

Street Bids

How compulsory rent auctions could save
Britain's high streets



ONWARD 

About Onward

Onward is a modernising think tank whose mission is to develop bold and practical ideas to boost economic opportunity and strengthen communities in all parts of the United Kingdom.

We are not affiliated to any party but believe in a mainstream conservatism. We recognise the value of markets and support the good that government can do, and believe that a strong society is the foundation of both. We want to seize the opportunities of the future while preserving the accumulated knowledge of the past. We believe that most people are hard-working, aspirational and decent, but that many do not have the opportunities to fulfil their potential.

Our goal is to address the needs of the whole country: young as well as old; urban as well as rural; in all parts of the UK – particularly places that feel neglected or ignored in Westminster – by working with ordinary people directly and developing practical policies that work.

Thanks

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Summary





The inevitability of the high street's demise is greatly overstated. The reason many shops on Britain's high streets lie vacant is not because businesses no longer want to locate themselves in town centres. Nor is it solely down to changing retail habits and economic trends driven by the internet. The more fundamental reason is that many commercial landlords and investors choose to keep units empty, often for years on end, rather than reduce the rental price towards a fair market rate.

The consequences of this choice on a local area can be considerable. Vacant units reduce footfall and sales volumes for shops that remain open and undermine civic pride in entire towns and neighbourhoods. This can, in turn, become self-reinforcing, rendering other shops unviable and driving higher rates of vacancy. The tattered store fronts and empty window displays of Britain's towns and suburbs are visible symbols of a negative externality not being priced effectively by the market.

Previous attempts to revive the high street have broadly centred around three interventions. First, licensing reform, including the consolidation of use classes into more flexible categories and - during coronavirus - relaxing some regulations entirely. Second, permitted development, to encourage greater conversion of retail stock to residential housing to create mixed use neighbourhoods. Third, town centre regeneration - ranging from pedestrianisation and public realm improvements to wider redevelopment of shopping centres - mostly funded by local authorities or Whitehall pots like the Future High Streets Fund.

These are good and well-meaning policies. But walk down any high street in Britain and it is obvious that they have proved wholly inadequate. Around one in seven high street shops is vacant and in some high streets the figure is much higher. In several local authorities, more than one in every four retail and leisure units is empty. It is no wonder that local people routinely say that high street and town centre decline is one, if not the, biggest issue facing their town. The challenge is to change the incentive structures of landlords so that keeping shops open, rather than keeping them shut, becomes the default.

In particular, there is a need to tackle the inaction of big institutional investors. Four ownership categories - investment management schemes, financial institutions, overseas investors, and real estate companies - account for more than half of UK high street stock. High street units owned by these

organisations have significantly higher vacancy rates, between 7 and 10 times greater than units owned by private individuals. While a handful of vacant units might be comparable to a rounding error on these companies' balance sheets, each and every shuttered storefront impacts on the pride communities feel in their places. This imbalance needs to be addressed.

One proposal to achieve this due to be legislated for in the upcoming Levelling Up and Regeneration Bill is the idea of “compulsory rent auctions” (CRAs). This is a deceptively simple but radical idea, under which local authorities would be given a power to:

1. Require landlords of persistently vacant high street units - those empty for more than 12 months - to hold a public rent auction, where prospective tenants offer bids for the maximum level of rent they are prepared to pay on a fixed term lease.
2. The landlord would be legally required to let the unit to one of the bids at the end of the auction process. This may be the highest rental offer, or the bid they most approve of. But the property must be leased for a fixed period of 2-5 years. To prevent price-fixing among would-be tenants, the auction would be conducted independently by the local authority or appointed auctioneer, and bids would be blind
3. If a landlord refuses to initiate a rent auction, or does not respond to the notice, the local authority would have the power to hold an auction and lease the property in absentia, holding any rental revenue in escrow if necessary.
4. All licensing and planning conditions would remain during the period of the lease, and tenants would be responsible for heating, electricity and business rates, as with any other tenancy.
5. At the end of the lease, the property would be returned to the landlord.

This is undoubtedly a more interventionist response than previous governments have countenanced. But it is clear that a different approach is necessary and none of the obvious objections are very convincing. It is perverse, for example, to argue that landlords will be deprived of fair value for their assets: by definition, an auction determines market value. Similarly, the rights of the property owners will not be interfered with given the auctioned lease will be explicitly temporary and they could sell at any time. Given existing

licensing and planning conditions would remain in place, the ability for tenants to alter the property or use it for unacceptable uses would be curtailed. On the other side of the coin, the potential benefit is considerable. Absentee or disengaged landlords would no longer be able to impose a cost on nearby businesses without accountability. The simple threat of a community rent auction will likely lead many commercial landlords to either bring high street shops into use, or to sell them to someone who will. And the auction process would encourage landlords to actively engage in the potential use of their premises. Where they do not, or where the real market rent is simply lower, high street properties would become available at levels affordable for lower-margin or community uses, such as convenience stores, crèches or police station front counters.

The number of high street units affected will be large. The ONS estimated in 2019 that there are 404,000 high street units in Britain,¹ of which roughly 58,000 are currently vacant according to the latest Local Data Company estimates. Assuming the policy is successful at either forcing landlords to bring properties into use or selling them to someone who can, this would mean as many as 13,200 high street units being brought back into use in the North of England, and nearly 9,000 in the Midlands.

This note sets out the case for radical action to save Britain's high streets, how compulsory rent auctions would work, and the potential benefits of the approach.

