Real Estate:UK

Real Estate:UK written evidence to the Housing, Communities and Local Government Committee inquiry: Revitalising High Streets

September 2026

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Real Estate:UK

1. Real Estate:UK (RE:UK) brings together global and domestic capital, world-leading expertise and forward-thinking policy to drive growth.

2. With over 500 member organisations spanning investors, developers, advisers and operators, Real Estate:UK (RE:UK) represents the full breadth and diversity of the commercial real estate market, worth £950bn to the UK economy.

3. Working closely with national governments and their agencies, as well as regional and local leaders, we promote the UK real estate sector as a premier destination for capital. Through direct engagement with ministers, policymakers and advisers, we help shape a regulatory environment that unlocks growth and builds investor confidence.

4. We support thriving communities across the UK through the homes, workplaces, critical infrastructure such as logistics and data centres, and retail and leisure centres our members build, maintain and operate.

5. We recognise that successful high streets are essential to economic growth, local employment and community wellbeing. Economically, the retail sector alone provides 3 million jobs, offering local and flexible jobs that are particularly valuable for those with childcare and other caring responsibilities. Along with leisure, these sectors foster new and independent businesses, and distribute economic activity across the country. They also provide significant tax revenue for local and national government through business rates, employment and sales taxes.

What factors and approaches have led to successful high street regeneration in different parts of England?

6. We believe that successful high street regeneration is predicated on a long-term vision for change and stakeholders working together in partnership to achieve that vision. Because each high street has its own particular set of challenges, a strong partnership enables stakeholders to respond flexibly to the individual challenges of the local area.

7. While public sector investment is often central to successful regeneration, public sector resources are limited and it is essential they are supplemented by private sector investment. Both public sector and private sector investment have important and different roles to play. Private sector investors often have funds to deploy into

local communities, but they will only do so where investments are viable and make commercial sense. Public sector investment will often kick-start schemes, de-risk them, and can support projects that deliver important social, cultural and community benefits but are not commercially viable for private investors.

8. Knowing that there are local partners with a strong, shared vision gives private sector businesses confidence to invest locally. It means they can buy into existing momentum and develop plans in conjunction with local stakeholders – something that in itself enhances viability and reduces the prospect of delays to deploying funds.

9. Strong partnerships also support viability in a number of further ways. Firstly, they are able to identify and make improvements that lead to high streets being more attractive to visitors and therefore more attractive to investors. They also help to address issues caused by fragmented ownership by providing a clear vision that local property owners can sign up to and coalesce behind. They also mean that the overall scale of the investment proposition is larger for investors.

What conditions might allow for such approaches to be replicated in other areas?

10. While particular areas have received funding which enables them to establish strong partnerships with diverse stakeholders, the concern is that for many local authorities there is neither the capacity nor the resources available to do this. Many places simply do not have a partnership in place or a plan for improvement. The Government-funded High Streets Task Force found that four in ten places did not have any type of partnership at all. Similarly, despite the relatively modest sums required, the High Streets Task Force, which successfully supported local authorities, BIDs, property owners and others to tackle challenges facing town centres, was discontinued.

11. Government should therefore incentivise and prioritise the creation of partnerships between local authorities, businesses, property owners and communities. Our proposed model is for places that have strong partnerships and an agreed plan to be given access to additional policy and planning powers and fiscal incentives. The prospect of accessing these powers would itself provide an incentive for stakeholders to come together, while also giving established partnerships meaningful tools to overcome barriers to investment.

12. It is important that this support remains flexible. Each town centre and high street faces its own particular challenges, so successful regeneration cannot simply be replicated wholesale from one area to another. The objective should instead be to

replicate the conditions for success – strong partnerships, a long-term plan, access to expertise and the tools to overcome local barriers to investment – while allowing local stakeholders to determine how those conditions are applied in their area.

13. We also note the Government's announcement to expand Property Owner Business Improvement Districts (POBIDs) beyond London. We view this as an extremely positive development. POBIDs are able to invest in local infrastructure in ways that are not possible for Occupier Bids which are more likely to focus on shorter term deliverables. This would allow property owners collectively to invest in local priorities such as public realm, infrastructure and the built environment, helping to create the conditions for further private investment without requiring public sector funding.

How effective are existing local powers at supporting high streets, such as High Street Rental Auctions, Compulsory Purchase Orders and the Community Right to Buy?

14. We support local authorities having appropriate powers to tackle barriers to high street regeneration. However, it is important that these powers address the underlying causes of high street decline and are targeted at circumstances where intervention can genuinely make a difference.

