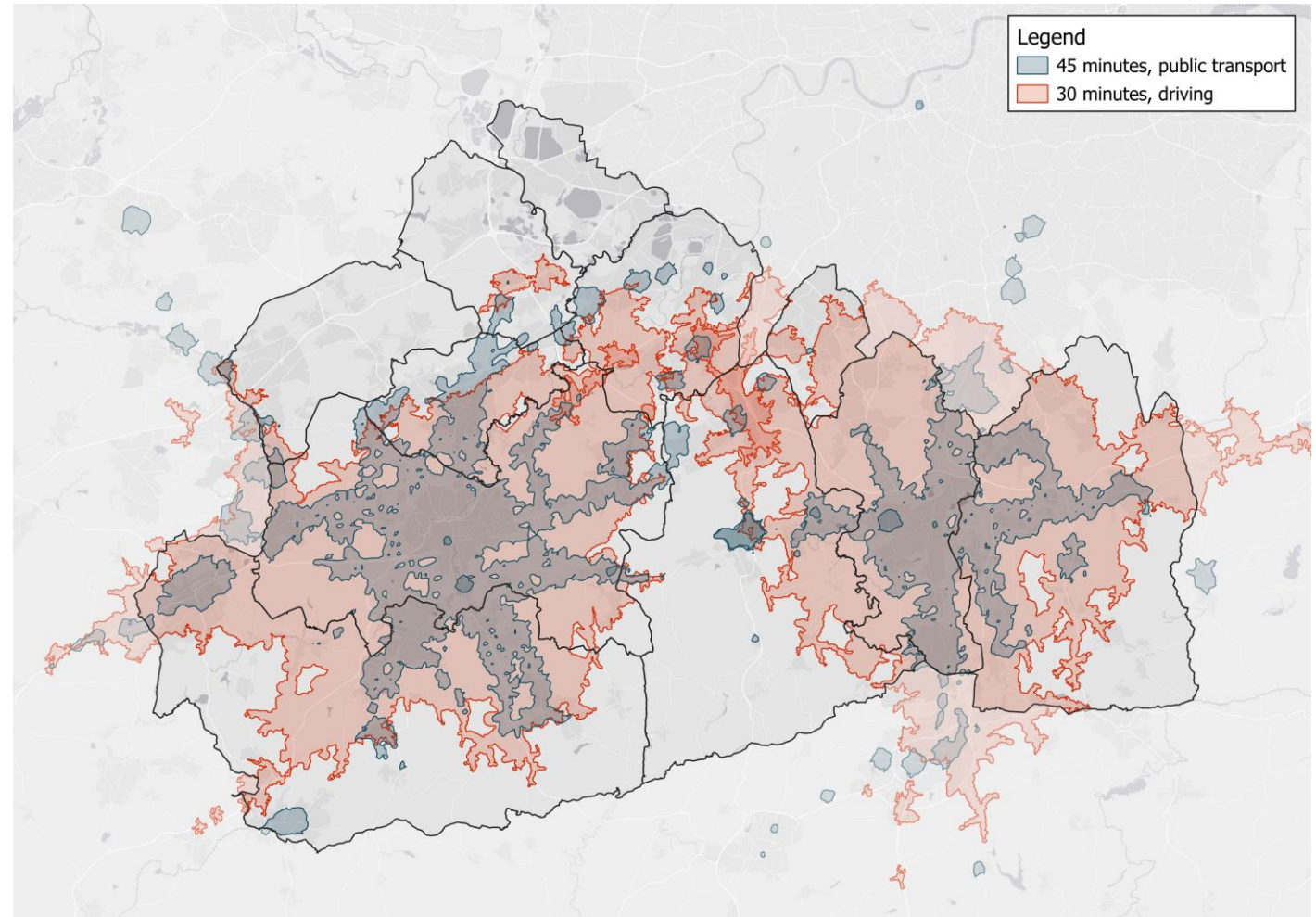
Driving remains generally quicker to get around Surrey

Driving is a more efficient method of travel to get around Surrey. However, when travelling longer distances or commuting to towns or cities, public transport may be the better option.

This map shows the distance that can be travelled by public transport and driving from Guildford and Redhill town centres. The blue overlay shows the areas that can be travelled by public transport in 45 minutes, whilst the red shows the distance that can be travelled in 30 minutes driving.

Despite high levels of congestion across Surrey, these maps highlight that driving is a more efficient method to get around the county. From both town centres, the area covered by 30 minutes of driving is much larger than 45 minutes on public transport.

However, the map highlights that when travelling longer distances, public transport may be the more efficient form of travel. This is especially the case when commuting into London or to larger towns outside of the county, in which there is a direct route to a connecting station.



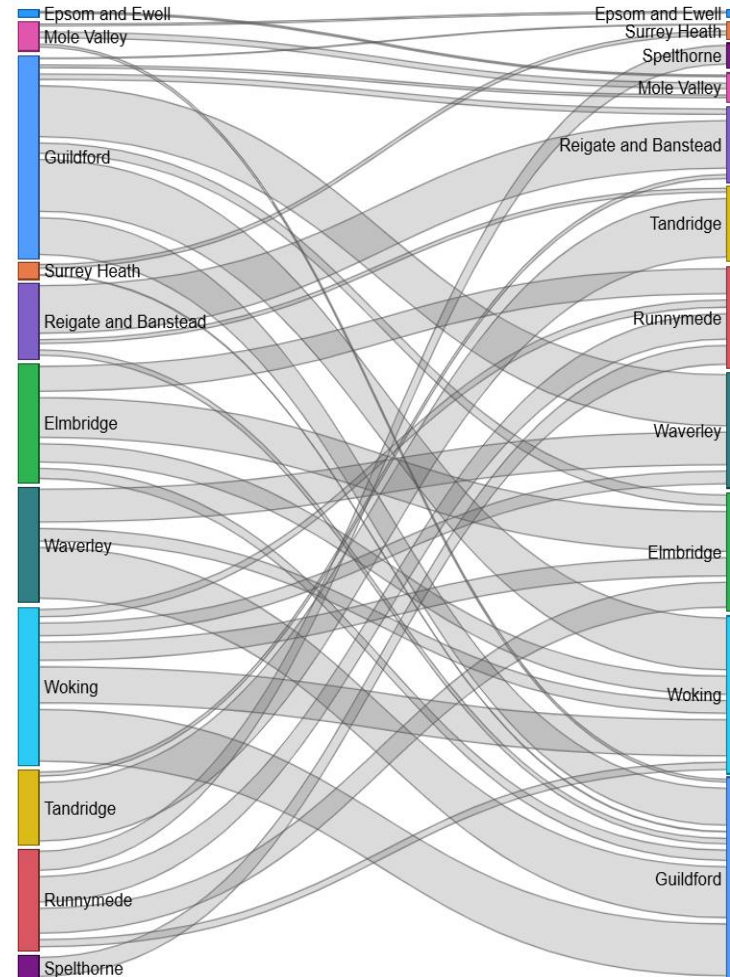
Guildford and Woking are the most used train stations

Rail travel is concentrated in West Surrey, with Guildford and Woking acting as large hubs.

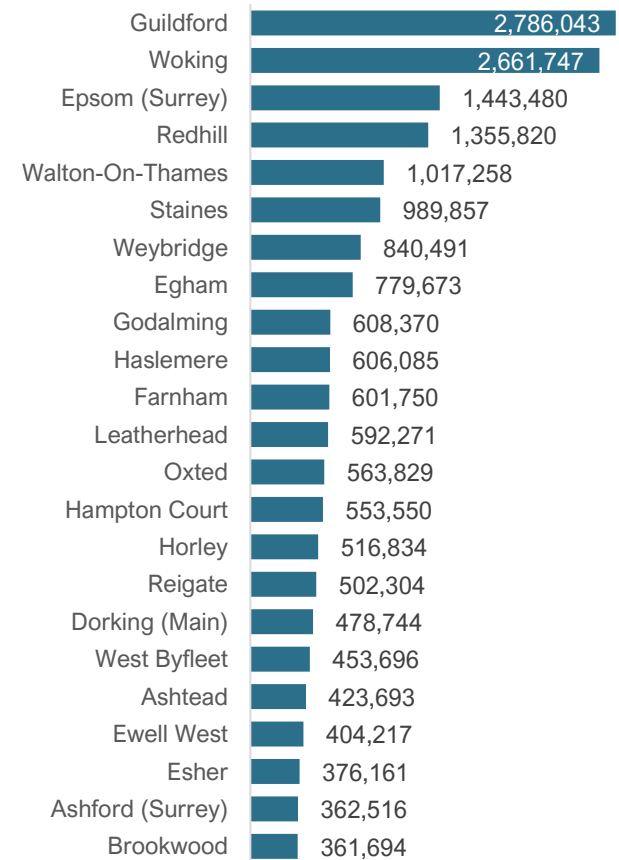
The Sankey diagram shows all journeys between Surrey’s districts taken over 25,000 times. The bar chart shows the top stations in Surrey from which people travel (over 350,000).

The bar chart shows that the most used train stations are Guildford and Woking, both above 2.5 million. Guildford and Woking districts also have the most cross-county journeys at seven and five connections taken over 25,000 times, respectively. Epsom, Redhill and Staines also have some of the highest journeys. However, their respective districts show fewer routes to other districts, suggesting that journeys are mainly taken to travel out of the county.

The Sankey diagram also highlights the lack of rail travel between East and West Surrey. The only routes taken over 25,000 times were from Guildford to Mole Valley or Reigate and Banstead. Travel within East Surrey is also less common. Even districts that had more journeys, such as Reigate and Banstead or Tandridge, saw the main bulk of travel within the home district.



Total journeys from Surrey



Most rail journeys from Surrey are to London

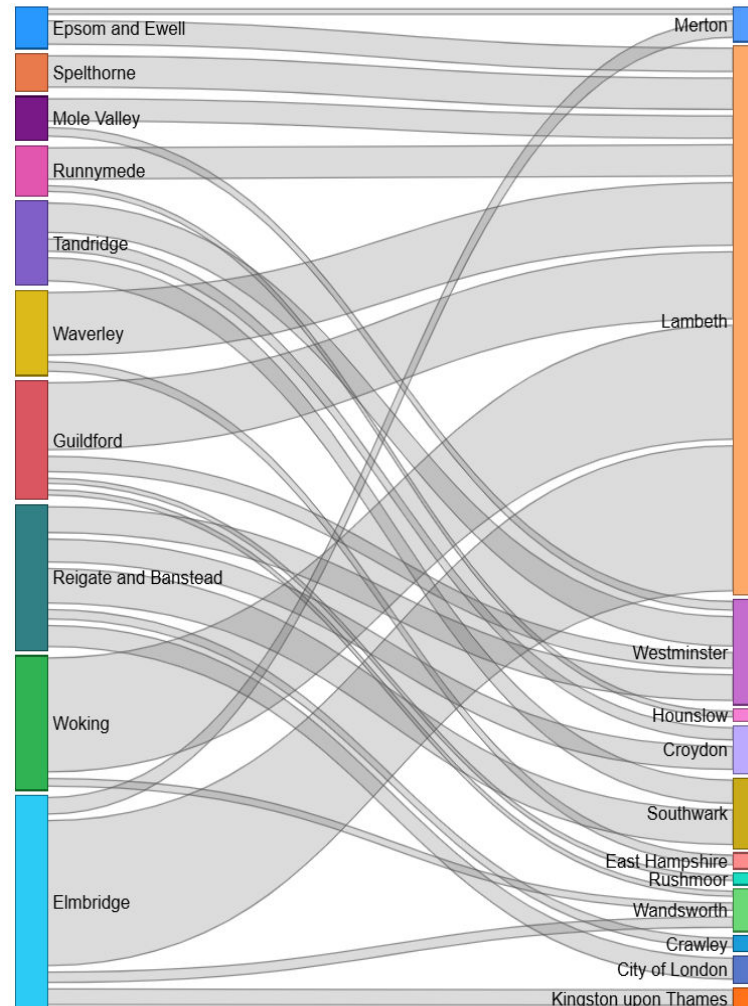
Rail journeys in Surrey are very London-centric, as the most common destination.

The Sankey diagram shows all rail journeys taken over 100,000 times out of Surrey. The bar chart highlights the top destination stations that people travel to from Surrey (over 150,000 journeys).

These charts show that the most popular destination across all districts is a London borough. Lambeth is the most common borough to which people travel from Surrey, dominated by London Waterloo, which had over 8 million journeys from Surrey in 2022-23, serviced by South Western Railways. London Victoria (Westminster) and London Bridge (Southwark) also have many people travelling from Surrey on Southern and Thameslink services, particularly from East Surrey.

Outside of London, districts in neighbouring counties, such as East Hampshire, Rushmoor, and Crawley, also see over 100,000 people travel in from Surrey.

Compared to travel within Surrey, Elmbridge and Reigate and Banstead perform stronger in terms of travel outside of Surrey, whilst Guildford drops to fourth.



Top destinations from Surrey

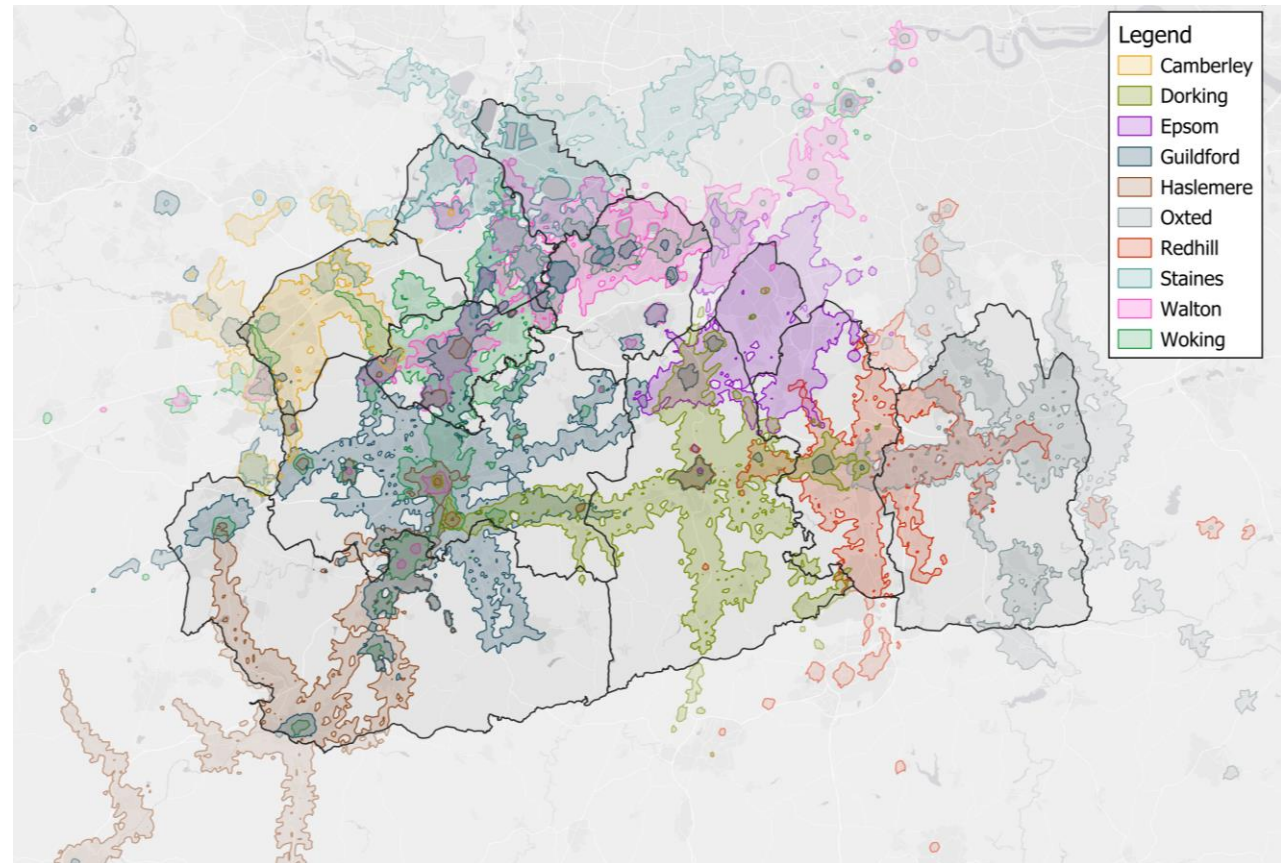
London Waterloo	8,246,261
London Victoria	1,475,271
London Bridge	1,122,388
Guildford	890,224
Clapham Junction	692,136
Wimbledon	659,145
Woking	619,932
East Croydon	452,942
Surbiton	405,804
Vauxhall	368,904
London Blackfriars	368,707
Epsom (Surrey)	272,582
London Paddington	269,354
Godalming	248,503
Aldershot	229,140
Gatwick Airport	225,312
Sutton (London)	212,207
Weybridge	207,222
Redhill	190,346
Richmond (London)	189,852
Reading	189,110
Egham	182,217
Reigate	180,430
Chertsey	179,922
Walton-On-Thames	173,698
Farnborough (Main)	173,404
Staines	172,811
Haslemere	152,098
Leatherhead	152,045

Public transport connectivity differs across Surrey

Depending on characteristics and transport links, levels of connectivity via public transport change across Surrey’s towns. This allows for towns to be categorised into Surrey’s transport hub, commuter towns, fringe towns and local hubs.