The problem



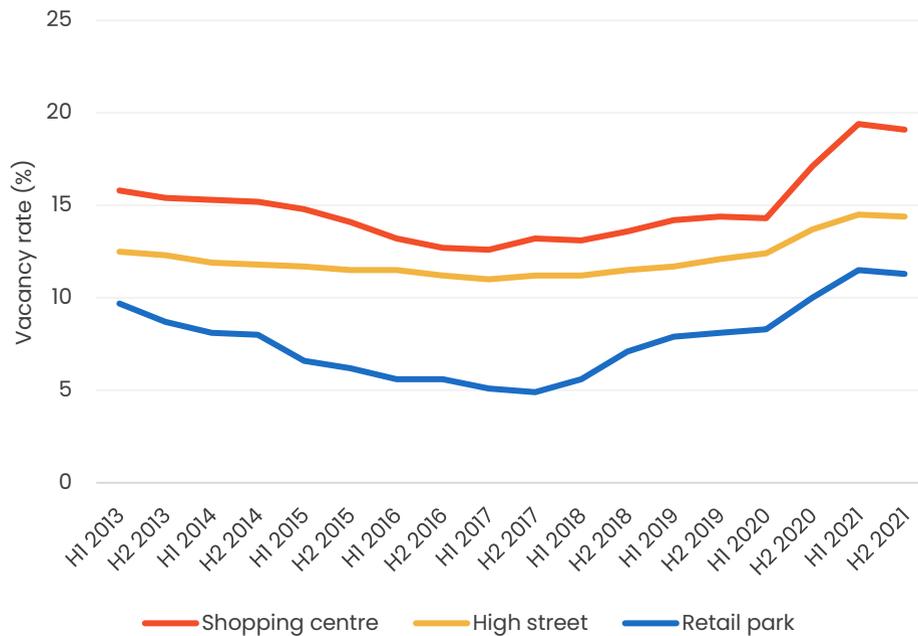
This chapter describes the endemic problems with Britain's high streets, which manifests in empty shops, stubbornly high rents, local economic decline, and a diminishing of pride in place.

1. High street shops are twice as likely to be empty as they were 15 years ago

- An estimated 14.4% of high street units in the UK are currently vacant. This is up by just under a fifth, from 12.1%, since the coronavirus pandemic began in the first quarter of 2020. It is around double the rate, of around 7-8%, that was typically recorded before the 2008 financial crisis.^{2,3} In some towns, like Rotherham, the vacancy rate is much higher at around 31%.⁴
- Vacancies in shopping centres are even higher. 19.1% of units in shopping centres are currently vacant, up from 14.3% in the first half of 2020. This is equivalent to an increase in vacancy of a third within two years and a 51% increase on a low of 12.6% in 2017.⁵

Figure 1: Vacancy rate by type, 2013-2021

Source: Local Data Company



- These rates are much higher in some regions. The vacancy rate in the North East is nearly double that in London, with 20.9% of units vacant compared to 10.6%. Four other regions - Wales (18.8%), Yorkshire and Humber (17.5%), the West Midlands (17.3%) and the North West suffer vacancies more than 60% higher than London.⁶
- Vacancy rates are rising fastest in poorer regions. In the last year, between 2020 and 2021, vacancy rates have risen fastest in the West Midlands (8.8%), North East (7.2%) and East Midlands (7.8%). This compares to a 1.1% fall in vacancies in Wales and rises of 1.6% in Scotland and 1.9% in London.