15. We have particular concerns that High Street Rental Auctions (HSRAs) treat vacancy as a cause of high street decline, rather than a symptom. Property owners do not generally have an incentive to keep properties empty. Their business model depends on generating rental income from occupied property, while vacant units incur costs, including business rates, and can negatively affect the value and attractiveness of their wider holdings.

16. Where high street properties remain vacant for long periods, this will therefore usually reflect wider economic and viability challenges rather than an unwillingness on the part of the owner to find an occupier. In examples that we hear about, members report instances of retail units being offered at zero rent but remaining vacant because potential occupiers could not afford the associated business rates liability.

17. HSRAs may have a role in the relatively small number of cases where an owner is genuinely unwilling to engage or actively market a property and in such cases, we share the frustration at units left empty for years with no effort to re-let. However, they cannot create occupier demand where it does not exist or make an otherwise unviable location viable. There is therefore a risk that too much emphasis on HSRAs

distracts from the structural causes of vacancy and the policies needed to address them.

18. The priority should be to create the conditions in which owners are able to bring vacant property back into productive use. This means reducing barriers to occupation and investment, including through reform of business rates and Empty Property Relief, ensuring sufficient planning capacity and flexibility, and supporting strong local partnerships.

19. Compulsory Purchase Orders can be an important tool for unlocking regeneration where fragmented ownership or individual sites prevent a wider scheme from proceeding. However, CPO is necessarily a significant intervention in property rights and can involve lengthy and complex processes. It should therefore be used where there is a clear regeneration case and as part of a wider strategy for an area, with appropriate safeguards for affected property owners.

What impact have recent changes to business rates had on high street businesses?

20. Business rates remain a significant barrier to investment in high streets and town centres. Recent changes also risk undermining the diversity of uses that successful high streets need by creating different tax treatment for different types and sizes of business.

21. RE:UK has long argued that the strongest and most resilient high streets are supported by a diverse ecosystem of workspaces, retail and amenity space, leisure, healthcare and homes, with different uses feeding off and contributing to each other's success. The business rates system should support rather than undermine that diversity.

22. The overall burden of business rates remains too high. The UK's property tax burden is the highest in the OECD and double the OECD average. This places UK businesses and property investment at a competitive disadvantage and can make investment in marginal high street locations less viable.

23. There is also significant uncertainty over future business rates liabilities, making it more difficult for businesses and investors to plan investment decisions. RE:UK believes the tax rate should be fixed, as with other taxes, to provide businesses with greater predictability.

24. Empty Property Relief also fails to reflect the realities of high street investment. The existing relief periods do not reflect typical reoccupation periods or recognise that property owners will often need to undertake significant refurbishment, adaptation or energy-efficiency improvements between occupiers. This increases the commercial risk associated with investing in vacant high street property and can undermine regeneration.

25. At a minimum, Government should reform Empty Property Relief so that businesses are not penalised while properties are genuinely undergoing redevelopment, refurbishment, retrofit or adaptation.

How effective are the Government's plans to address current challenges on high streets across England?

26. We welcome the Government's focus on revitalising high streets and recognise a number of positive measures being taken forward. The Government is allocating significant resources to high streets and town centres, which can only be a good thing. We also welcome the intention to simplify the way funding is allocated which in the past has been complicated for stakeholders to understand and often required diversion of scarce internal resources from Local Authorities to apply for them.

27. However, the challenges facing high streets are structural and cannot be addressed through individual interventions or funding programmes targeted at particular places alone. Government policy needs to focus on creating the conditions for high street businesses to thrive, public sector funding to be allocated effectively and private sector investment to be drawn into a local area. This requires a comprehensive approach which supports strong local partnerships, addresses barriers to investment and occupation, and gives local areas sufficient flexibility to respond to their particular circumstances.

28. As well as a greater emphasis on supporting and incentivising effective partnerships between local authorities, businesses, property owners and communities, Government must also address the underlying viability challenges facing high streets. Business rates remain a significant barrier to occupation and investment, while the current Empty Property Relief regime can increase the risks associated with investing in and improving vacant property. Without addressing these structural barriers, interventions aimed at tackling the symptoms of high street decline, including vacancy, will inevitably have more limited impacts.

29. Ultimately, successful high street regeneration requires a long-term approach. Government should seek to create the conditions for local partnerships to develop a vision for their area, give them the tools and capacity to deliver it, and ensure that the wider tax and regulatory environment supports the private investment needed to help turn those plans into reality.

End of response