This map shows the distance that can be travelled by public transport in 45 minutes from the centre of key towns in each district (excluding Runnymede, as towns will have similar connections to Staines and/or Walton). The map highlights key transport corridors and public transport routes across and out of Surrey. The map shows that connectivity varies across the county, and towns can be characterised by their transport links:

- Guildford stands out as **Surrey’s transport hub**, with strong connections in multiple directions and access to most districts within 45 minutes. An estimated 494,000 people live within a 45-minute commute via public transport from Guildford town centre.
- **Commuter towns** include Redhill, Staines, Walton, and Woking, which have strong links to London. Notably, both Basingstoke and London Waterloo are within a 45-minute journey from Woking.
- Camberley, Haslemere, and Oxted are the **fringe towns** with better connectivity to neighbouring counties than other districts.
- **Local hubs** include Dorking and Epsom, with strong connectivity in the surrounding area but slower long-distance travel.



Commercial properties

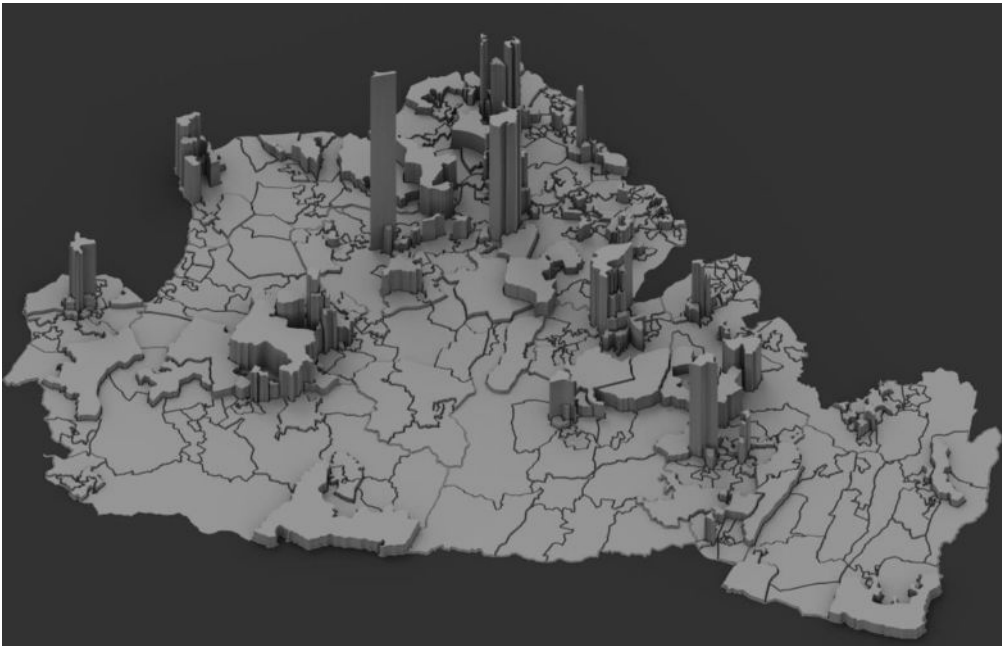


Office space is concentrated within Surrey's towns

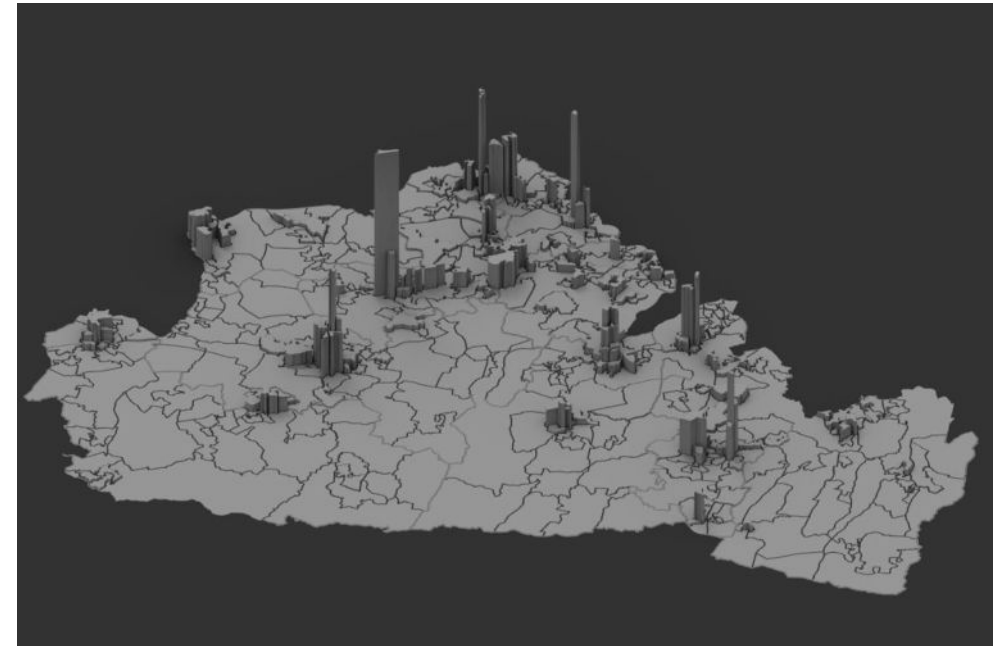
Office space in Surrey are largely concentrated amongst its towns, with notable clusters in Woking, Weybridge, Reigate, Egham, Staines, Guildford, and Leatherhead.

The first map shows the total office space per square foot for each LSOA in Surrey. The second map shows office density per hectare in each LSOA. In total, there is 28.2 million square feet of office space in Surrey, clustered in Surrey's towns. Notable concentrations include Woking, Egham-Staines, Guildford, Reigate, Leatherhead, and Weybridge. The LSOA with the highest office inventory is in Woking town centre with 1.6 million square foot, followed by LSOAs in Weybridge, Reigate, Egham and Staines. In contrast, Guildford and Leatherhead have multiple LSOAs together, containing lots of office space.

Total office inventory (sf) in each LSOA



Total office inventory (sf) per hectare in each LSOA

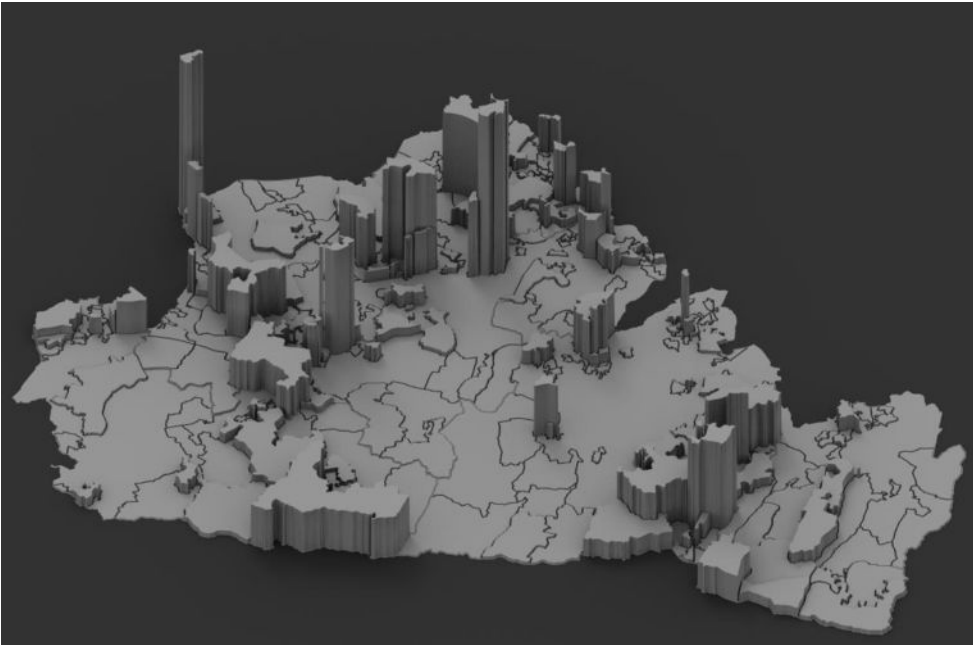


Density-based inventory space

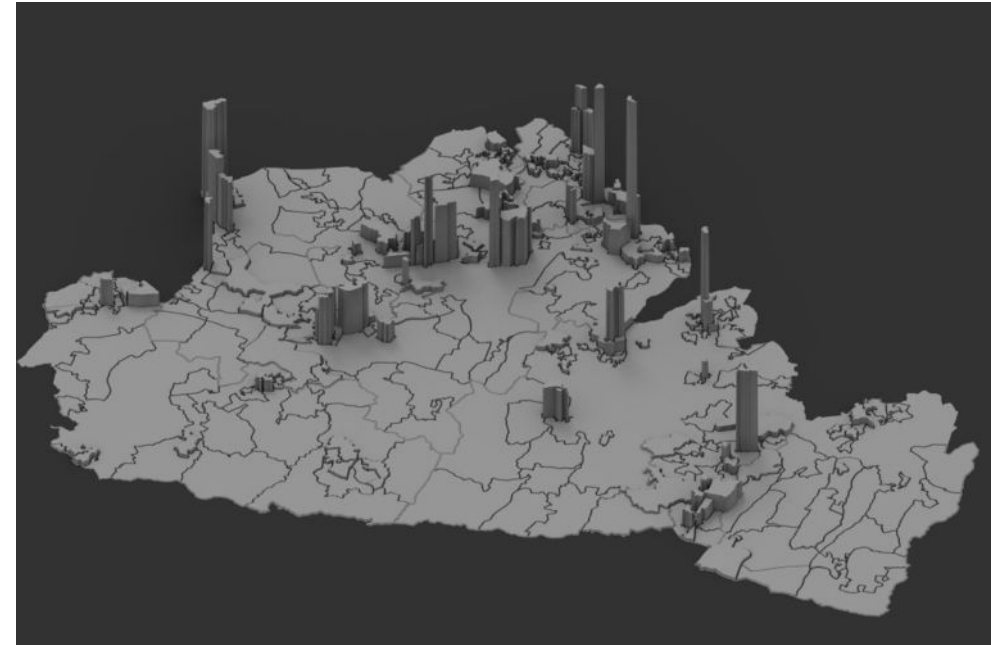
Similar to offices, industrial space tends to cluster in and around Surrey's towns, with notable clusters in Weybridge and Camberley. However, significant volumes of industrial space can also be seen in some rural parts of the county, as might be expected.

The first map shows the total industrial space per square foot for each LSOA in Surrey. The second map shows industrial density per hectare in each LSOA. In total, there is 26.1 million square feet of industrial space in Surrey. Whilst these maps continue to highlight clustering of commercial space within Surrey's towns, they also highlight that some more industrial space can be found in rural areas of the county as well such as in East Surrey and Waverley. Notable clusters are Weybridge and Camberley, each of which contain an LSOA with around 1.4 million square feet of industrial space.

Total industrial inventory (sf) in each LSOA

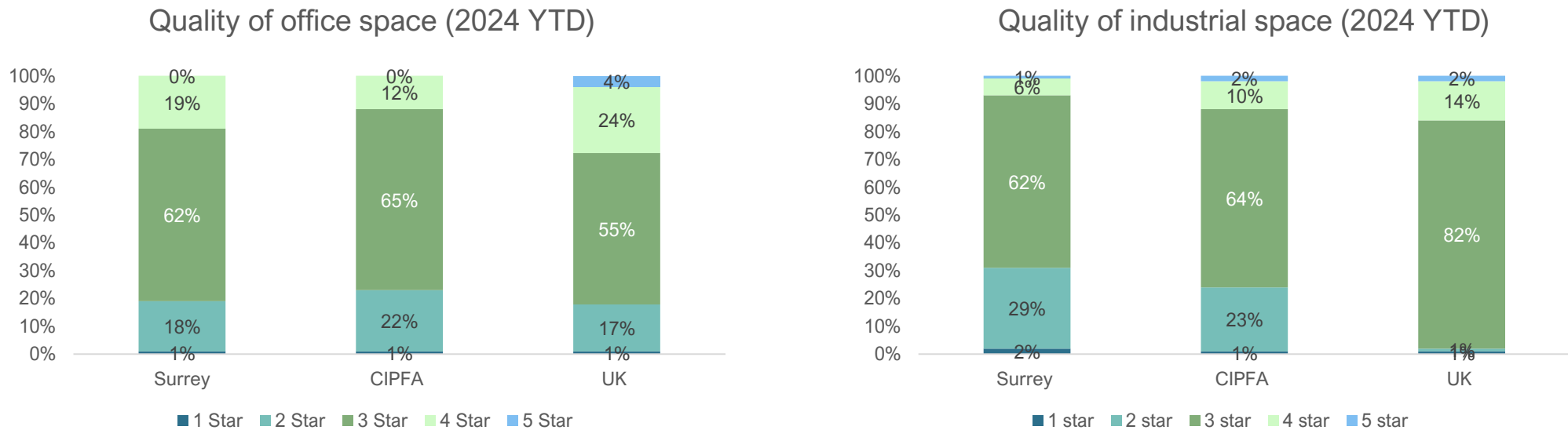


Total industrial inventory (sf) per hectare in each LSOA



Surrey’s office space is of higher quality than its industrial space

Surrey has a larger share of Grade A office space than the CIPFA group, although lags the share reflected at a national level. For industrial space, the position is different, as Surrey sits behind both the CIPFA group and the UK in terms of share of industrial space that is Grade A.