Figure 2: Vacancy rate by region, 2019–2021

Source: Local Data Company

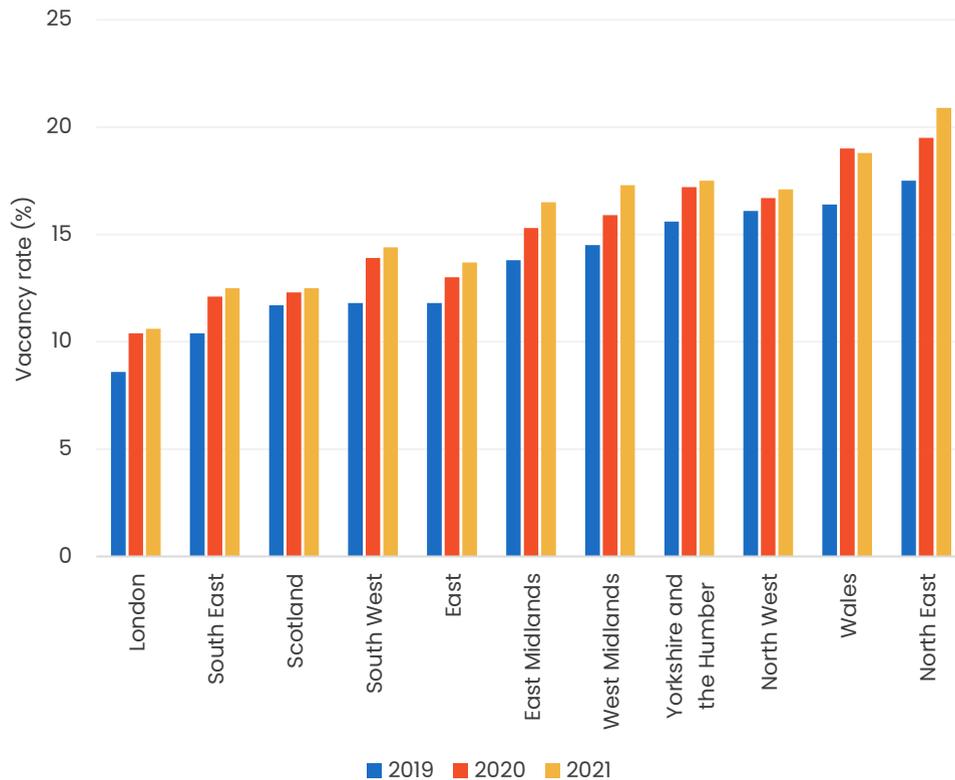
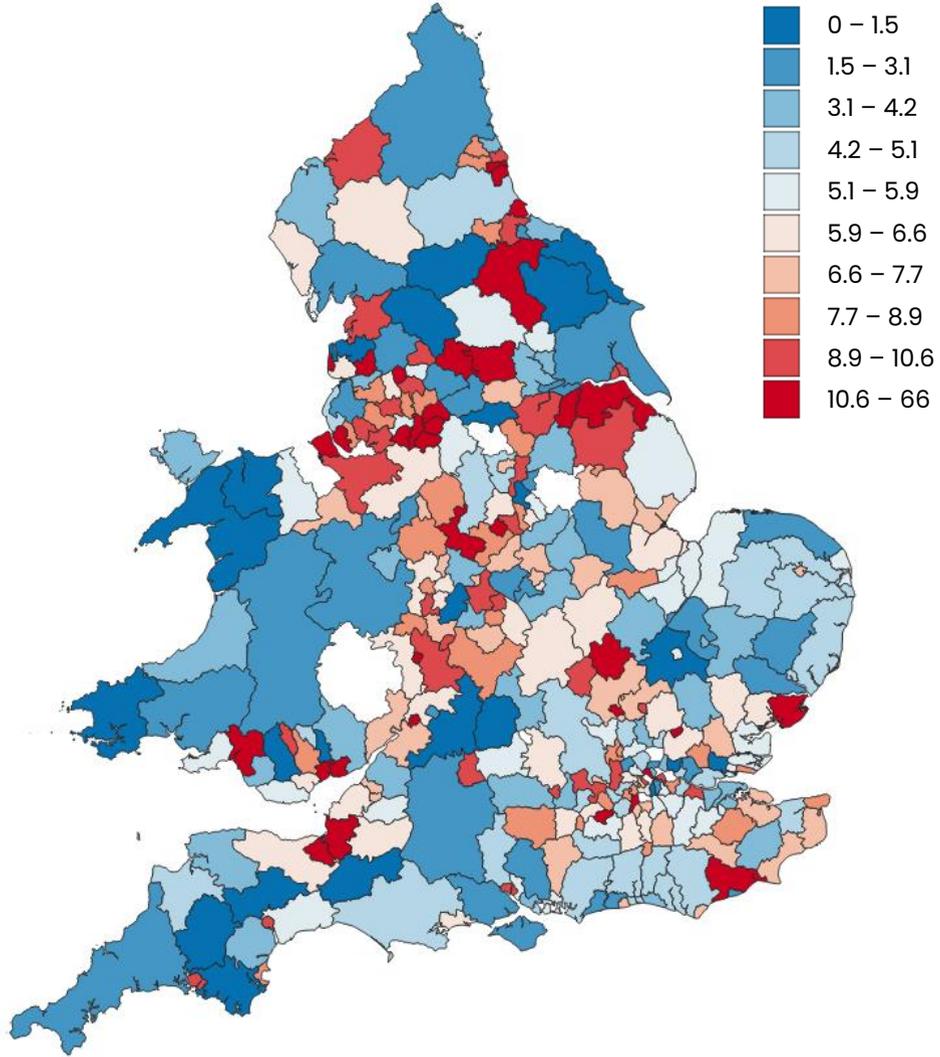


Figure 3: Commercial vacancies, retail, and leisure units, Q1 2022

Source: Whythawk

Note: Vacant locations as a share of the total



2. A rising share of vacant units have been empty for long periods of time

- According to Savills, “even in the most successful retail places, there is an increasing proportion of vacant units that are empty for long periods or even permanently, with 50% of vacant units having been empty for three or more years”.⁷ Around 33% of all units have been vacant for more than three years.⁸
- The share of high street units vacant for more than three years has risen by around a third since the start of the pandemic. In 2019, only 3.5% of all high street units were classed as “persistently vacant”, i.e. vacant for more than three years, by the Local Data Company. It is now 4.7%. Among shopping centre units, the increase has been steeper, with persistent vacancy rising 48% since 2019.⁹
- The rate of persistent vacancy varies considerably between different places. In Rotherham, nearly one in five units (18.1%) has been empty for more than three years. Bolton (16.8%), Grimsby (16.3%), Basildon (16.2%) and Stoke-on-Trent (15.1%) all have three times as many persistently vacant high street shops as the UK average.¹⁰
- In some of these towns, persistent vacancy has risen considerably in recent years. In Barnstaple, high street vacancy of over three years rose by 63% between 2015 and 2022, while Stoke-upon-Trent (54%), Kettering (52%) and Rotherham (51%) have seen rises of more than half. In Slough, persistent vacancy has nearly quadrupled, from 1.7% to 6.1% of all units.¹¹

Table 1: Persistent vacancy rate (3+ years), 2015–2020, selected towns

Source: Local Data Company for Power to Change

Town	Persistent vacancy rate, 2015	Persistent vacancy rate, 2022
Rotherham	12.0%	18.1%
Bolton	11.8%	16.8%
Grimsby	12.3%	16.3%
Basildon	11.2%	16.2%
Stoke-upon-Trent	9.8%	15.1%
Bishop Auckland	12.5%	13.9%
Stoke-on-Trent	8.7%	12.3%
Redruth	10.8%	10.9%
Darlington	7.1%	10.2%
Blackpool	7.3%	9.9%
West Bromwich	7.2%	9.7%
Wolverhampton	6.8%	8.9%
Great Yarmouth	8.0%	8.4%
Gravesend	6.2%	8.0%
Burnley	5.8%	7.7%
Doncaster	6.5%	7.6%
Sleaford	7.5%	7.6%
Wakefield	6.6%	7.5%
Grantham	7.1%	7.4%
Blyth	5.7%	6.8%
Dudley	8.4%	6.6%
Nottingham	5.0%	6.2%
Slough	1.7%	6.1%
Huntingdon	5.0%	5.9%
Barnstaple	3.5%	5.7%
Bury	4.6%	5.3%
Bridgewater	4.1%	5.1%
UK average	3.7%	4.7%
Kettering	2.9%	4.4%
Workington	4.6%	3.8%
Gillingham, Kent	2.8%	3.7%
Batley	4.1%	3.0%

