



HIGH STREETS IN TOWNS AND SMALL CITIES

CONSULTATION RESPONSE

British Property Federation – Written evidence (HSC0037)

About the BPF

The British Property Federation (BPF) is the voice of the UK property sector. Our industry helps power the economy, adding more than £137.5 bn a year, or 7% of Gross Value Added (GVA). We support one out of 12 jobs across the country and pay more than £7bn in direct taxes each year, contributing another £7bn indirectly to local communities through the planning system.

Our ambition is to work in partnership with national and local government, and with local communities, to create places we can all be proud of. We support every aspect of modern life, investing billions of pounds across the country to provide great homes, work and leisure spaces, to play our part in the UK reaching its environmental goals and to reduce bills for our customers whilst giving them a better experience.

General comments

The health of our high streets and town centres is a hugely important topic for our members, many of whom own shops, hospitality outlets and leisure facilities in towns up and down the country and we are pleased that the Built Environment Committee has turned its attention to this subject.

As the inquiry's call for evidence notes, the retail sector has undergone a structural change over the past 15 years and property owners have not been immune to this. Shopping centre values have fallen by 60-70% since their peak in 2014 and retail rental values have broadly halved during the same period. The total value of retail property has shrunk significantly and the sector has gone from being the largest component of many institutional investors' property portfolios to one that most investors have sought to divest themselves of.

That said, there's a sense among property owners that the retail sector's painful transition of the last decade from bricks and mortar to omnichannel is now largely complete. They consider that retailers and leisure and hospitality operators have largely adapted to changing social and economic demands, and that those sectors are now in a stronger and more certain place than they have been for a while. Indeed, headline rents for retail property have started growing in recent months (albeit very modestly indeed), which suggests that the market has – at least in places – found a new equilibrium.

At the same time, we have by some estimates 40% more shops than we need and there is a big challenge around how to repurpose them into uses that bring renewed energy and value to town centres. In our responses to questions below we highlight what policy barriers and opportunities there are in this area.

Answers to selected inquiry questions

How do you define a high street in a town or small city and what is its purpose?

As a general matter, we are more drawn to the term “town centre” than “high street”, as the places we care about in this context are likely to be a network of physical streets than a single one, but like most people we often use the two interchangeably. As this inquiry refers to high streets, we shall mostly use that term in our response.

We have no strong views on how to define high streets but would suggest that it’s difficult to come up with a single definition that is both concise and widely applicable. This is because every place is different and characteristics of a high street in one town may not be present in another’s but both might be what an observer would recognise as a high street.

Accordingly, we feel it’s important that for the purposes of any relevant high street-focused policy, it should be for local stakeholders to define or decide on how to draw a red line around their high street on a map.

What should be included on high streets to meet the needs of the whole community?

The answer to this will depend on the characteristics of a place (e.g. size, proximity to other settlements, level of affluence) and will be different in different places.

From a policy perspective, the important point is that there should not be any unnecessary barriers to a diversity of viable uses arising on a high street. Sadly, as we explore in our answers to subsequent questions, these do exist.

What are the obstacles to bringing underused property on the high streets back into use?

There is no doubt that empty units on high streets are a real challenge for places. Research we published last year showed that it has become much harder to re-let empty space over the past five years.

Between 2017 and 2019, of all shops that were reoccupied after a period of vacancy, 46% had been vacant for longer than a year. The same figure for the period 2021 to 2023 was 63%, showing that shops are now sitting empty for much longer.

Looking at it from another perspective, of shops that were reoccupied after a period of vacancy between 2017 and 2019, 22% had been empty for less than six months. The corresponding figure for the period 2021-2023 was just 9%.

It's really important therefore to consider what barriers there might be to reoccupation and in our view, these fall into three broad – but interconnected – categories:

Financial

Changing the use of a building away from retail space (of which it's generally agreed we are over-supplied) towards something like housing, leisure or medical involves considerable cost and uncertainty; everything from planning costs through to construction.