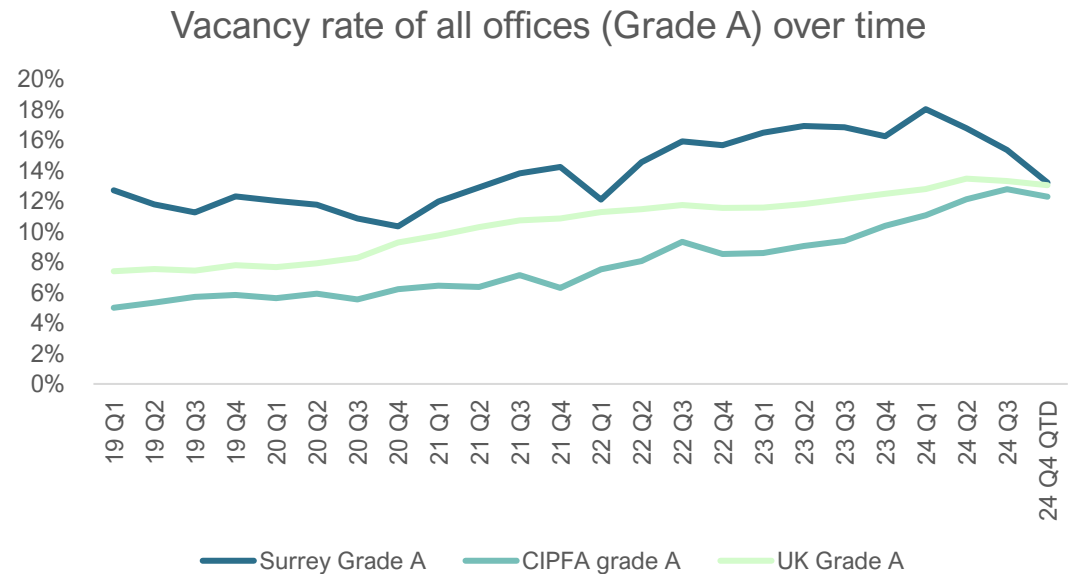
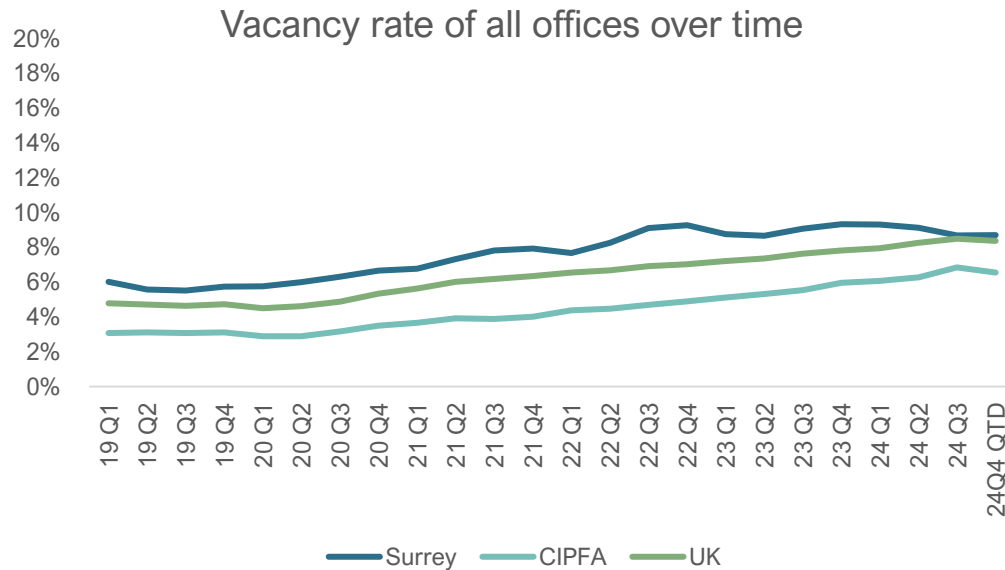


CoStar rates all properties with a score of 1 to 5 stars, one being the lowest quality and five being the highest quality. Offices/Industrial spaces with a CoStar rating of four or five stars are equivalent to Grade A. This chart shows the office and industrial space share within each CoStar rating in Surrey and the comparators.

The charts show that Surrey has 19% of its office space at Grade A standard, 9 ppt below the share at the national level. Surrey also has a lower share of Grade A industrial space when compared with its offices. Only 7% of Surrey’s industrial space is Grade A standard, less than half that of the share seen at the national level (16%). CIPFA performs better in the case of industrial space, although it has a share makeup/distribution more similar to Surrey than the UK.

Office vacancy rates have historically been higher than comparators

Surrey’s vacancy rate is close to what would be deemed as the “healthy” range and is largely in line with the UK in 2024. Grade A offices see a higher vacancy rate in general than the total offices figures.

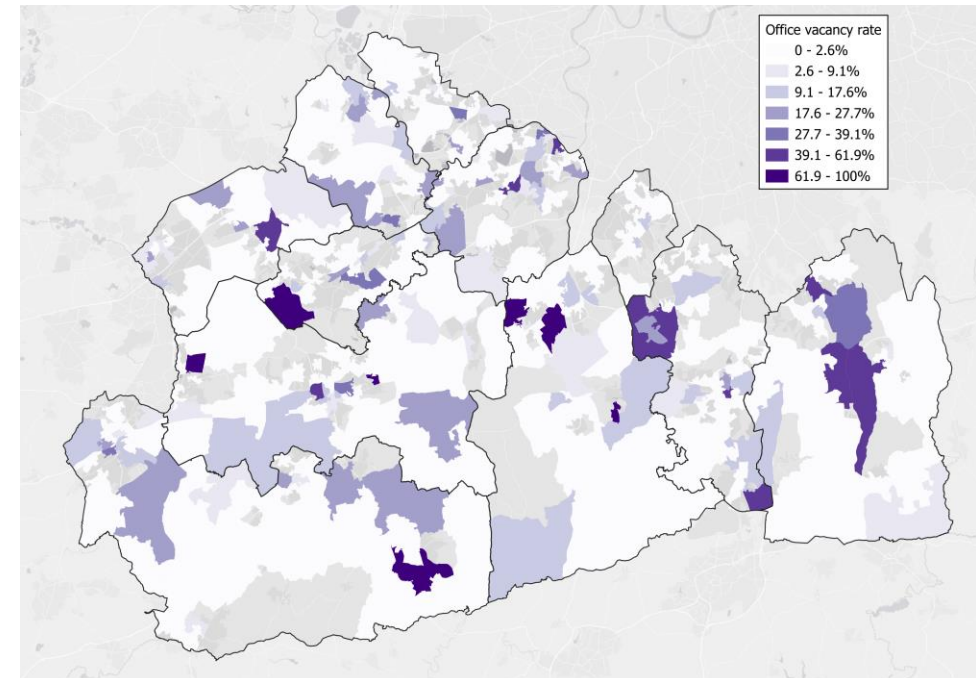
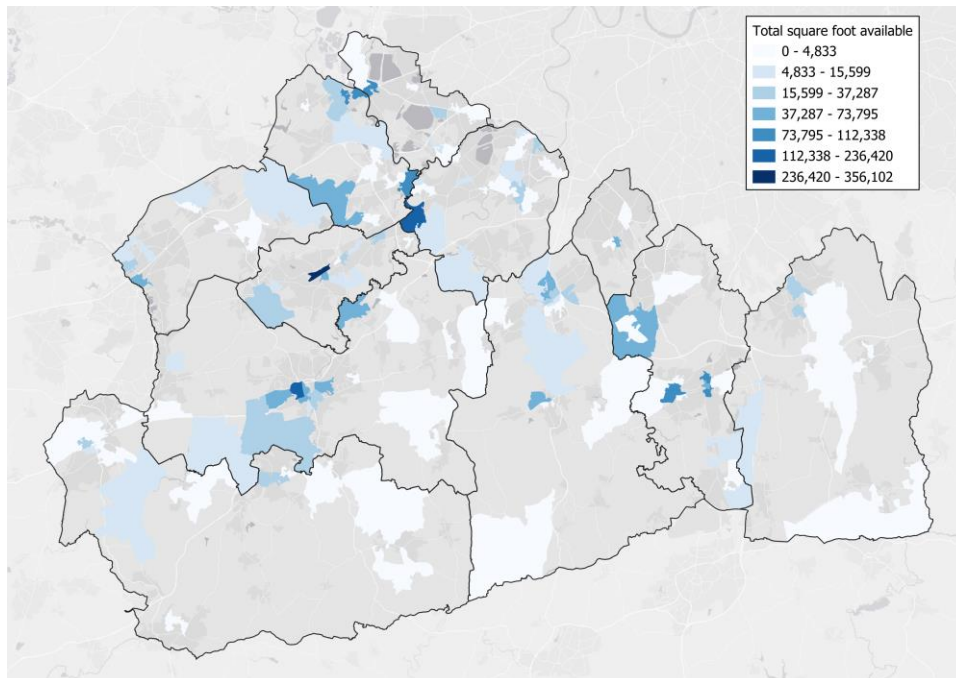


A healthy office vacancy rate ranges from 5% to 10%, suggesting a healthy balance between supply and demand, allowing tenant mobility without financial stress on landlords. A lower vacancy rate indicates that demand exceeds supply, making tenants unable to find space, whilst a higher vacancy rate suggests an oversupply of space and risks prolonged vacancies. The line charts show that vacancy rates in Surrey have been consistently higher than the national level since the start of 2019, rising by three ppt in the period to date. Surrey’s vacancy rate has moved more in line with that of the UK since the start of 2024, but CIPFA still has a lower vacancy rate than both, as it has done consistently since 2019. The vacancy rate of Grade A office space overall has been higher since 2019, especially in Surrey, although this fell in 2024, bringing the rate in line with the UK average.

There is more office space available in West Surrey than East

Office space is available across the county, notably within Surrey’s towns, where total office inventory is greater. However, areas with the highest office vacancy rates are often in non-urban areas, suggesting demand does not meet supply.

The first map shows the total square foot of office space available in each LSOA in Surrey. Areas that are not coloured represent LSOAs that are fully occupied or do not have any office space. The second map shows the vacancy rate of offices in each LSOA in Surrey or the proportion of vacant total space. Available office space can be found across the whole county, but some LSOAs in Surrey’s towns have a higher square foot vacancy. West Surrey shows more areas with high volumes of unoccupied office space than East Surrey. Many of Surrey’s towns with large available space have LSOAs exceeding vacancy rates of 10%. However, the areas that have the highest office vacancy rates are often away from town centres, with vacancies exceeding 40% in some less urban LSOAs. This indicates that demand for office space does not meet supply in less urban areas, potentially due to weaker connectivity.



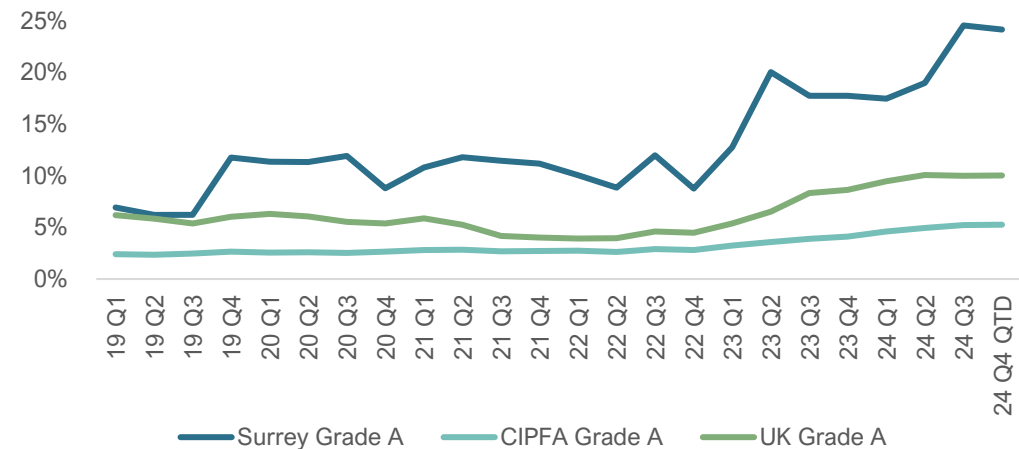
Surrey's Grade A industrial vacancy rate is more than double the UK rate

Surrey has higher industrial vacancy rates than comparators, especially for grade A industrial space at 25% in Q3 2024, suggesting that the supply of high quality industrial space exceeds demand in Surrey.

Vacancy rate of all industrial units over time



Vacancy rate of all industrial units (Grade A) over time



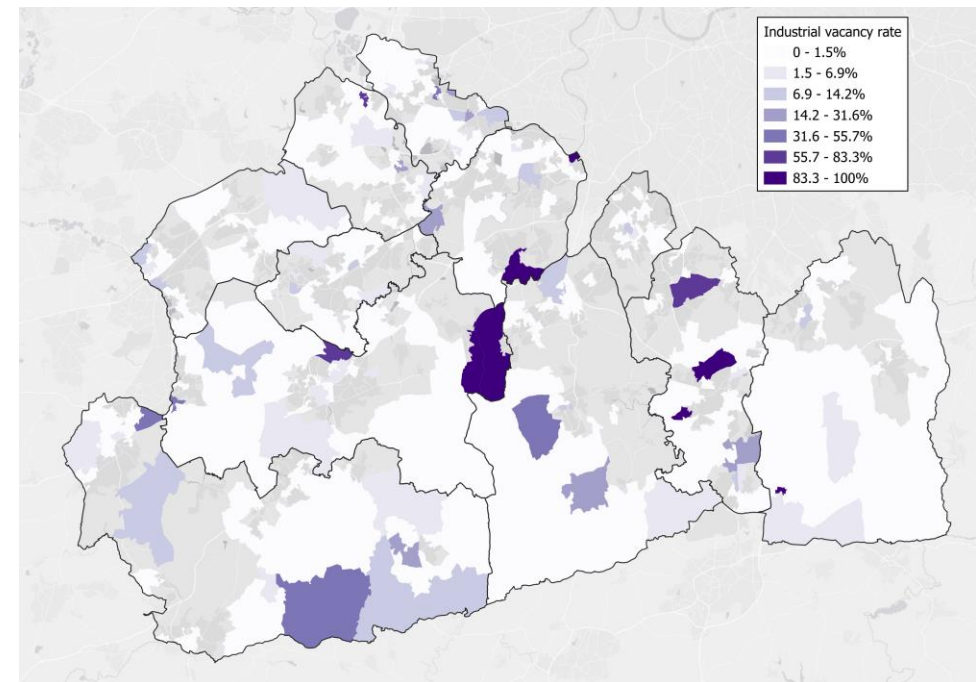
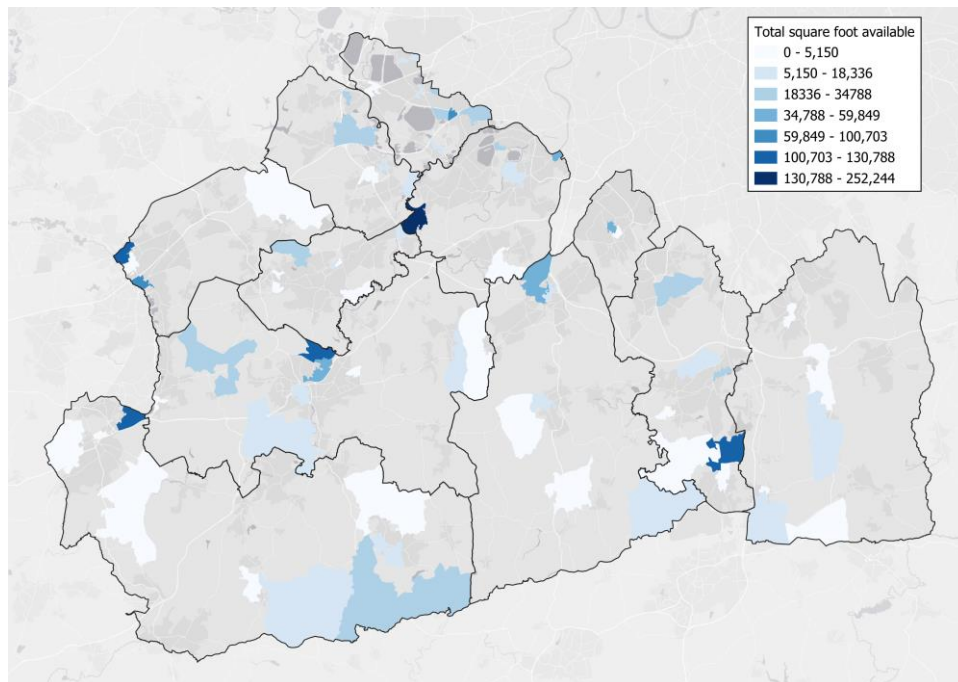
In contrast to office space, a healthy industrial vacancy rate is lower, at around 3-6%. The line charts show that Surrey's industrial vacancy rates are higher than those of the CIPFA group or the UK, and despite some increases in recent years, they are still at a healthy level of 6%.

Grade A industrial space has seen increasing vacancy rates since the end of 2022. Surrey's Grade A industrial space has seen significantly higher vacancy rates for the past five years compared with the CIPFA group and the UK. Surrey's Grade A industrial vacancy rate is now over 2x that of the UK and almost 5x that of CIPFA Grade A at 25%, well above the healthy rate, suggesting that supply outstrips demand for high-quality industrial space.

Available industrial space is concentrated within fewer LSOAs

Areas that have a high volume of available industrial space are less common than offices. However, there are still pockets of areas with high vacancies spread throughout the county, with no clear spatial pattern.