3. Vacancy is being driven by a twenty-year exodus of retailers from town centres

- Between 2000 and 2009, town centre floorspace fell as a share of total retail space by 1% each year while out of town retail space rose by 3%.¹² This equated to a 27 million square foot decline in the retail floorspace of town centres, from 310 million sq ft in 2000 to 283 million sq ft in 2009.
- Since 2015, more shops have been closing than opening each year, widening the gap between supply of space and demand for it.¹³ In net terms, this is equivalent to a net closure of 43,000 units cumulatively since 2015. In 2020, more than 11,000 more high street units closed than opened.¹⁴
- This has been driven by a large number of physical retailers entering insolvency due to online competition. Online sales as a share of retail rose from 2.5% in 2006 to 37% at the height of the pandemic, before falling back to 26%.¹⁵ Since 2010, nearly 1,400 retailers have entered administration, including household names such as Topshop, Burton, Debenhams and House of Fraser.¹⁶ Many of their old stores remain empty: of BHS' 167 physical stores, 35 were still vacant five years after it went bust in 2016.¹⁷

Figure 4: Unit openings and closures, 2013–2021

Source: Local Data Company

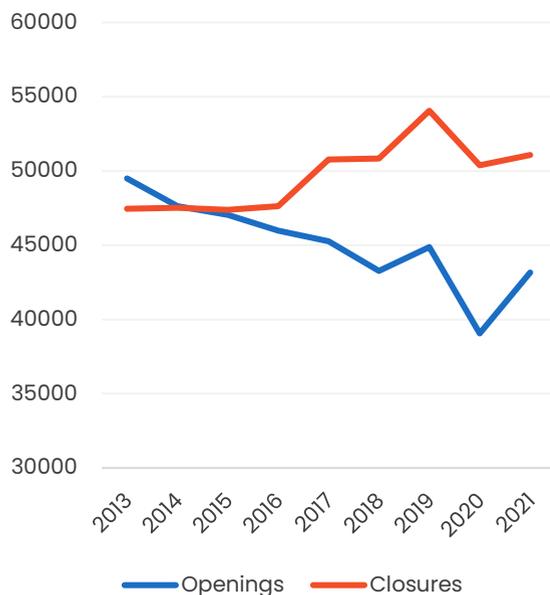
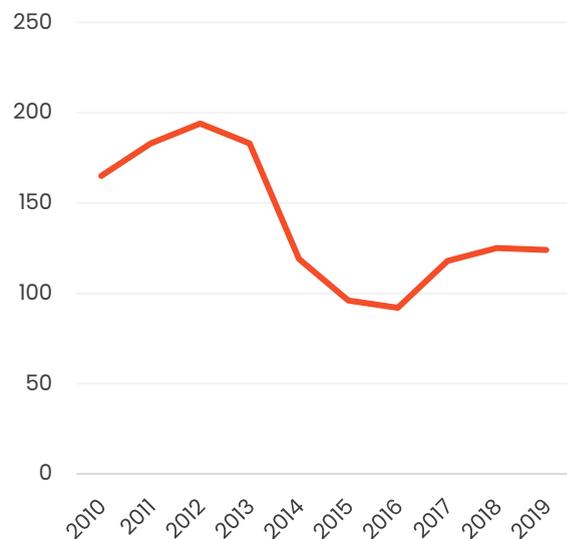


