



Open for Business: Empty Shops on London's High Streets

The London Assembly estimates there are around 3,400 empty shops in the capital; however this number could be considerably higher. These vacant properties often have wider negative impacts on the high street. The London Assembly has produced a report, 'Open for Business - Empty Shops on London's High Streets', outlining a package of measures to reduce increasing levels of vacancies. This briefing analyses and comments on the recommendations outlined by the Assembly.

Overview

Set against a backdrop of decreasing footfall, squeezed profit, increasing rent and high business rates, some high street retailers are struggling to make ends meet. As businesses leave the high street, units which would have previously been filled are remaining vacant. The GLA has suggested that the number of vacant retail units on the high street is 7.1 per cent. This represents an estimated 5.4 per cent increase since 2010 and equates to nearly 3,400 empty shops on London's high streets. London Councils figures suggests this may be an under estimation and using Valuation Office Agency statistics the number is likely to be closer to 6,800.

There are both social and financial costs associated with empty shops. They cost London's economy an estimated £350 million (through loss of business rates, loss of earnings and the subsequent cost of unemployment and job seekers allowance). Further to this empty shops can cause a 'negative feedback loop'¹ which means they discourage investment, decrease the offer on the high streets, keep consumers from visiting and contribute to a general sense of decline and neglect.

Analysis

The London Assembly has recommended a package of emergency and long term measures to halt the increasing levels of vacancies on London's high streets:

1. Support for renegotiating rent and lease terms - Many small high street businesses are struggling with increasing rents. The Mayor should introduce an advice and mediation service to help businesses agree more sustainable lease terms with their landlords.

1. London Assembly, (2012) Written submission from British Retail Consortium to Open for Business. Online. Available at: <http://www.london.gov.uk/publication/open-business-empty-shops-london%E2%80%99s-high-streets>

2. Expanded Small Business Rate Relief - Business rates are a significant cost to small high street businesses, and London firms do not have the same access to discounts as those elsewhere. To fund some additional support, the government should reduce landlords' entitlement to Empty Property Rate Relief.

3. Transparent ownership of empty high street shops - It is often very difficult to identify and contact the landlord of a high street shop, making it harder to bring empty units into use. The government should require that landlords receiving Empty Property Rate Relief make their details public, with the Mayor compiling these into a London-wide empty shop register.

4. High Street Forum - The government's Future High Street Forum should focus on ways to encourage pop-up and interim uses for empty shops. In particular, it should draw on the models being developed in Camden Town and Brent to identify how boroughs and Business Improvement Districts can establish area-wide schemes that are actively managed, ensuring high-quality and complementary uses.

5. Making high streets more diverse - Over-concentration of certain shop types makes high streets less appealing to visitors. The government should amend planning regulation to allow boroughs to address the rise in the number of betting shops, pawnbrokers and payday loan shops.

6. Coordinated management of high streets - High streets under single ownership can adopt a more strategic approach to boost performance. Business Improvement Districts (BIDs) can achieve this coordination in high streets in multiple ownership, and have done so in many parts of London. To help increase the number of BIDs, the Mayor should support London wide training for business groups and ensure GLA Group bodies cooperate fully with existing BIDs.

7. Compulsory Purchase Orders - a new form of Compulsory Purchase Order - could be an effective tool in making high streets more vibrant, but are difficult to implement. The government should consider a new form of CPO, allowing boroughs and BIDs to buy a medium-term lease of an empty shop, rather than a property outright. The Mayor should promote a London-based pilot of this measure.

8. Making high streets more accessible - High streets in London need to be more accessible by a range of transport modes, in particular walking and cycling. Car parking strategies should prioritise turnover of spaces, rather than maximising income, in order to ensure high streets can counter the appeal of out of town centres to motorists. Transport for London should assess the impact of different parking measures.

9. The government's Future High Street Forum should focus on developing practical measures the retail industry as a whole could implement to integrate the high street with the internet. This will build on individual firms' recent initiatives, for instance establishing high street collection points for online orders. This has the potential to bring internet shoppers to the high street and utilise empty units.

Commentary

Overall, the report provides a good summary of the challenges facing businesses on London's high streets and some of the negative consequences of high vacancy levels. The recommendations provide a useful starting point to think about how to reduce vacant shops. However, high vacancy levels are often indicative of wider structural problems which require a more holistic response.

More action is needed to ensure recommendations are treating the cause and not the symptom of high street decline. Furthermore, some of the recommendations could be more ambitious (for example reviewing use class orders) and others needed to be more aware of different local circumstances (for example supporting particular types of high street management models).

This briefing will report on the four of the most relevant recommendations for London local government.

Recommendation 5 – Make high streets more diverse

This recommendation aims to combat the over-proliferation of certain types of shops (for example bookmakers, pawnbrokers, fast food takeaways) which can lead to lack of choice, a low quality offer and in some cases increased rent for other businesses. Adding to the range of powers at boroughs' disposal would allow them to ensure that more balanced and appropriate development would take place.

The Assembly's recommendation only calls for change to move betting shops and pawnbrokers from use class A2 to use class sui generis. While a welcome tool for boroughs, this recommendation lacks ambition and further tools would be beneficial. Specifically:

- protecting local pubs by requiring planning permission for changes of use from A4 to other 'A' uses
- giving boroughs greater protection over the proliferation of cafes and restaurants by requiring permission to change from A3 to A5 uses
- protecting borough control over conversion from business premises (B use classes) to residential (C3).

Increasing borough controls over these planning regulations would support existing businesses on the high street and should mitigate shops becoming vacant in the first instance.

Recommendation 6 – Coordinated management of high streets

The London Assembly rightly recognises that fragmented land ownership and multiple stakeholders can make coherent management of high streets and town centres difficult. Their favoured models to improve coordination are business improvement districts (BIDs). The Assembly recommends that to increase the amount of BIDs the GLA should provide training and cooperation from the wider GLA family.

While it is important to strategically manage and coordinate high streets, BIDs will not always be the best form of management; other centres will have successful traders associations or local authority town centre managers which will suit local needs better. In order to ensure local differences are being taken into account support for management models should not be limited to one model.

Recommendation 7 – A new form of Compulsory Purchase Order (CPO)

The Assembly recommends new powers in the form of new CPOs which would allow boroughs to buy a medium-term lease of an empty shop to bring it back into use. Some boroughs are likely to welcome these powers as it will afford them the flexibility to make use of vacant assets in their town centres and high streets. However there are still cost implications associated with purchasing leases as well as supporting the incoming business or project with their own costs (such as business rates) and programming the space.

To supplement the benefits of a new CPO power, the GLA could consider an 'invest to save' funding model creating affordable spaces for business on high streets. This could provide the pump priming which is often needed when undertaking high street interventions offset against future revenue generated from new businesses or jobs created. Without additional revenue some boroughs may struggle to make use of new tools.

Recommendation 8 – Make high streets more accessible

The Assembly wants London's high streets to be accessible for a wide range of transport options. Their focus on sustainable modes of transport such as walking and cycling is welcome. The Assembly recommends that car parking strategies should prioritise turnover of spaces, rather than maximising income, in order to ensure high streets can counter the appeal of out

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