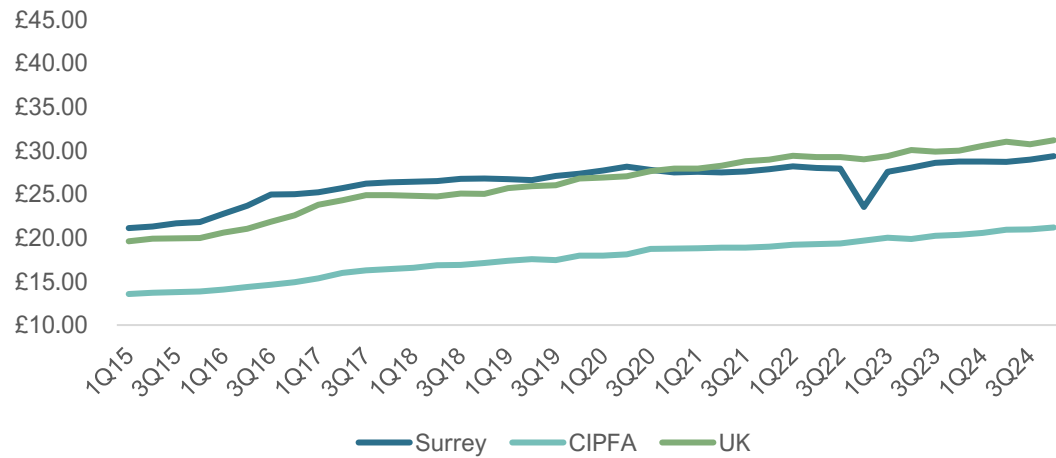
The first map shows the total square feet of industrial space available in each LSOA in Surrey. Areas that are not coloured represent LSOAs that are fully occupied or do not have any office space. The second map shows the vacancy rate of industrial units in each LSOA in Surrey or the proportion of vacant total space. Compared to office space, fewer LSOAs have available industrial space. The LSOA with the most space available is in Weybridge, where The Heights and St George’s Business Park are located. Despite also having the highest total inventory, this LSOA still has a high vacancy rate of 17.5%. However, other LSOAs have higher vacancy rates, such as the LSOAs near Guildford, Farnborough, Cobham and Reigate, but also some in rural parts of the county, with no clear spatial pattern.



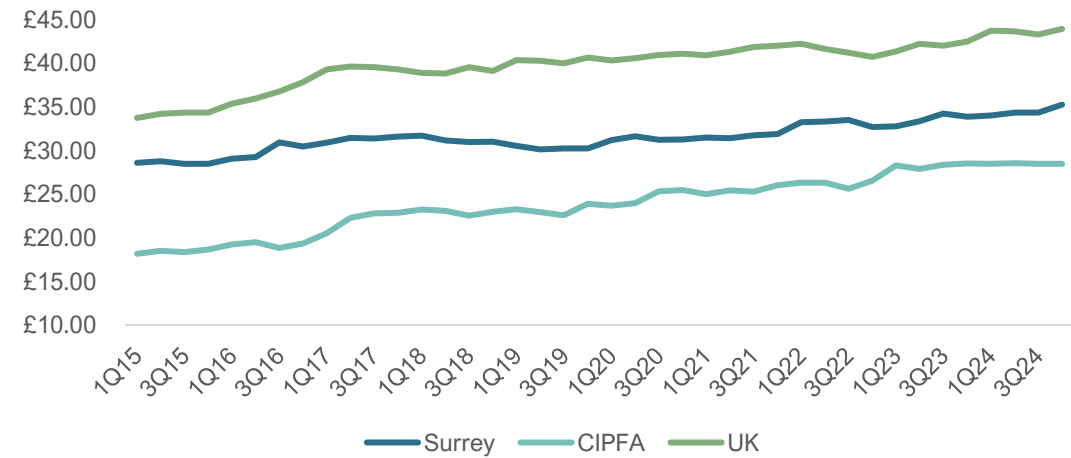
Office rents have stagnated in recent years

The rent markup for Grade A offices is lower in Surrey than that of comparators. Rents have also stagnated since 2017, despite consistent growth in comparators, potentially indicating weaker demand.

Asking rent of office space over time



Asking rent of Grade A offices over time



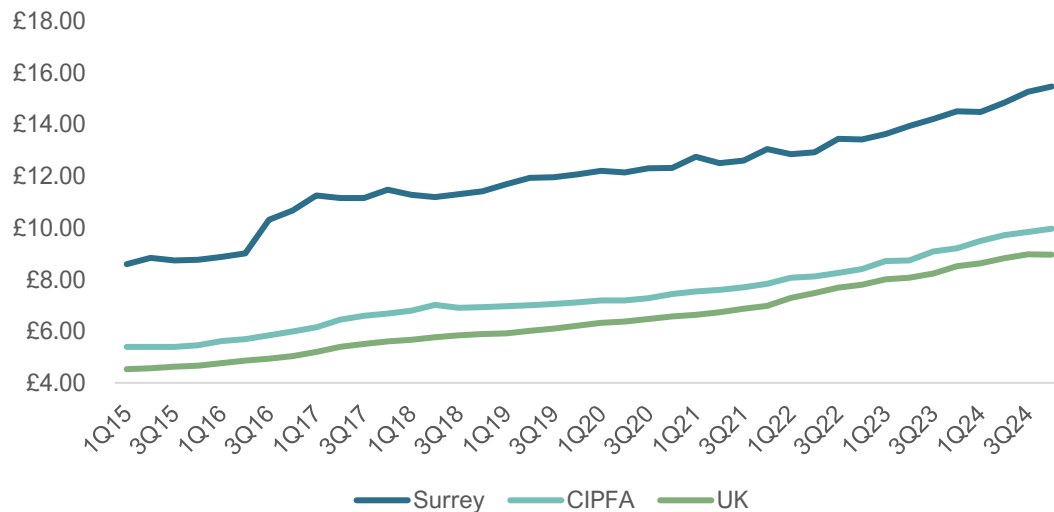
Asking rents are the amount for which the landlord offers their space per square foot, per year for lease for a listing. In Q4 2024, the average asking rent for all offices in Surrey was £29.35. For Grade A offices, the average rent was 20% higher at £35.25. The difference in rents between Grade A offices and all offices is lower in Surrey, as the average rents for Grade A offices were 34% and 41% higher than all offices in CIPFA and the UK, respectively. This can be seen in the charts where the gap of rental prices to the UK was smaller for all offices at £1.82 in Q4 2024, whilst the gap for Grade A offices was £8.68.

In addition, these charts show that office rent growth in Surrey has been much slower than comparators since 2015. For all offices, rents have increased by 39% in the period, a lower rate than CIPFA (56%) and the UK (59%), as rents have stagnated post-2017. After the pandemic, office rents in Surrey fell below the UK average. Grade A rents increased at an even lower rate of 23% across the period compared to 56% for CIPFA and 30% for the UK.

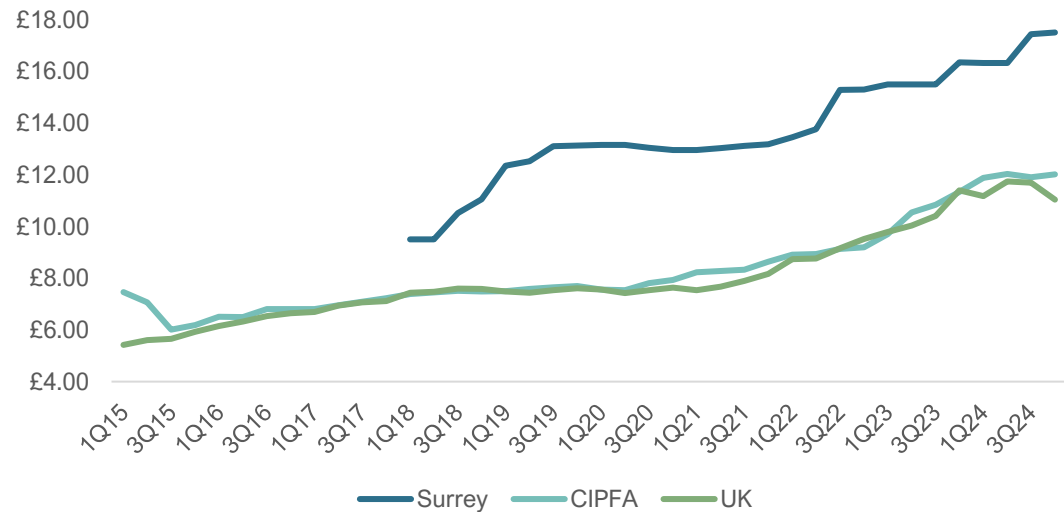
Rents of industrial units in Surrey are higher than comparators

The value of industrial units in Surrey exceeds both comparators significantly, but the markup of Grade A industrial space is slightly lower. Rents have also seen strong relative growth in industrial units compared to offices.

Asking rent of industrial units over time



Asking rent of Grade A industrial units over time



In Q4 2024, the average asking rent for industrial units in Surrey was £15.46. The average rent for Grade A industrial space was 13% higher, at £17.5. This markup was higher in both CIPFA (21%) and the UK (23%). Average rents for industrial units in Surrey are significantly higher than comparators, at 55% higher than CIPFA and 73% higher than the UK. The same can be said for Grade A industrial units at 46% higher than CIPFA and 59% above the UK.

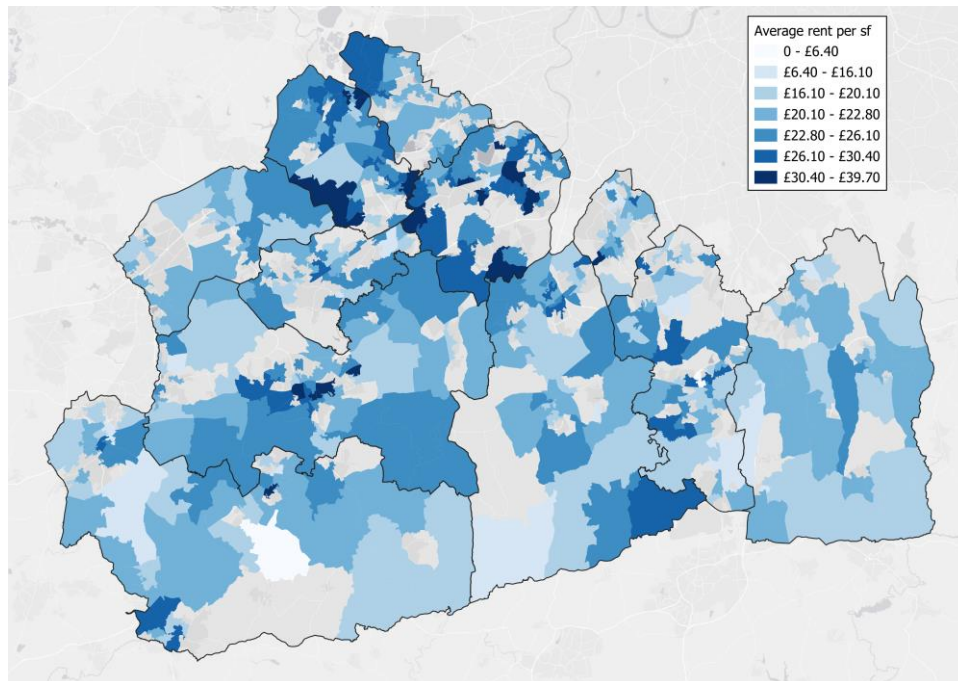
Rents for industrial units have grown at a similar rate to comparators, unlike offices. From Q1 2015 to Q4 2024, rents increased by 80% in Surrey, slightly below CIPFA (84%) and the UK (97%). For Grade A units, rents have increased by 84% since Q1 2018 (when data is first available), a higher rate than both CIPFA (63%) and the UK (48%) across the same period.

Rents are higher in town centres and closer to London

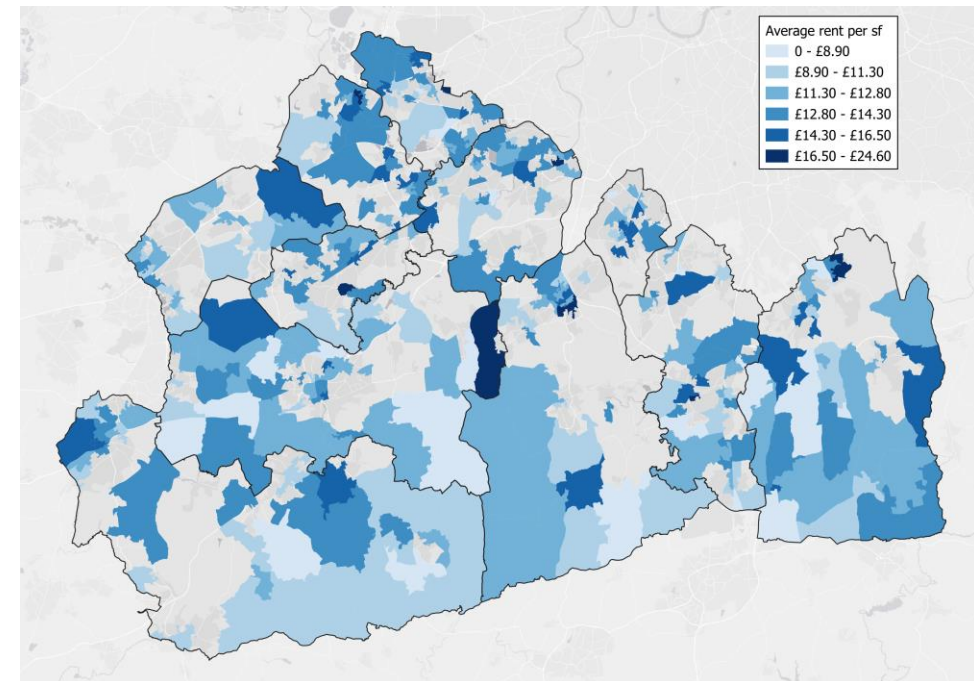
Office space is available across the county, notably within Surrey’s towns, where total office inventory is greater. However, areas with the highest office vacancy rates are often in non-urban areas, suggesting demand does not meet supply.

These maps show the estimated average office and industrial space rent per square foot per year in Surrey’s LSOAs. For offices, rents tend to be higher in Surrey’s towns and urban areas. Notable towns with higher rents include Cobham, Egham, Esher, Guildford and Weybridge. Offices in more rural locations, such as within Tandridge, Mole Valley and Waverley, tend to have lower rents, whilst offices located closer to London tend to have higher rents, particularly in West Surrey. For industrial units, spatial trends for rents are less clear. Similar to offices, rents are generally higher closer to London and lower in more rural areas to the South, but several externalities exist across the county.

Offices



Industrial units



Explaining net absorption and net deliveries

The following two slides explore the reasoning for changes in vacancy for office, industrial and Grade A space, using two metrics on CoStar: net absorption and net delivery.