Figure 5: Retailers going into administration, 2010–2019

Source: Deloitte¹⁸

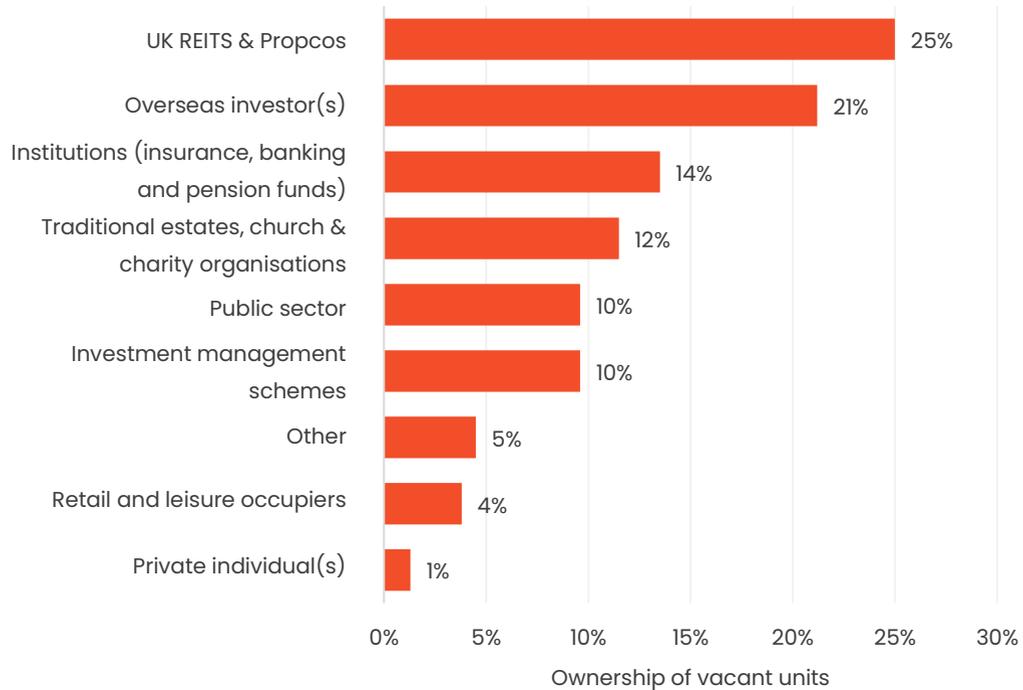


4. Vacancy is strongly correlated towards certain forms of ownership

- High street units owned by investment management schemes have a vacancy rate (13%) that is ten times as high as the vacancy rate for shops owned by private individuals (1.3%). High street assets owned by financial institutions, such as insurance firms, banks and pension funds, have a vacancy rate of 11.9%, while overseas investors (9.6%) and UK Real Estate Investment Trusts and Property companies (9.2%) also have high rates of vacancy.¹⁹
- These four ownership categories - investment management schemes, financial institutions, overseas investors, and REITS and property companies - account for more than half of UK high street stock and two of these categories account for nearly half of all empty shops in the UK: real estate and property companies account for 25% of vacant units, while overseas investors account for 21%. This sharply contrasts with private individuals, who own 7.3% of high street premises, but only 1.3% of all vacant units in the UK.²⁰
- It is not surprising that vacancy is less important to such investors. Town centre commercial property is an attractive proposition to investors searching for yield during an era of low interest rates. Rising land values will likely have delivered year-on-year capital appreciation irrespective of whether the property is vacant or occupied. The costs of holding vacant retail property, in the form of business rates, will be miniscule within a multi-billion-dollar investment portfolio.
- The securitisation of commercial mortgages may also encourage landlords to keep shops empty rather than accept lower rents. Because commercial mortgages linked to rental receipts are often packaged into financial products such as Commercial Mortgage Backed Securities, some have speculated that landlords are unable to reduce rents without incurring punitive repayment charges or a full default.²¹ This incentivises vacancy instead of re-letting units at lower prices.²²

Figure 6: Vacancies on top UK high streets by type of owner

Source: Power to Change²³

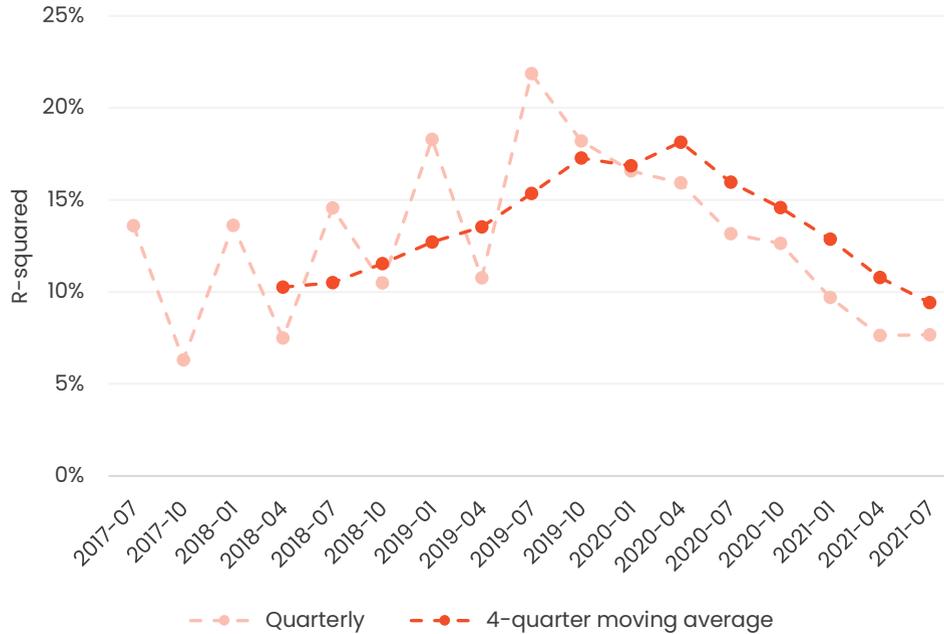


5. Rental prices appear to be decoupling from vacancy rates

- In a functioning market, rents would reduce as vacancies rise until the price reaches an equilibrium. But in the commercial retail market, the relationship between vacancy rates and median rental values is weak and has been becoming weaker in recent years.
- In 2019, before the pandemic, vacancy rates were moderately negatively correlated with log median rental values at the local authority level. A one percentage point increase in the vacancy rate in an area was associated with a -0.08 decrease in log rental values. The R^2 value (shown in Figure 7 below) means that the vacancy rate in a local authority explained 21.9% of the variation in average rental values.
- However, in the intervening period, this relationship has weakened as rental values have decoupled from vacancy rates. The most recent data suggests that vacancies explain just 7.6% of the variation in rental values.

Figure 7: Relationship between vacancy rates and log median rental value, 2017–2021

Source: Whythawk²⁴



- A simple linear regression using the 2019 data would imply that, if the vacancy rate in a local authority increased from 5% to 10%, average rents would fall by £2,827, from £8,463 to £5,636. But the most recent data suggests that the same change in vacancies would only see rents decline by £1,136, from £7,820 to £6,684.
- This is clearly linked to the pandemic. Over a five-year period, we can see that the market was slowly becoming more responsive to vacancy, albeit from a low base. But in early 2020, the relationship between vacancy and rental values started to diverge.