In many places around the country, the expected future income arising from a new use will not cover these costs, rendering it financially unviable – at least for a private sector player with no access to any form of subsidy.

This viability challenge is exacerbated by the current rules around relief for empty properties (empty rates relief). In order to redevelop a multi-let high street building (e.g. a parade of shops or a shopping centre), the building must first be empty. Because the leases in the building are unlikely to all terminate at the same time, some of the units will likely sit empty for a period while other leases run their course. The building owner may seek to fill these on a temporary basis (e.g. short term lets or pop-up shops), but the demand may well not be there and where an occupier can't be found the owner will be liable for business rates.

Technical

There are technical and engineering challenges involved in adapting existing retail space to new uses. For instance, many now empty department stores have large floorplates with limited natural light reaching the middle, making conversion to residential use very difficult or impossible. Similarly, it will not always be possible to break these large floorplates up into smaller units that are coherent or attractive enough to new occupiers.

Much is spoken about making more residential use of the space above high street shops, but again there are technical challenges here ranging from physically restructuring upstairs space from storage to residential to fireproofing and soundproofing. Meeting modern accessibility requirements can also be difficult and the understandable desire to retain the heritage elements of many high street buildings can limit the scale and nature of residential redevelopment.

Policy

The two main barriers in this area are business rates and planning.

Business rates

Our members consistently tell us that high levels of business rates are the number one barrier to reoccupation of empty retail property. Indeed, it is not uncommon for members to tell us that they are unable to let units even at nil rent, as there are no potential occupiers able to afford the business rates bill.

Since their introduction in the early 1990s, business rates have climbed from around a third of the rental value of a property to almost 55% of it. This rate of tax is out of kilter with every other tax in the UK and as a result the UK has one of the highest rates of property tax in the OECD.

Business rates are also the only tax in the UK whose total take for Government is pegged to inflation rather than reflecting underlying levels of economic activity in the economy, meaning that rates bills can go up even when businesses are struggling and property values falling. To make matters worse, the inflation peg used for many years was the now discredited measure of RPI.

In addition, business rates revaluations have until very recently taken place only every five years at the same time as retail rental values have been falling rapidly and significantly. This means that many high street businesses have for years had their rates bills based on a rateable value that was much higher than the rent they were actually paying. It is fair to say that an unfair and unresponsive business rates system has accelerated the rise of empty shops on our high streets.

Business rates therefore need urgent reform:

- They should be set at a fair and sustainable level (e.g. 33% of rateable value);
- The rate of tax should be fixed, as is the case with other taxes;
- There should be a new "fresh start" 12 month relief for businesses taking up space in long term empty units;
- Empty rates relief should be extended from three to six months to better reflect re-letting periods; and
- The Valuation Office Agency should be better resourced to automate and digitise so as to carry out more frequent revaluations in future.

Planning

The main challenge here is the acute lack of resources within Local Authorities to deal with planning applications, create and maintain local plans and think strategically about how local planning powers can be used to support thriving high streets. A common complaint from members is that planning consents to change a shopfront (e.g. to accommodate a new occupier or to split/amalgamate shop units) are regularly granted well beyond the relevant planning determination date. This means shops sit empty for longer than necessary, delaying the creation new jobs and additional footfall to the area.

A decade of budget cuts has left not just planning departments short on staff and expertise, but has also meant that many local authorities no longer have anyone skilled in the disciplines necessary for successful placemaking, such as town centre managers and economic development specialists.

Who is involved in ensuring a thriving local high street and does the current structure of Government support facilitate those groups in working together?

High streets are living ecosystems and in order to thrive not only do their individual components need to be healthy, there need to be strong connections between them too. In other words, the success of a high street can't be ensured by any single local stakeholder but there needs to be a good partnership between the key parties involved in a high street: the local authority, community, businesses and property owners. Where these stakeholders can come together to develop a vision for their high street and a plan to implement that vision, the high street is much more likely to succeed.