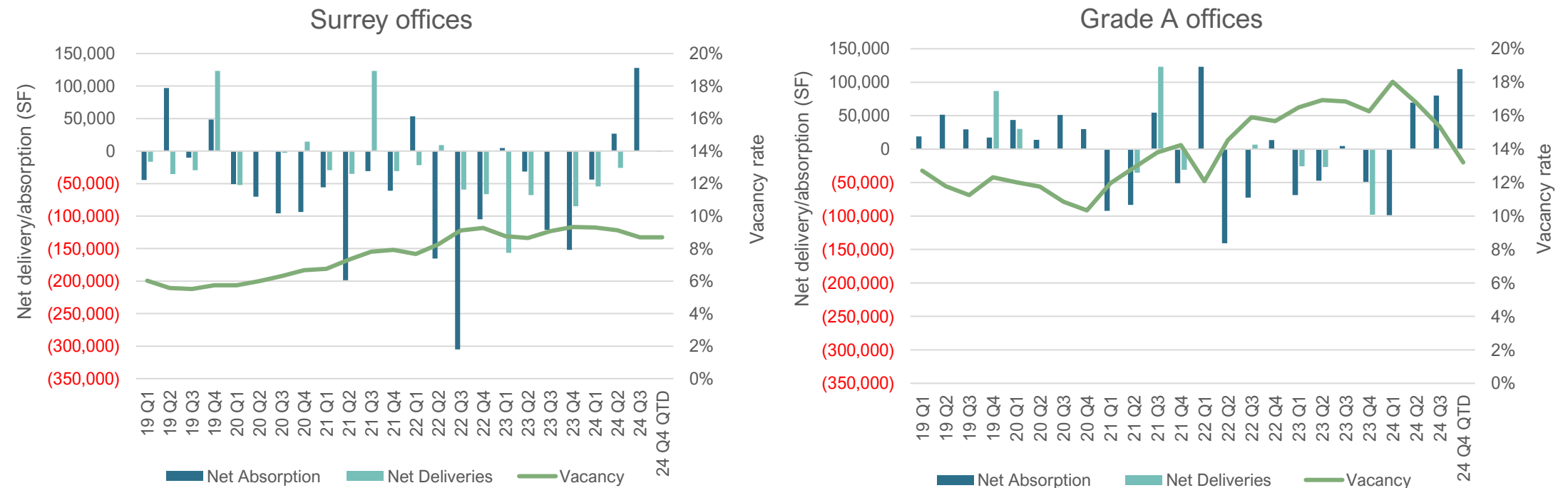
- **Net Absorption** refers to the net change in occupancy of existing space for any given quarter. A positive net absorption shows that more existing space has been occupied than departed, while a negative net absorption shows that more tenants have moved out of space than in. Hence, a positive net absorption would reflect a decrease in vacancy rates, whilst a negative net absorption would reflect an increase in vacancy rates.
- **Net Delivery** refers to the net change in the overall inventory of office space per square foot (SF). A positive net delivery shows that the total inventory of space has increased, likely due to the completion of new construction. If unoccupied at delivery, this will increase vacancy rates. A negative net delivery shows that the total inventory of space has decreased, either through demolishing space or being converted into a new usage like accommodation.

The next slide shows the net absorption and delivery rates of all offices and Grade A offices in Surrey. Since the end of 2022, at an overall level, Surrey's vacancy rate has been relatively stable due to a combination of negative absorption and negative deliveries. This means fewer tenants moving into office space and less space available (e.g., converted for other uses). Before this point, from 2019, the vacancy rate was climbing as net absorption was negative whilst the net deliveries remained more neutral with certain spikes of positive net deliveries, particularly in Q3 2021. The recent fall in Grade A vacancy rates since the start of 2024 is driven by absorption. There has been a sizeable increase in the number of tenants taking up office space, suggesting that demand for high-quality office space has increased after periods of negative absorption in 2022 and 2023.

The following slide shows the net absorption and delivery rates of all industrial and Grade A industrial spaces in Surrey. Since the end of 2022, vacancy rates have been increasing due to negative absorption, which outweighs net delivery. There has been a plateau and small decline in the vacancy rate from 2024 Q2 due to a positive level of net absorption being seen for the first time since the end of 2022. For Grade A industrial space, the climb in vacancy rate since the end of 2022 has been due to a mix of both delivery and take-up. Initially, there was a positive net delivery to an increase in vacancy in Q2 2023, before some take-up, and so the space was partly filled. The rate began to climb again in early 2024 due to both positive delivery and negative absorption, accelerating the vacancy rate increase.

Negative absorption and delivery have driven office vacancy rates

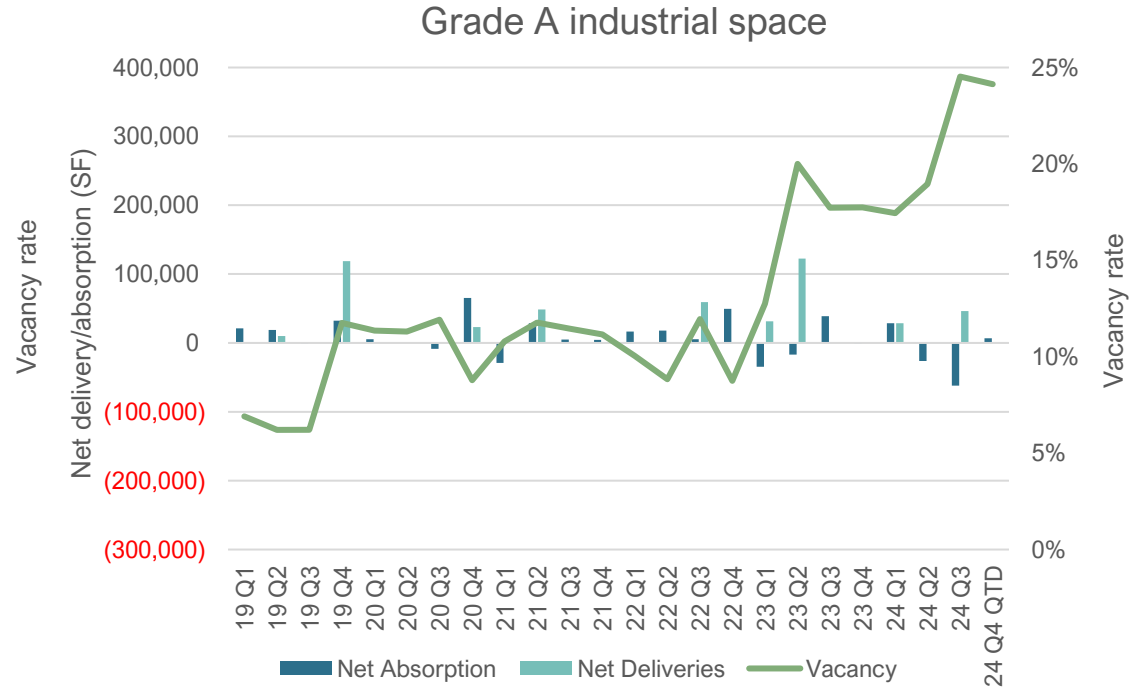
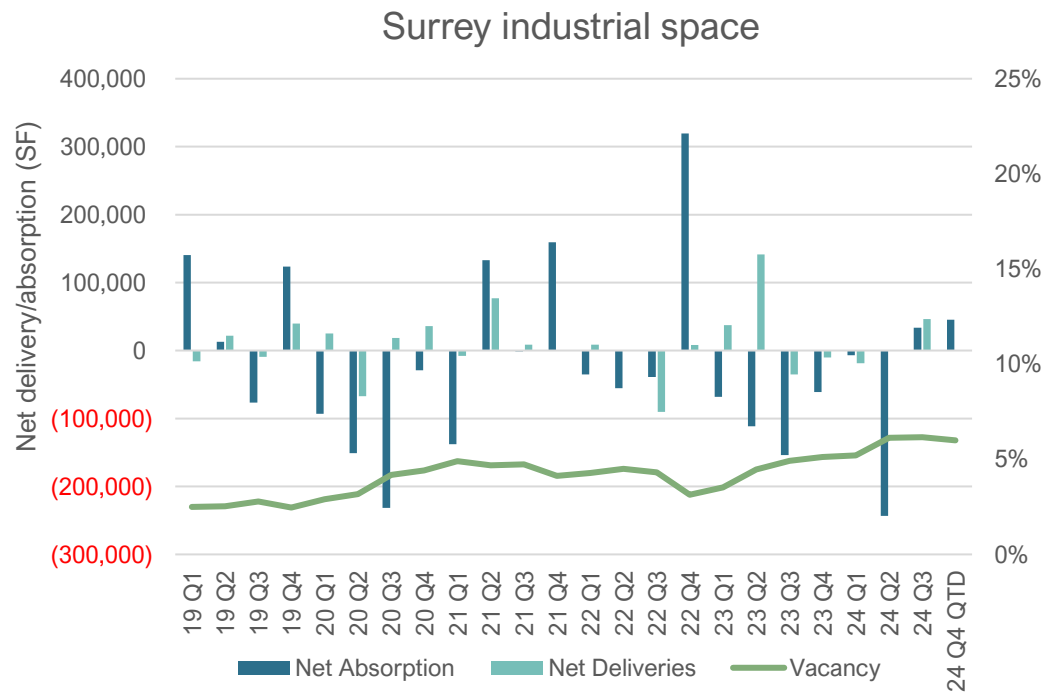
The relatively steady vacancy rate for Surrey offices overall in recent years has been a result of both reductions to physical space and tenancy exits. For Grade A, tenancy exits has outweighed the delivery of space, causing a vacancy rate until 2024.



Quarters of high negative net absorption imply that demand for office space in Surrey is low and that businesses are moving their operations elsewhere. In recent years, there is also a declining inventory of less high-quality offices, meaning that vacancy rates have remained stable in a period of low demand. It is important to consider what is causing an overall contraction of office space in Surrey in terms of both demand and supply. Surrey has also seen low demand for Grade A offices since 2021, combined with new deliveries, driving up vacancies. However, positive net absorption in 2024 has lowered vacancy rates, but vacancy rates remain high, suggesting that there is no supply constraint for high-quality space.

Tenants moving out of industrial space have driven rise in vacancy rate

Since the end of 2022, the industrial unit vacancy rate in Surrey has been risen due to negative absorption which outweighs net delivery. The Grade A picture for industrial space shows much more volatility and a more severe increase since 2019, leaving the rate around 25% currently.

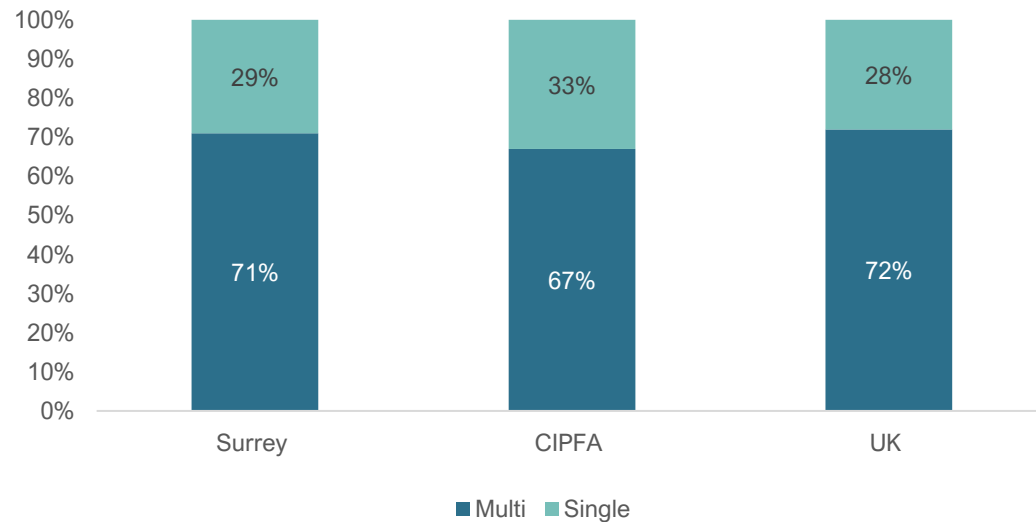


Fluctuations in absorption and delivery of industrial space are more concentrated in lower quality space than for offices. Negative absorption in 2023 and 2024 suggests that demand for industrial space is declining, but vacancy is not yet a concern. For Grade A industrial space, supply significantly outstrips demand. Combined negative net absorption with positive net deliveries has caused almost a quarter of all industrial space in Surrey to be vacant. This means there is no supply constraint, but there is an opportunity to encourage more businesses to fill these high-quality spaces in Surrey.

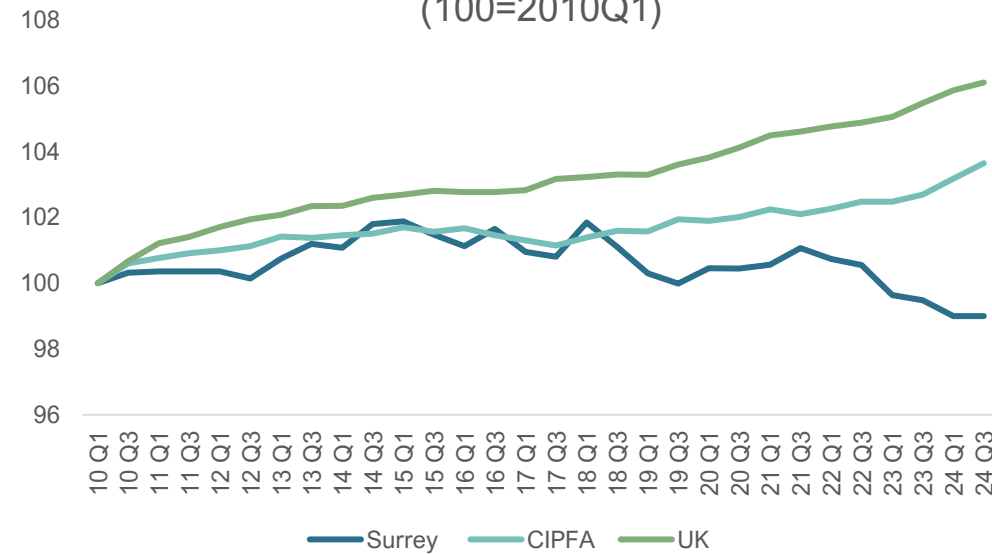
Multi-tenancy space is becoming less common in Surrey

Surrey has a share of multi-tenancy office space in line with that of the UK, although the trajectories of the three areas are very different. CIPFA and the UK are seeing growing shares of multi-tenancy space whereas for Surrey this is declining.

Share of office space by tenancy type (2024 YTD)



Change in multi-tenancy office space per sf (100=2010Q1)



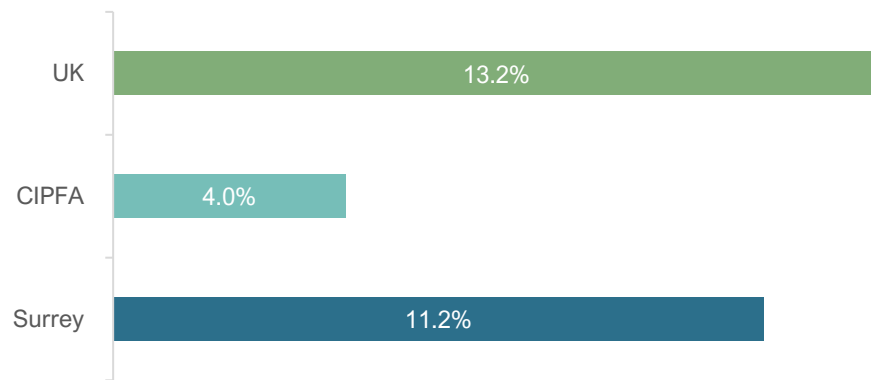
The bar chart shows the proportion of office space in single and multi-tenancy properties. Surrey's share of multi-tenancy office space is in line with the UK overall, although 4 ppt higher than that of the CIPFA group. The line chart also highlights that the share in Surrey has been decreasing relatively steadily since Q3 2021, compared to CIPFA and the UK, where the share of multi-tenancy office space has steadily grown.

Co-working space is important to boost productivity and innovation as it supports more businesses in the same property, allowing interaction and agglomeration benefits. The offer of a higher supply of small space attracts more SMEs and start-ups to the place.

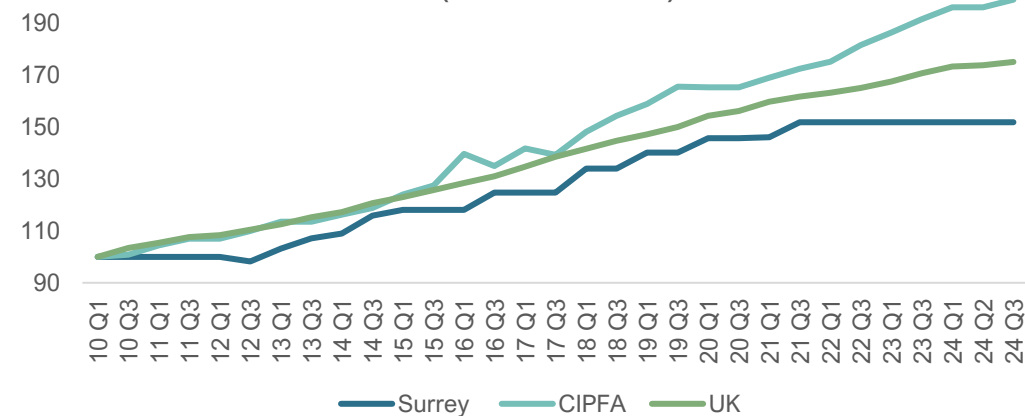
Delivery of environmentally friendly office space has stagnated in Surrey

Although Surrey currently has a larger % of office space which is BREEAM certified than the CIPFA group, it still remains behind the national level and risks getting caught up by CIPFA/falling further behind the UK due to the plateau in growth since 2021.