6. The impact of rising vacancy on local places is considerable

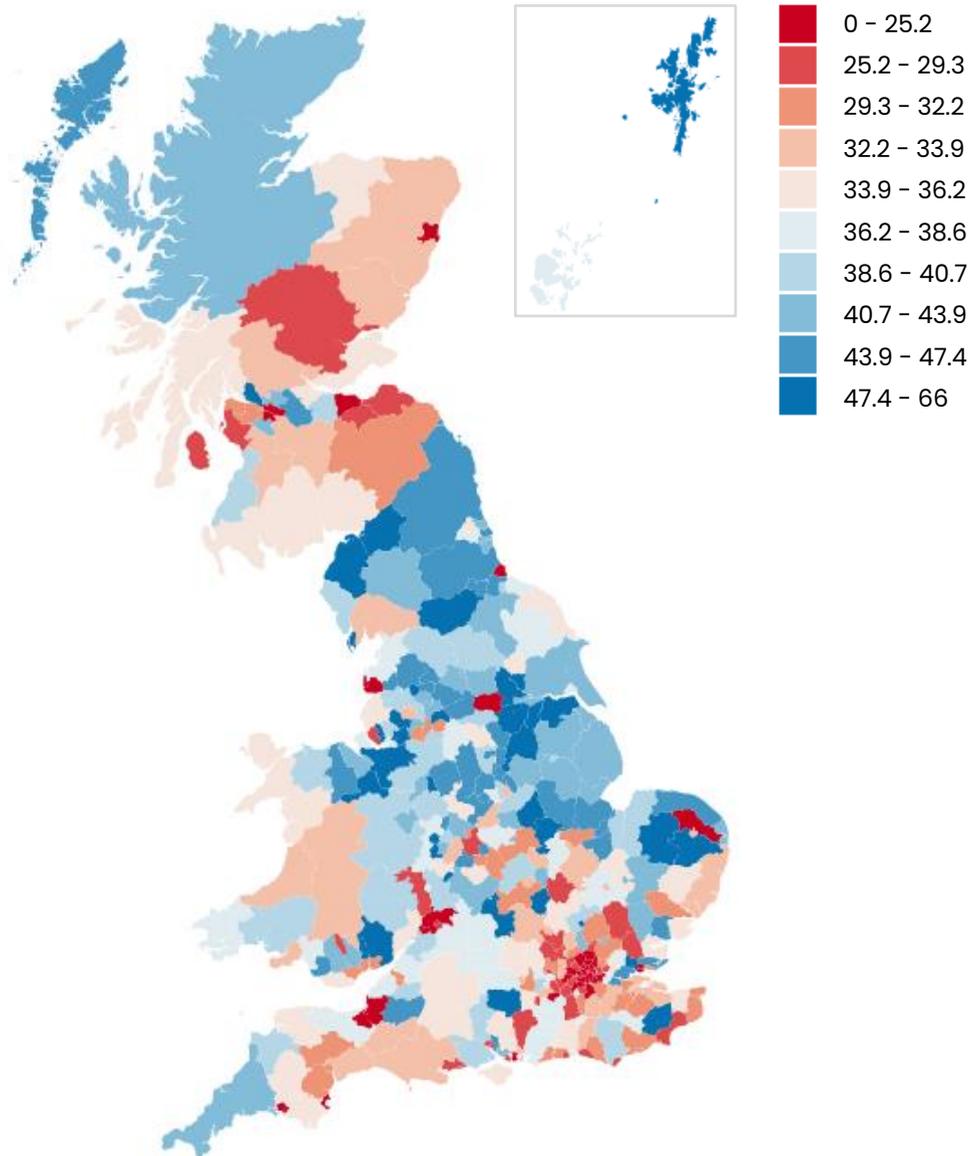
- Numerous Onward studies have demonstrated the importance of the high street to local places. Onward’s 2020 study, *The State of our Social Fabric* identified the high street as one of the key barometers of the strength of local community in the eyes of residents.²⁵ This has been reinforced in

recent research, where focus groups have uniformly highlighted high street revival as a key test of “levelling up”.²⁶

- Wider evidence suggests that access to local shops and a thriving high street is an important ingredient of place-making. Research by Demos and L&G in 2021 found that access to good local shops was people’s number one priority for where they live.²⁷ Similarly, research by Public First in 2020 found that, when asked what people would most like to see on a high street of a new town they move to, the top answer was shops.²⁸
- Vacancy has a particularly pernicious effect because it undermines people’s sense of civic pride. As Public First found: “high streets are the heart of a town and shops are the jewels in their crown. In these towns, people measure decline in part by the number of shops that are closing – and what, if anything, they are replaced by”. “When they see their towns in decline”, the report went on, “[people] feel embarrassment and shame”.²⁹
- In 2020, this negative impact was highlighted by the Communities and Local Government Select Committee’s report on Town Centres and High Streets, which noted: “We know from our experience that the loss of a shop— particularly a long-established ‘anchor’ store— can be crushing for a place; the impact was described to us as “massive” and the empty space that remained a “scar”. The surrounding shops are also affected by the loss of a “pull” into the town centre.”³⁰
- There is some evidence that high street vacancy imposes a cost on other local businesses too. Research by the Commission for Architecture and the Built Environment (CABE) has found that for every 1% increase in the number of vacancies on a high street, prime rents fell by an average of 9%, equivalent to a £46 per m² per year rent reduction at the time of the study (2011).
- As you can see from Figure 8 below, the North and the Midlands of England, as well as East Anglia and the South of Wales, are much more at risk of vacancy as a result of the composition of businesses on their high streets.

Figure 8: Proportion of high street addresses categorised as “retailing”, “community”, or “leisure”

Source: ONS, High Streets in Britain, March 2020



The solution





It is clear that the reforms introduced by policymakers in the last two decades have been mostly ineffective at halting high street decline. Despite well-intentioned policies including the Future High Streets Fund, permitted development to allow more high street shops to be turned into residential property, and licensing reform, vacancies have steadily increased and many towns have lost both economic value and civic pride.

This section discusses a new approach currently under consideration by the Government - compulsory rent auctions. These would force the owners of long-term vacant high street properties to temporarily let them at a price set by the market at auction.

How will compulsory rent auctions work?

