



# **HIGH STREET RENTAL AUCTIONS**

## **SUPPLEMENTARY CONSULTATION RESPONSE**

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## Introduction

The British Property Federation (BPF) represents the UK real estate sector, an industry that contributes more than £107bn to the economy and supports 2.3million jobs. Our members are invested in commercial and residential real estate in communities across the UK - revitalising our cities and shared spaces, reimagining our town centres, and creating vibrant new places designed for the way we live today.

This letter is supplementary to the BPF's response to the consultation on local authority guidance in undertaking high street rental auctions (HSRAs) and should be read in conjunction with that response.

## BPF response

The BPF is opposed to HSRAs. While there is a real problem of vacant shops and buildings in high streets and town centres, we do not believe that HSRAs are the right tool to tackle them, not least because they are based on a misunderstanding as to the causes of vacancy.

The retail market is transforming, with online sales now accounting for more than a quarter of all retail spend. This has led to an oversupply of retail units in many locations. At the same time, the effect of business rates, particularly the historic impact of downwards phasing and lengthy gaps between revolutions, has made store viability unachievable in many locations. This combination of a fall in demand combined with persistently high occupational costs has resulted in vacant units, particularly in parts of the country where there is less consumer disposable income. We believe that the majority of vacant units in England are caused by these systemic issues rather than what the Government has unhelpfully called 'lazy landlords'.

However, notwithstanding these systemic issues, we accept that there may be localised examples of some landlords who are not willing or able, for whatever reason, to let a vacant unit. Given this, it is important that the HSRA policy is drawn up in such a way so as to be as proportionate and targeted as possible.

As our response to the consultation questions shows, we have concerns over four areas of the guidance that we wanted to express outside of the limitations of the questionnaire.

1. Paragraph 19 of the draft guidance states that the policy should not apply to landlords who 'are proactive and want to fill their shops' unless 'those landlords are struggling to find a tenant and would benefit from the High Street Rental Auction process and local authority support'. This is welcome and sensible. However, we feel that the guidance could be more directive to local authorities, and be clearer about what 'proactive' means in this context. It would be helpful if it stated that 'where a landlord is actively seeking an occupier at or below the market rate for that unit, or can demonstrate an intention to do so in a reasonable timeframe, a local authority should not undertake an HSRA unless the landlord requests it'. We feel that this would provide comfort to investors who might otherwise be put off investing due to concerns of local authority intervention in the letting process.

2. Costs – question 14 of the consultation seeks views on who should bear costs associated with the HSRA process. It is likely that in many cases properties in scope for HSRAs will be of lower quality and will require significant investment to bring them up to a lettable standard. A landlord may not have access to the level of investment required, or it may not be viable for them to spend the money needed given the return from a prospective tenancy. It would not be equitable in such cases to force a property owner to spend money that they may not have, or to undermine their business planning, in order to ensure that a property is occupied. The local authority should bear the costs of a process that they undertake, and over which the landlord will have little to no control.
3. Disapplication of MEES requirements – we are concerned that any move to water down the universality of EPC requirements will reduce the UK's ability to meet its net zero requirements. The standard should be universal – the more exceptions and carve outs from national regulations that apply, the less certain the system becomes. In addition, were properties that are subject to HSRAs to be allowed to depart from EPC requirements this could in turn undermine corporate net zero commitments by property owners. Furthermore, in cases where a property is unlettable because it is not viable to invest enough to bring it up to required EPC standards, letting it after a period time without that requirement would create an unfair advantage for a local authority over a landlord in letting it.
4. Clarity on the probity of successful tenants – responsible landlords may undertake 'know your customer' checks on tenants to ensure that they are not breaching their own commitments to counter financial crime and money laundering. The draft guidance should include a requirement for potential tenants to submit relevant information as part of their bids so that landlords can meet their legal requirements.

We hope that this is helpful in setting out property owner concerns over the HSRA policy which were unable to be properly expressed through the confines of the formal consultation. We remain available to discuss any of the above with officials.