Share of floorspace in BREEAM certified offices (2024 YTD)



Change in floorspace BREEAM certified (100=2010Q1)

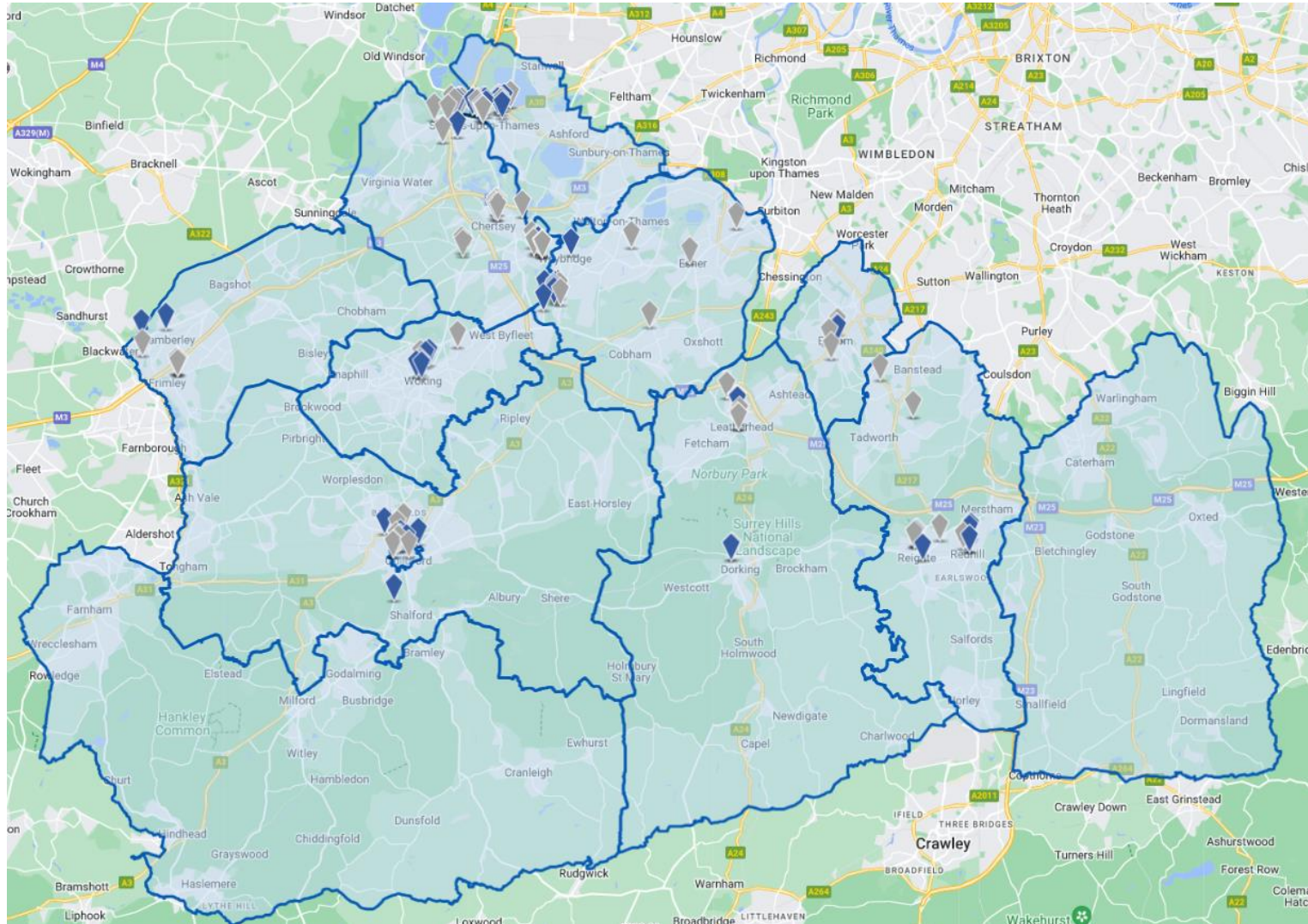


BREEAM is a sustainability assessment method for the built environment and infrastructure. The framework is used to assess how environmentally friendly a property is.

The bar chart shows that 11.2% of office space in Surrey is in a BREEAM-certified property. This is significantly higher than the CIPFA comparator (4.0%), although it is behind the national share of 13.2%. The change in total floorspace that is BREEAM certified in Surrey has been increasing since 2013 but plateaued in 2021. This same trend is not seen in the CIPFA group or at the national level, where the change of BREEAM-certified floorspace has been increasing. The growth has been strongest for the CIPFA group, which has seen 1,273,464sq ft of extra BREEAM-certified floorspace since the plateau began for Surrey, a growth of 15%.

In Surrey, BREEAM properties have a higher net absorption than non-BREEAM offices, which has mostly been negative in recent years. This demonstrates a greater demand from tenants for environmentally friendly offices.

Existing grade A offices in Surrey



The map shows that Grade A offices are mostly located within Surrey’s largest towns. Some offices with high vacancy have high congestion roads.

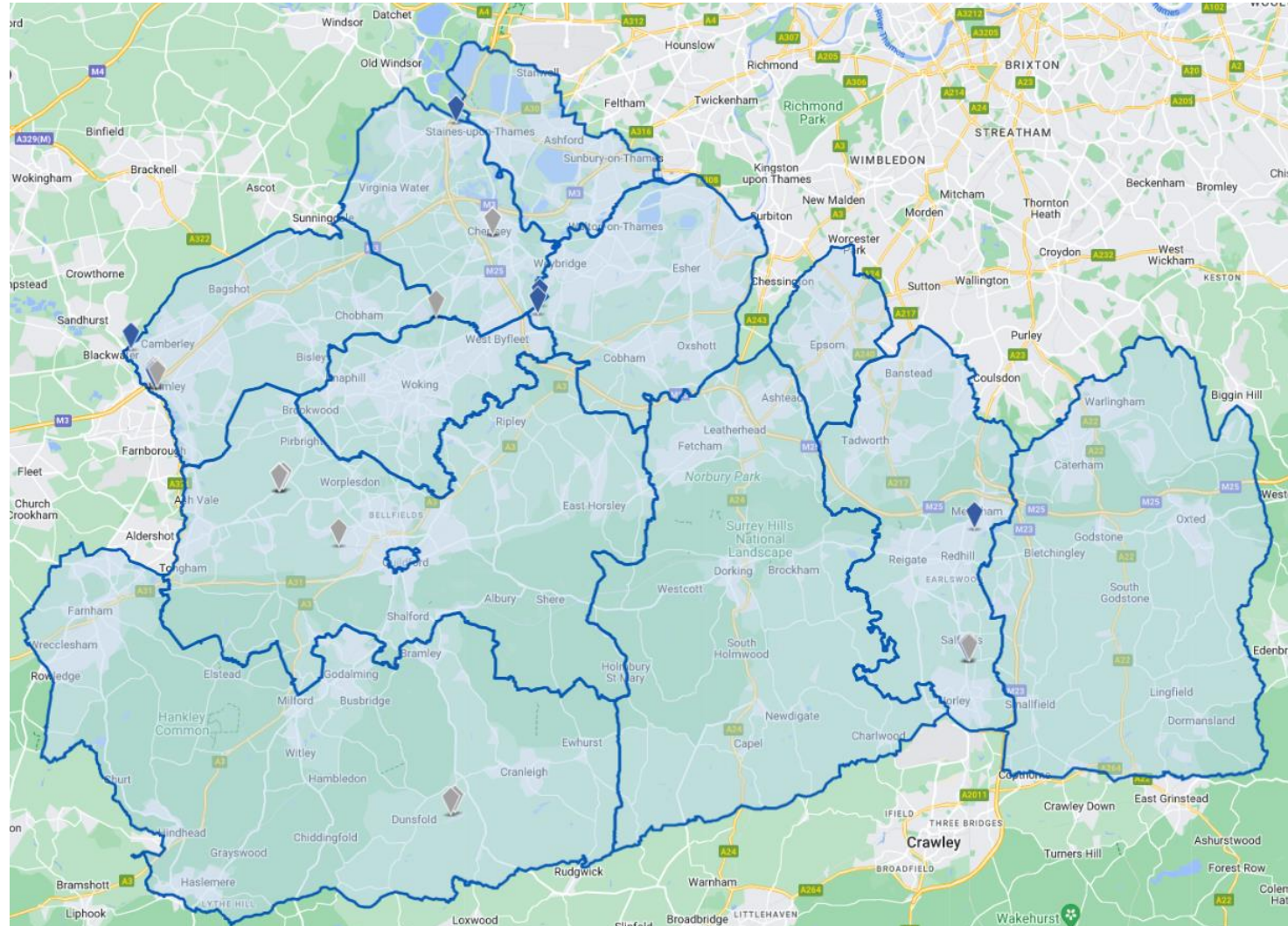
This map shows the locations of all Grade A offices in Surrey listed on the CoStar platform. Blue diamonds represent recent builds. Clusters of Grade A properties include the Staines-Egham corridor, Reigate and Redhill, Guildford and Weybridge. However, rural parts of Surrey have little to no Grade A space, such as South of Dorking or East of Redhill.

Only two Grade A offices have been delivered in Surrey since 2021.* The first is 1 Causeway Park in Staines, which has 123,181 sq ft of space. Some tenants, such as Gartner, have moved in, but vacancy still exceeds 60%. The other is a small office in Leatherhead, which is now 100% occupied.

Flow One in Staines and 2 Brooklands Road in Weybridge are 100% vacant. Both properties are not within walking distance of a train station and have high congestion levels on nearby roads.

Source: CoStar, 2024. *Quoted statistics are as of November 2024.

Grade A industrial properties are more scarce



There are fewer Grade A industrial properties in Surrey than offices, some located in badly connected areas. Most space delivered recently remain empty.

This map shows the locations of all Grade A offices in Surrey listed on the CoStar platform. Blue diamonds represent recent builds. In Surrey, there are significantly fewer Grade A industrial properties than offices. High quality industrial properties are also more spread throughout the county, with some located in rural areas. This includes in parts that have weaker transport and digital connectivity, such as in Waverley or West Guildford.

More Grade A industrial property space has been delivered recently than offices. The table below shows all the Grade A industrial properties delivered since 2023, which are more than 50% vacant.

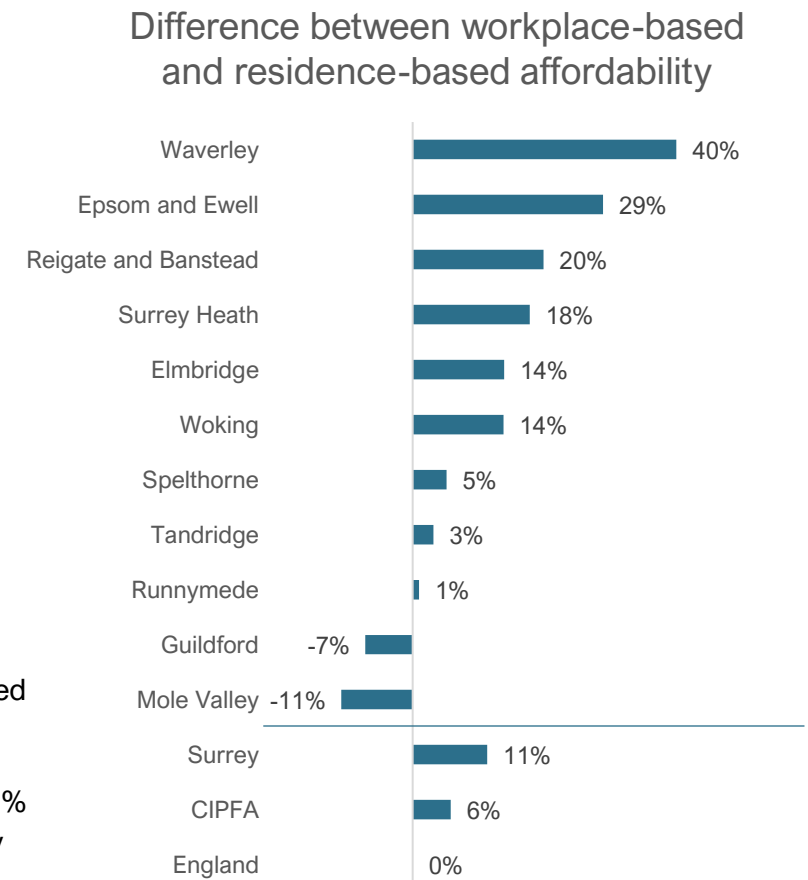
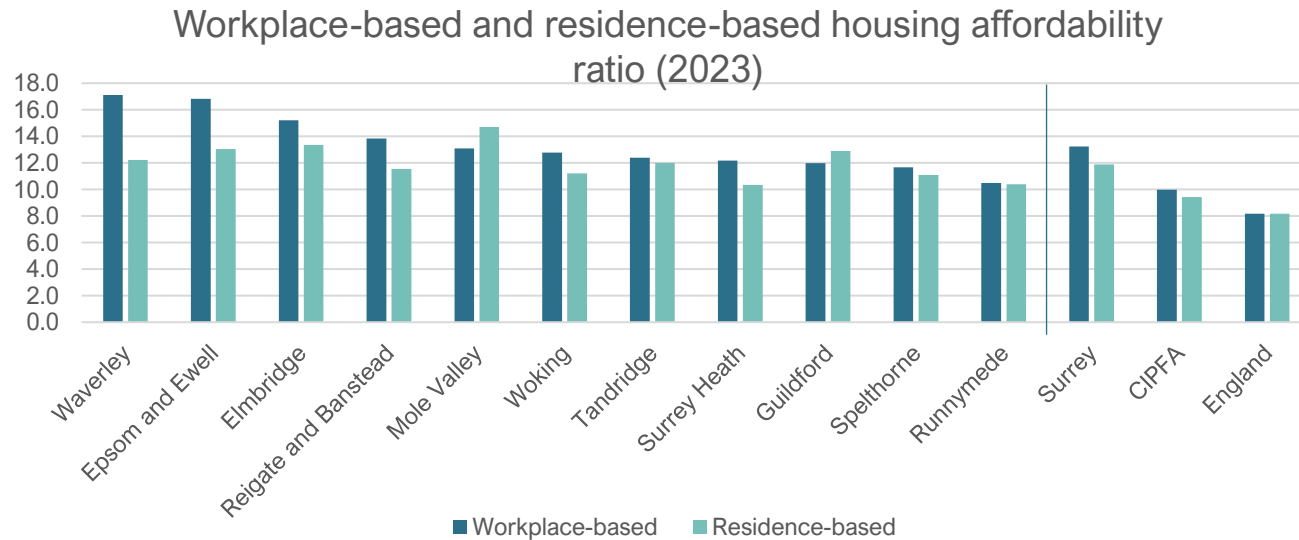
Property	Built	Town	Vacancy
Causeway Centre	2024	Staines	100%
Frimley Business Park (4 properties)	2024	Camberley	91.3%
42-44 Holmethorpe Av	2023	Redhill	55.7%
Vickers Drive North	2023	Weybridge	100%

Housing



Housing in Surrey is less affordable than comparators

Housing in Surrey less affordable than in CIPFA and England. Housing is significantly more expensive on average in Surrey using workplace-based earnings than residence-based earnings, with the largest difference seen in Waverley.