Compulsory rent auctions are a mechanism by which local authorities could force owners of persistently vacant properties to bring them back into use at auction. Under the proposed system:

- Local authorities will be given a discretionary power to require a compulsory rent auction on any high street or shopping centre unit that has been vacant for 12 months continuously, or 12 months in any 24 month period (to avoid shops being brought into use for a month per year to avoid the CRA).
- The owner of a property subject to a compulsory rent auction will be legally required to auction a temporary (2-5 year) lease for the premises. This auction could be facilitated by the local authority or orchestrated by an appointed third party agent, but would have to be held within a set period, with the costs borne by the landlord.
- During the auction, prospective tenants offer competitive bids for the level of rent they are prepared to pay, with no reserve price. The landlord has complete flexibility over which bid is successful. They may choose to maximise rent, or choose a bid that fits best with their values or vision for the property, but they must lease the vacant unit to someone.
- If a landlord fails to respond to a compulsory rent auction notice, refuses to engage or cannot be identified in order to serve notice, then the local authority has the power to let the property on their behalf. In this scenario, the local authority would collect and hold rental receipts and service charges in escrow on their behalf.

The compulsory rent auction does not change the wider market for commercial retail space. Tenants secured through a compulsory rent auction would pay rent and service charges in the normal way. Given planning and licensing conditions are attached to the property, rather than the lease, any high street shops let under a compulsory rent auction remain subject to all existing conditions. This would prevent shops being converted for controversial uses, for example betting shops or bars, without the landlord's knowledge or permission.

The landlord would be free to sell the freehold of the asset to a new owner at any time. If they sold the premises before the auction, the new owner would be required to auction the premises, or occupy it themselves. To ensure that the vacancy was addressed in a reasonable time period, a limit of six months could be placed on landlords to sell the freehold, before the local authority conducted a compulsory rent auction on their behalf. If the property was sold after a lease had been auctioned to a tenant, the new owner would be obliged to honour that lease, or negotiate their exit, as with any other commercial lease.

The potential benefits of compulsory rent auctions

There are a number of potential benefits that may flow from the introduction of compulsory rent auctions. These include:

1. *Reducing Vacancy* - Commercial landlords, especially financial institutions reliant on consistent returns, will not want to risk a compulsory rent auction that may generate a lower rental yield. In this respect, the *threat* of a compulsory rent auction may in itself be enough to change behaviour. You would expect landlords to either become more price-responsive to changing demand for space, or to offload high street assets to other owners, to avoid a compulsory rent auction.
2. *Tackling Absentee Landlords* - A lack of information about the beneficial ownership of high street assets often frustrates councils' attempts to rejuvenate the public realm. Because auctions could be held in absentia, compulsory rent auctions would allow local authorities to bring vacant units owned overseas or by anonymous investment trusts into use again, improving the high street in the process. This would complement wider efforts to improve transparency around property ownership, including the Register of Overseas Interests in the Economic Crime Bill.

3. *Increasing housing supply* - The long-term vacancy of high street units undermines the viability of upstairs flats for housing, so compulsory rent auctions may also help to alleviate the housing crisis. As the 1999 Urban Task Force report overseen by Richard Rogers noted: “even if the commercial areas of a building are in use, often the floors above them are vacant or under-utilised. This is particularly true of many of our high street shops where the units above them could be turned back into flats and apartments.”³¹ Landlords that want to sell their property in response to a compulsory rent auction notice could also take advantage of new flexibilities in permitted development rights to convert units into housing as part of new mixed-use developments.³²
4. *Innovation on the High Street* - Businesses will experiment with different uses for high street property. The introduction of competitive auctions and the use of temporary leases should lead to a more efficient market for retail space, making high streets a viable location for lower margin or alternative business uses. Vacant high street units may be repurposed as a result. Potential new uses that would benefit from convenient town centre locations include childcare providers, police station front counters or remote work hubs. The policy is likely to support more community businesses to relocate on the high street, with concomitant benefits including greater footfall, attracting a wider high street customer base, and making the destination more of a destination.³³

How many high street properties would be affected?

Estimates for the number of high street businesses in Britain vary. However, in 2019 the ONS estimated that there are around 404,000 high street units.³⁴ If we assume this has not changed and apply the latest vacancy rates from the Local Data Company (14.4% nationally) this would assume that roughly 58,000 high street business units could be subject to a Compulsory Rent Auction if left vacant for 12 months or more.

Because of the different levels of vacancy and high street business density in different regions, it is also likely to disproportionately benefit towns in the North and Midlands. For example, assuming the policy is successful at either forcing landlords to bring properties into use or selling them to someone who can, it could mean as many as 13,200 high street units being brought back into

use in the North of England, only marginally lower than the 13,500 in London, despite the North having 53,000 fewer high street businesses overall.

Table 2: High street vacancy, by region

Sources: ONS, *High streets in Great Britain*, 2019; Local Data Company (2022), *Retail and Leisure Trends Report 2021*; Onward analysis

Region	High street businesses	Total businesses	Vacancy rate	Number of vacant shops affected
Scotland	23,430	219,460	12.5%	2,929
Wales	14,700	124,370	18.8%	2,764
South West	28,090	273,070	14.4%	4,045
South East	51,630	461,170	12.5%	6,454
London	127,715	561,060	10.6%	13,538
East	31,175	308,180	13.7%	4,271
East Midlands	21,510	204,205	16.5%	3,549
West Midlands	31,290	248,370	17.3%	5,413
Yorkshire and Humber	24,410	219,180	17.5%	4,272
North West	39,875	304,395	17.1%	6,819
North East	10,310	87,745	20.9%	2,155
GB	404,145	3,011,195	14.4%	58,197

Responding to potential objections

This is undoubtedly a more interventionist approach to declining high streets than we have been used to. There are a number of obvious objections that arise. In the section below, we consider likely objections to compulsory rent auctions, and respond to each in turn.

First, there is the argument that forcing landlords to rent empty premises could deprive them of fair rent, and that this in turn could lead to loss of legitimate income. It is undoubtedly true that compulsory rent auctions may generate a different level of rent than commanded previously. However, there are two reasons why this objection does not hold water. First, an auction *by its very nature* determines the rent that the market is willing to support. It is therefore perverse to suggest that the price generated through open auction would be unfair; it would in fact *reveal* the fair market rent. Second, there is nothing to suggest that a compulsory rent auction will not lead to a *higher* level of rent

than the unit commanded previously. In such an example, the landlord presumably would not reject its result on the basis of fairness.