And yet the High Streets Task Force has found that 40% of places that they visited had no such partnership in place. In our view, Government policy has not really focused enough on fostering partnership at a high street level, though this is starting to change with the piloting of High Street Accelerators and the launch of the Long Term Plan for Towns.

We are strong advocates of [Town Centre Investment Zones](#) (TCIZs), which are areas within which local stakeholders gain new policy powers and incentives to enhance investment viability, drive through rapid high-street change and allow access to economies of scale. However, before getting access to new powers or incentives, local stakeholders must have in place a partnership model that aligns interests. Indeed, the main aim of TCIZs is to incentivise partnership; the policy powers are an impetus for forming the partnership, but the policy's real power is in bringing people together. This partnership should be orientated towards delivery of a dedicated plan for high-street success.

What role does the planning process have in determining the success or failure of the high street locally and is it fully able to address the challenges high streets face?

The planning process (and in particular the local plan-making process) is important in setting out the broad rules around what can and can't be physically done to the built environment of a high street. Ideally all high streets would be covered by a local plan, but despite this being a legal requirement, 50% of local authorities did not have an up-to-date local plan in 2020, meaning that many high streets are not being actively planned.

Planning is also important in the context of allowing a high street to adapt to changing uses. Things as mundane as replacing the signage or shopfront to reflect a new occupier or certain types of internal alterations generally require planning consent. However, as noted above extensive cuts to planning departments mean that obtaining such consent often takes considerably longer than it should, resulting in shops staying empty for longer than necessary and repurposing taking longer than desired.

That said, the planning process is just one aspect determining the success or otherwise of high streets and in our view it is a comparatively minor one compared to whether there is a strong local partnership in place and a clear vision for the high street from local stakeholders.

What has been the impact of national level planning policies regarding high streets in the last five years and are any changes required?

Changes to national planning policy affecting high streets have tended to focus on extending permitted development rights (PDRs) to make it easier to change the use of buildings. Our view of these is mixed. We welcome the introduction of Class E, which amalgamates a range of typical high street uses and makes it easier to switch between these (though any building work will still typically require planning consent).

We are less enthusiastic about PDRs that allow commercial space to be turned into residential use. While there is undoubtedly more scope for residential use on high streets, we feel this is better delivered through a local plan than through the piecemeal nature of residential conversions, which can stymie wider regeneration efforts, particularly in town centres. Residential conversions can make land assembly harder. Residents can also be strong objectors to wider regeneration of predominantly commercial areas.

There are also quality issues that come with widescale PDR use. PDRs do not contribute developer contributions, and therefore do not provide supporting social and economic infrastructure. Also, whilst conversions must meet building regulations, and other stipulations can be required via prior approval, they often still involve compromises in terms of design and build.

More generally, national planning policy seems to have been in a seemingly constant state of consultation and change over the past five years. While driven by a desire to improve the system, the never-ending change is disruptive (e.g. local plans need to be rewritten to reflect national changes) and has resulted in local authorities being incentivised to delay their local plan production until after the next round of consultation is complete (at which point another consultation is announced...).

What should be done to ensure that high streets being redeveloped now are structurally and financially resilient for future societal changes?

The most important factor is to ensure that a strong partnership exists at a local level bringing together key stakeholders and that this partnership has enough resources to work effectively. We see a big role for Government in funding "partnership managers" through TCIZs, which can knock heads together at a high street level and keep stakeholders engaged while they reimagine their high street.

Has the High Streets Taskforce been effective in providing support and expertise in high street recovery and what should this look like in the future?

In our view, yes. The Taskforce has provided valuable support to many places around the country and acted as an advocate for high streets to central Government while costing Government very little in the scheme of things.

As its agreed term comes to an end, we would like to see the creation of a Taskforce 2.0. Ideally, this iteration would be better resourced and have the capacity to provide more practical support (e.g. on planning, convening stakeholders, engaging with the community) to places that want to transform their high streets.

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