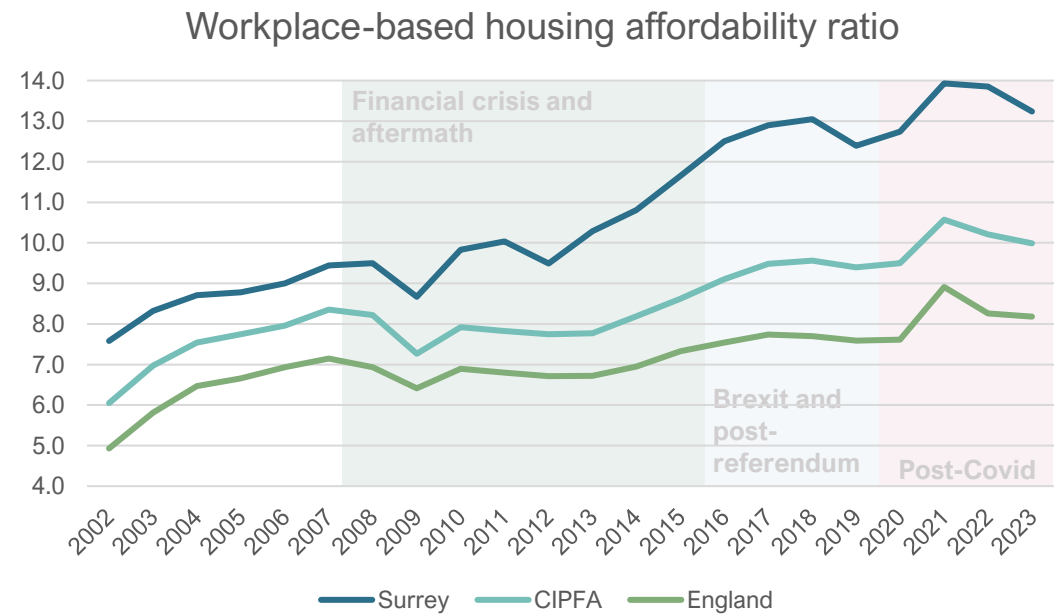
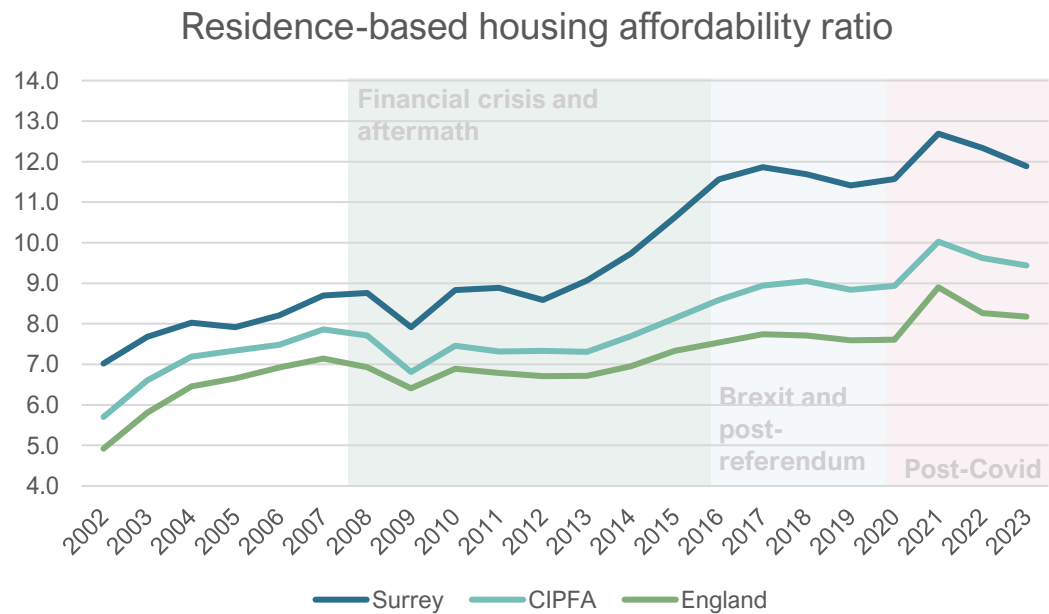


The house price-to-earnings ratio is calculated by dividing the median house price for a given area by its earnings, producing a ratio demonstrating relative affordability. A **higher ratio** indicates that it is **less affordable** for a resident to purchase a house in their district, whilst a lower ratio indicates higher affordability. Workplace-based refers to earnings offered by businesses in the area, whilst residence-based refers to earnings by residents, including those commuting outside the district.

All districts in Surrey have a higher affordability ratio than the CIPFA average and England. Housing is 11% less affordable when looking at workplace-based earnings in Surrey, compared to just 6% in CIPFA. Only Guildford and Mole Valley see median workplace-based earnings exceed residence-based earnings.

Workplace-based ratio is increasing at a faster rate in Surrey

Since 2002, the housing affordability ratio gap to comparators has widened in Surrey. The decreasing affordability of homes in Surrey is even greater when using a workplace-based earnings calculation.



These charts show the change in the housing affordability ratio between 2002 and 2023, for both residence-based earnings calculations and workplace-based calculations.

Both charts show similar trends. The housing affordability ratio in Surrey has increased faster than in comparators, meaning that housing has become less affordable faster. Significant increases to the housing affordability ratio occurred between 2012 and 2017. In 2023, housing was 45% more expensive in Surrey than in England using residence-based calculation, compared to 43% in 2002, whereas for workplace-based earnings this is 61% in 2023 and 55% in 2002.

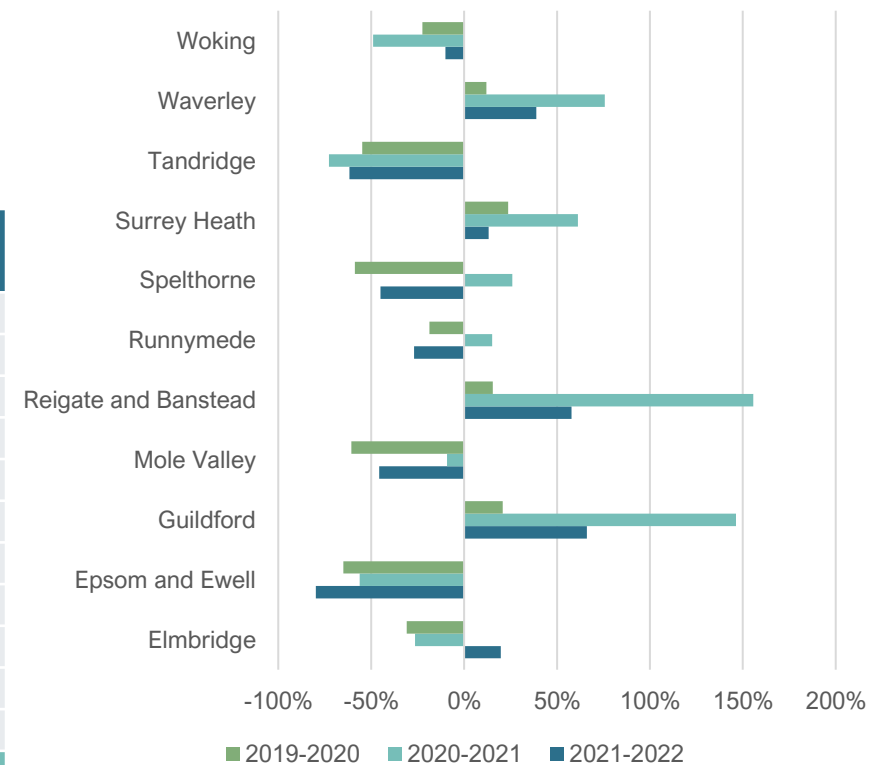
Despite improvements, housing delivery has not met demand

Surrey’s housing delivery between 2019 and 2022 was 6% less than the expected number of homes required for that period, with some districts performing better than others. However, housing delivery has improved.

The Housing Delivery Test is an annual measurement of housing delivery by relevant plan-making authorities. It compares the number of homes required based on household projections to the number of homes delivered over a period.

Across Surrey, housing delivery has been almost 6% lower than the estimated requirement over the last three years. Only four districts (Guildford, Reigate and Banstead, and Waverley) have delivered more than the calculated requirement. However, this is an improvement since the previous analysis, which had housing delivery at almost 20% lower than the expected requirement.

Homes delivered as a proportion of homes required (2019-2022)



Area Name	Total number of homes required (2019-2022)	Total number of homes delivered (2019-2022)	Housing Delivery Test: 2022 measurement
Guildford	1,452	2,479	171%
Reigate and Banstead	1,197	2,011	168%
Waverley	1,523	2,115	139%
Surrey Heath	849	1,098	129%
Elmbridge	1,635	1,474	90%
Runnymede	1,320	1,146	87%
Woking	1,110	838	76%
Spelthorne	1,566	1,072	68%
Mole Valley	1,169	683	58%
Tandridge	1,667	631	38%
Epsom and Ewell	1,490	471	32%
Surrey	14,978	14,018	94%

Meeting housing targets is projected to become more difficult

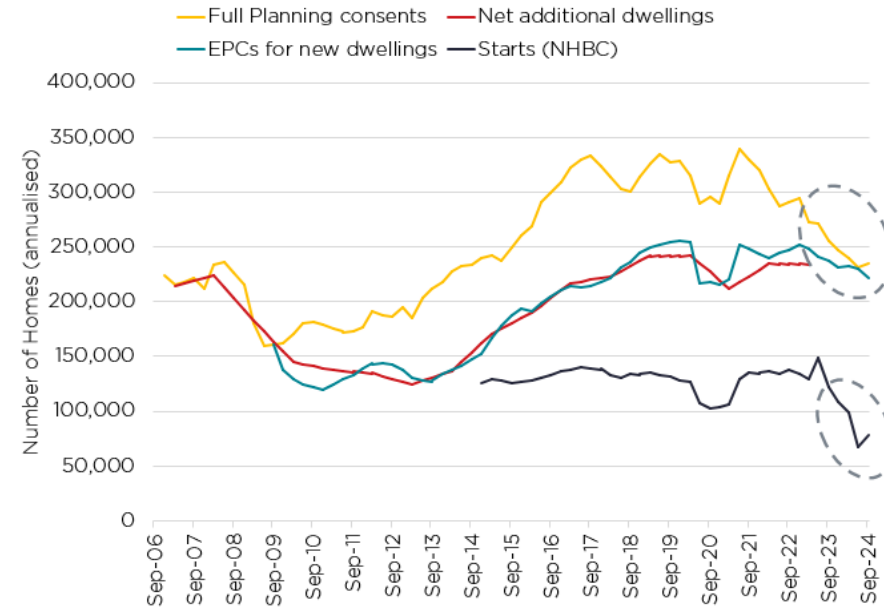
Rapidly decreasing consents and low starts, combined with increased housing targets from the recent NPPF update, is likely to make housing delivery targets more difficult to achieve.

This graph was research shared at the Surrey Development Forum by Savills. It shows the annual number of homes in the South East, since 2006, that: received full planning consents, are net additional dwellings, EPCs for new dwellings, and new starts.

The chart shows that the number of homes receiving full planning consents in the South East has decreased significantly in recent years. Between 2021 and 2024, full planning consents fell by nearly 100,000, resulting in the number of new starts nearly halving since 2023.

At the same time, the recent update to the National Planning Policy Framework (NPPF) in December 2024 mandates increased housing targets for local authorities. This aims to address the national housing shortage by delivering 1.5 million new homes over the next five years. The table shows that Surrey’s annual housing delivery targets have increased by 4,635, with notable increases in Elmbridge, Waverley, Reigate and Banstead.

Both these trends indicate that meeting housing delivery targets is expected to become more difficult. Therefore, focus should be on improving the efficiency to deliver homes in Surrey.

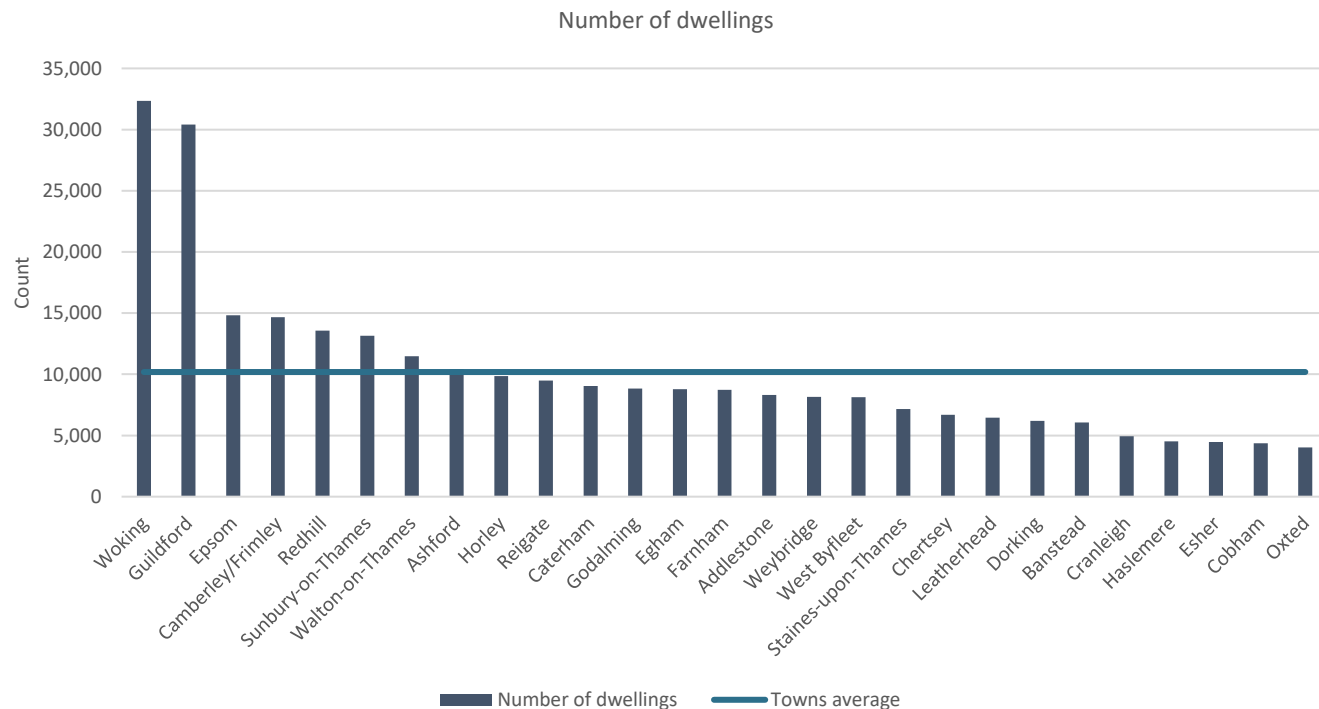


District	Old housing target	New housing target	Change
Elmbridge	653	1,562	909
Epsom & Ewell	569	889	320
Guildford	743	1,170	427
Mole Valley	460	833	373
Reigate & Banstead	644	1,306	662
Runnymede	546	626	80
Spelthorne	631	793	162
Surrey Heath	320	684	364
Tandridge	634	843	209
Waverley	710	1,481	771
Woking	436	794	358
Surrey Total	6,346	10,981	4,635

Woking and Guildford have a notably larger number of dwellings

This indicator shows the total number of dwellings within each town, based on dwellings registered for council tax.

Woking has the highest number of dwellings, with 32,350 homes in the council tax stock of properties. The fewest dwellings are found in Oxted, with 4,025.