Second, some may argue that compulsory rent auctions interfere with the individual property rights of property owners. Article 1 of the European Convention on Human Rights (ECHR) states that “every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest...” However, landlords would retain ownership of the asset, the lease would be specifically time-limited to 2-5 years, and all rent owed would be paid to them. It is therefore difficult to argue that they would be deprived of their possessions at all. And, to the degree that this might interfere with property rights in a limited way, there is a clear public interest as outlined above.

Third, it could be argued that other rights protected by the ECHR may be interfered with. For example, a landlord might argue that their property being leased to a certain type of business may interfere with their freedom of thought, conscience and religion, in a variation of the Supreme Court’s ruling in *Lee v Ashers Baking Company Ltd*, known colloquially as the “gay cake” case. However, properties auctioned through a compulsory rent auction would remain subject to all existing licensing and planning permissions, and the most controversial uses of property, such as adult entertainment, gambling and bars, are all subject to special licensing conditions in any case. It is therefore unlikely that such a case would emerge.

Fourth, some critics, including the British Property Federation, have argued that it is simply unviable for many small and independent businesses to trade from town centre locations - and that compulsory rent auctions are misplaced. It has even been suggested that landlords routinely negotiate zero-rent deals to keep shops in use rather than let them become vacant.³⁵ But if that is the case then landlords will not suffer from the policy, and could benefit. The worst-case scenario is that compulsory rent auctions solicit no bids at all, due to the lack of demand alleged by the BPF. In this scenario, the shop would remain empty and the landlord would not lose out. But in the scenario that the compulsory rent auction does generate bids, landlords benefit - they would keep the unit in use and would benefit from rental income that would not otherwise have been generated.

Fifth, some local authorities may argue that they do not have the resources to conduct large numbers of compulsory rent auctions to bring high street units back into use, and may argue that central government should compensate them for doing so. This could be responded to in two ways. First, and most obviously, local authorities stand to gain if high streets become more vibrant places, in the form of higher tax receipts. The Greater London Authority estimates that vacant properties cost London's economy up to £350 million a year as a result of lost business rates, lower sales and employment. Secondly, it would be reasonable for local authorities to reclaim the cost of holding a compulsory rent auction on a full cost recovery basis. In the event of an absentee landlord, the local authority could reclaim costs from the rental income held in escrow.

Conclusion





The high street is not just a centre for local commerce, it is a symbol of the health of a place. People notice when their high street deteriorates, when shops go unfilled and when footfall declines. The impact of successive events - the arrival of out-of-town shopping, the growth of internet shopping, and most recently the pandemic - has ripped the heart out of many town centres, and the market has not responded accordingly. Nothing we have tried to date has worked, so it is time for trying something new.

Compulsory rent auctions are a radical idea to force landlords to temporarily bring shops back into use at a price determined by the market. Just as local authorities can issue improvement notices on properties which represent a hazard, a compulsory rent auction allows councils to tackle the negative externalities of vacancy on the wider community. The interference with landlord rights is minimal: the only restriction is on their ability to maintain an empty property.

If ministers get this right, such a policy could give local authorities an invaluable tool to tackle long-term vacancy and lead to creative uses of the high street.

Endnotes



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- ¹ ONS (6 June 2019) High Streets in Great Britain
- ² Local Data Company (2022), Retail and Leisure Trends Report 2021
- ³ Department for Business, Innovation and Skills (December 2011)
Understanding High Street performance
- ⁴ Rotherham Borough Council (2021) Annual monitoring report, available at: <https://www.rotherham.gov.uk/planning-development/annual-monitoring-report-2021/9>
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- ⁷ Savills (2021), UK Retail Outlook Report
- ⁸ Local Data Company (2022), Retail and Leisure Trends Report 2021
- ⁹ Local Data Company (2022), Retail and Leisure Trends Report 2021
- ¹⁰ Power to Change (2022), Take Back the High Street
- ¹¹ Power to Change (2022), Take Back the High Street
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- ¹⁴ Local Data Company (2022), Retail and Leisure Trends Report 2021
- ¹⁵ ONS (2022) Internet sales as a percentage of total retail sales: 18 February 2022
- ¹⁶ Deloitte (January 2021) What next for the high street?
- ¹⁷ Guardian (28 August 2021) Fifth of BHS stores empty five years after chain closed
- ¹⁸ Deloitte (January 2021) What next for the high street??
- ¹⁹ Power to Change (2022), Take Back the High Street
- ²⁰ Power to Change (2022), Take Back the High Street
- ²¹ Financial Times (30 August 2020) Pandemic exposes 'severe stress' in commercial property financing
- ²² See, for example, Reddit (2021), Nearly two-thirds of New York restaurants may have to close by January
- ²³ Power to Change (2022), Take Back the High Street
- ²⁴ Whythawk, available at: <https://www.whythawk.com/index.php/research-reports>
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- ²⁶ Onward (2022), *Levelling Up in Practice (forthcoming)*
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²⁸ Public First (December 2020) Town Centres and High Streets: Survival and Revival

²⁹ Public First (December 2020) Town Centres and High Streets: Survival and Revival

³⁰ Housing, Communities and Local Government Committee (13 February 2019) High streets and town centres in 2030, HC 1010

³¹ Urban Task Force (1999) Towards an urban renaissance

³² Department for Levelling Up, Housing, and Communities (15 July 2021) Build Back Better High Streets

³³ Power to Change (2020), Saving the high street: the community takeover

³⁴ ONS (6 June 2019) High Streets in Great Britain

³⁵ BBC (7 May 2022) Shop owners to be forced to rent out empty premises, government says

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