Rank	Town	Number of dwellings
1	Woking	32,350
2	Guildford	30,400
3	Epsom	14,825
4	Camberley/Frimley	14,675
5	Redhill	13,575
6	Sunbury-on-Thames	13,150
7	Walton-on-Thames	11,475
8	Ashford	10,425
9	Horley	9,850
10	Reigate	9,500
11	Caterham	9,050
12	Godalming	8,825
13	Egham	8,775
14	Farnham	8,725
15	Addlestone	8,300
16	Weybridge	8,150
17	West Byfleet	8,125
18	Staines-upon-Thames	7,150
19	Chertsey	6,700
20	Leatherhead	6,450
21	Dorking	6,200
22	Banstead	6,050
23	Cranleigh	4,925
24	Haslemere	4,525
25	Esher	4,475
26	Cobham	4,350
27	Oxted	4,025

Additional infrastructure

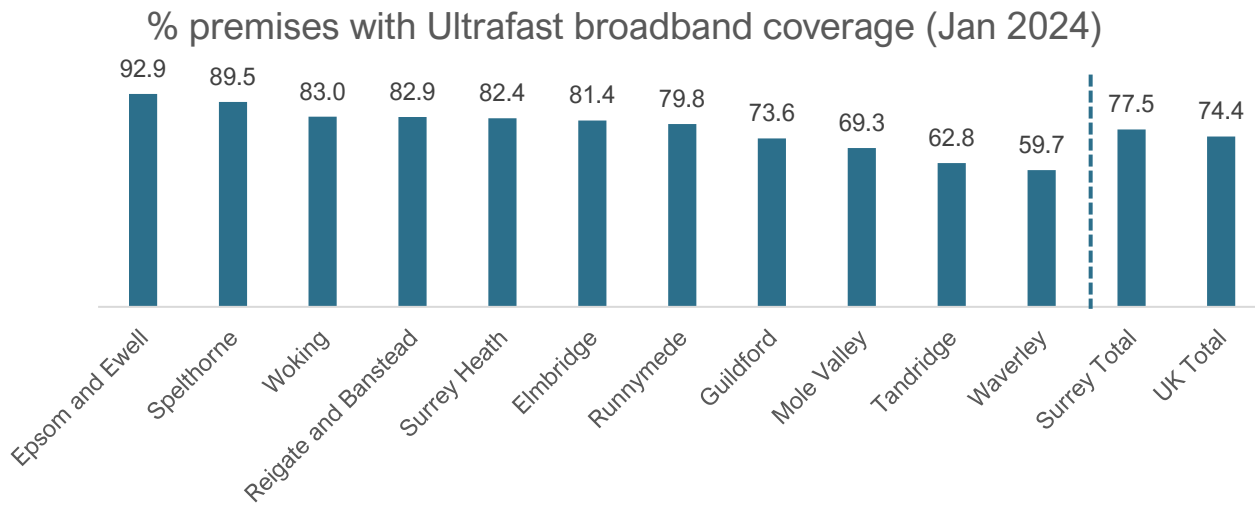
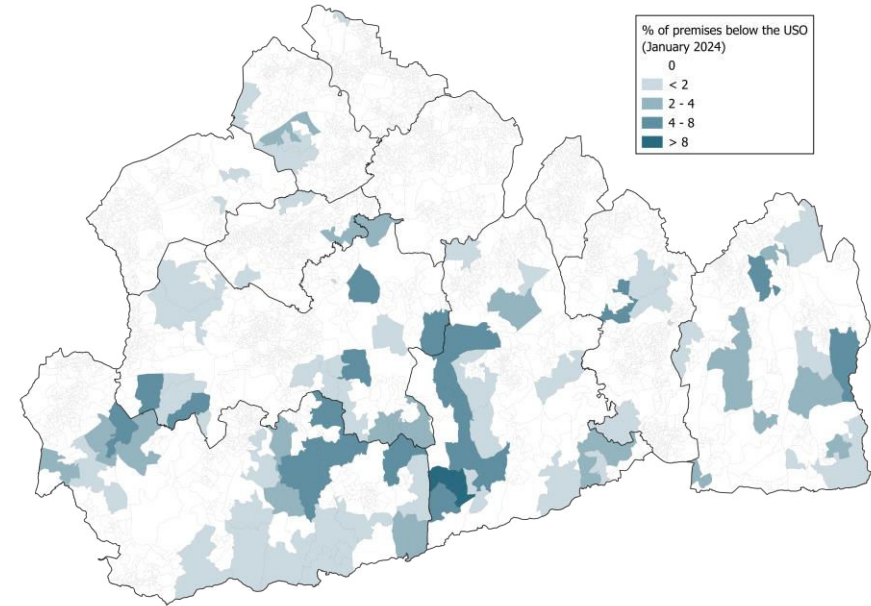
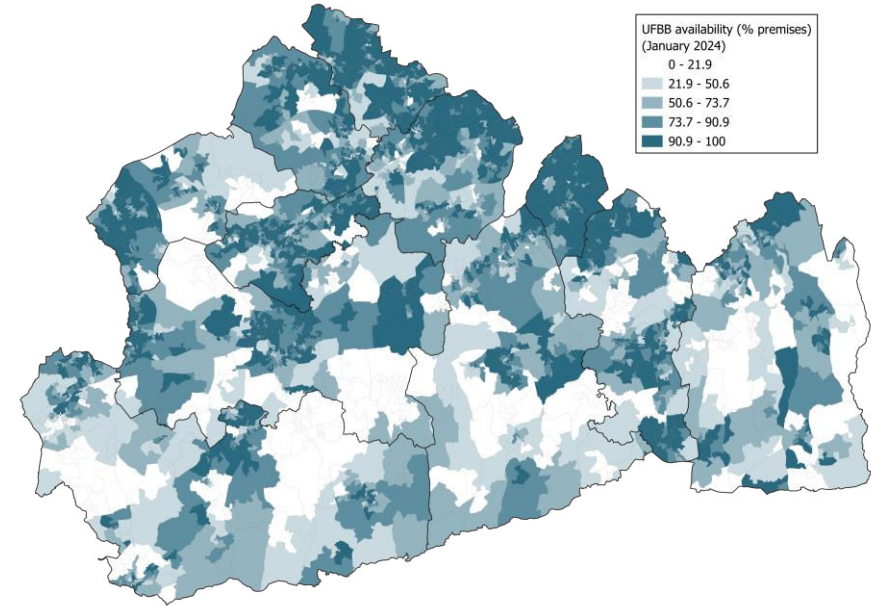


Rural neighbourhoods have weaker broadband availability

Surrey has a higher share of ultrafast broadband coverage than nationally at 77.5%. However, rural parts have lower high-speed broadband availability.

These two maps illustrate digital connectivity in Surrey. The first map shows the percentage of premises with ultrafast broadband coverage for each census output area, while the map below demonstrates the percentage of premises that do not have access to download speeds at or above 10 Mbit/s and upload speeds at or above 1 Mbit/s from fixed broadband.

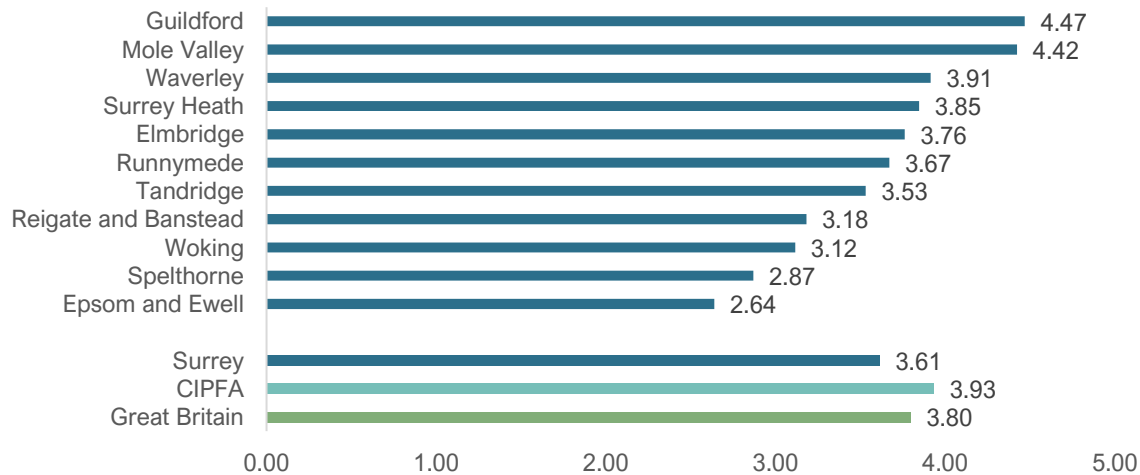
The chart shows that Surrey has a slightly higher share of premises with ultra-fast broadband. Still, some rural districts like Waverley, Tandridge and Mole Valley lag the national average at 60%, 63% and 69%, respectively. This is also reflected in the maps, as these districts to the south of Surrey have neighbourhoods with a higher share of premises below the USO.



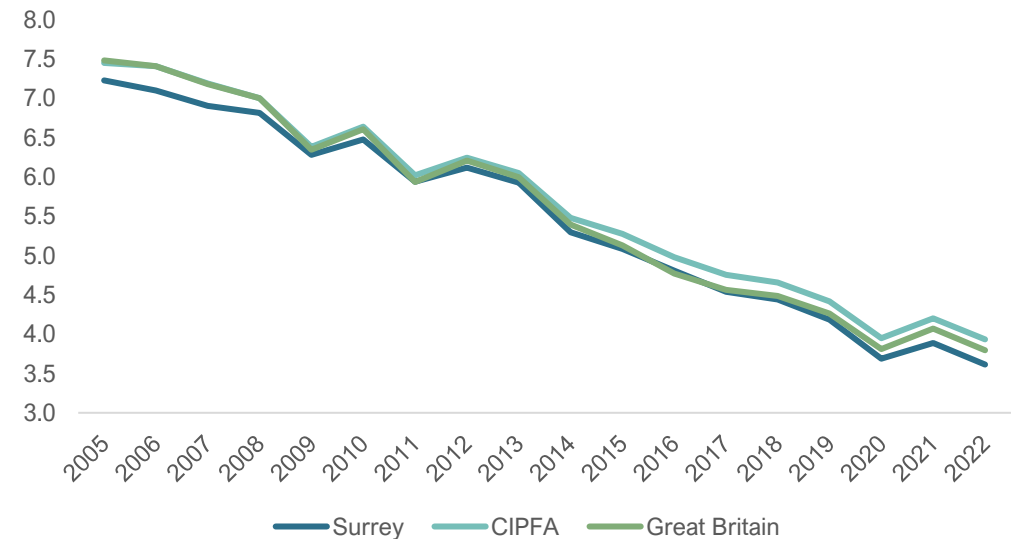
Surrey’s per capita carbon emissions are falling

Guildford and Mole Valley are the biggest emitters of carbon dioxide within Surrey per capita, emitting significantly more than Epsom and Ewell. Surrey has lower carbon dioxide emissions per capita than CIPFA and Great Britain and has done since 2005.

Per capita emissions 2022 (tCO2e)



Per capita emissions over time (tCO2e)

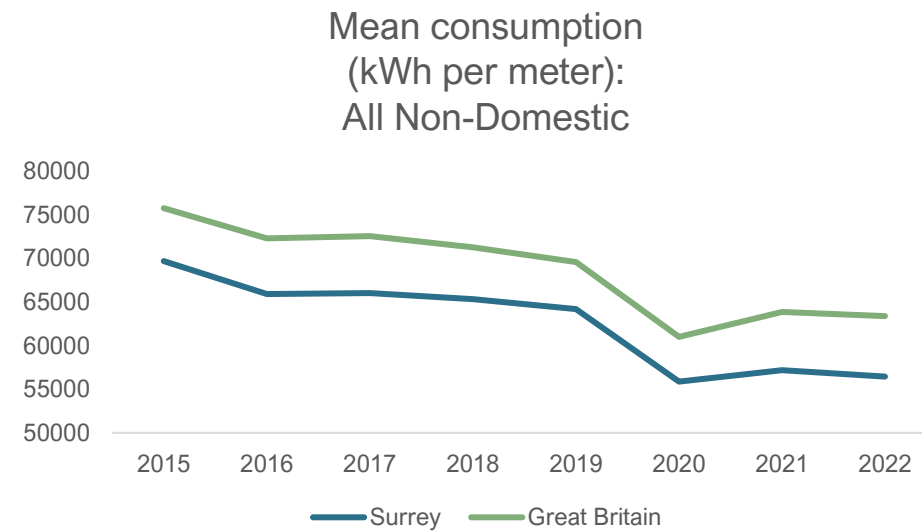
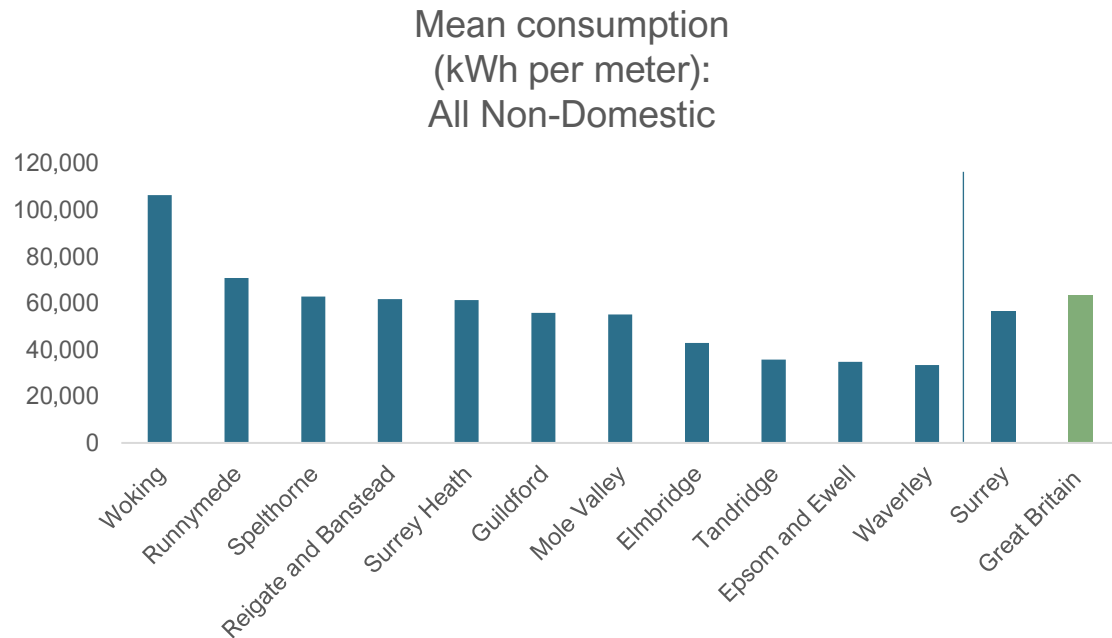


Surrey emits less carbon per capita than CIPFA and Great Britain and the three areas have followed a similar declining trend since 2005. Surrey has widened the gap in recent years, which is positive for the county’s sustainability goals.

Within Surrey, Guildford, alongside Mole Valley, accounts for the largest carbon emissions per capita. There is a relatively large gap between the areas accounting for the most emissions per capita and the last, with a 1.83tCO2e swing between Guildford and Epsom and Ewell.

Woking dominates Surrey's non-domestic electricity consumption

Average non-domestic electricity consumption in Surrey is lower than that of Great Britain as a whole and the trends seen over time between the two areas are very similar.



Non-domestic electricity consumption is lower in Surrey than in Great Britain as a whole. Within Surrey, Woking has the highest mean non-domestic electricity consumption (106,401 kWh per meter), which is 71,949kWh per meter more than Waverley, which has the lowest average non-domestic electricity consumption.

The trends in consumption are almost identical for Surrey and Great Britain as a whole. Between 2015 and 2020, there was a steady decline of 19.8% for Surrey and 19.5% for Great Britain, but consumption has since increased and plateaued below 2019 levels.

Surrey data is calculated as an average of the districts. Non-domestic consumption is based on NHH meters with profiles 3 to 8 and all Half Hourly meters, or profile 1 and 2 metres consuming over 50,000kWh annually.

Important recent funding can help Surrey develop

Two main sources of funding which will help unlock potential for Surrey in terms of economic development are the Brownfield Release Fund and the UKSPF funding.

Brownfield release fund:

A **£1.8 billion investment package** was announced in the 2021 Spending Review. The Brownfield Land Release Fund has allocated up to **£180 million to English councils over three years**. The funding can be used to turn neglected land into new homes

In October 2024, **£68 million** of funding was announced to go directly to **54 councils**

- **Surrey Heath Borough Council** was awarded **£1,480,300** for supporting new housing development next to the A30 in the centre of Camberley.
- **Tandridge District Council** was awarded **£250,159**.

UKSPF:

Upper-tier authorities (county councils) receive an allocation of Multiplier funding only. Surrey received £4,762,338 in Multiplier funding from 2022 to 2024.

- Multiply funding for Surrey at a **per capita level** is one of the **lowest of CIPFA counties**.

Lower-tier authorities (districts and boroughs) receive an allocation of core UKSPF funding only.

At Metro Dynamics, we **care** about places, our clients, and our colleagues.

We are an **independent** organisation, **curious** about our work, and **collaborative** in our approach. We strive to **make a difference** in all that we do.

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