Why do High Streets Appear to be in Crisis?

Thursday 28 March, 2024

As people continue to grapple with the cost-of-living, high streets seem to be on the losing end. Incentives, and business rates reliefs exist everywhere however to help support businesses. So why are so many stores shutting their doors for good?

The Body Shop has been a staple on UK high streets for over fifty years. Yet in January, the business announced that they were considering entering administration. Now, they are closing up to half of their physical stores. This will leave hundreds without jobs, and countless units empty.

Over the years, the loss of staples such as BHS, Woolworths, Topshop, and Debenhams, have left gaping holes in high streets. Independent retailers often rely on these anchor stores to bring in foot traffic. When these destination retailers disappear, it creates a knock-on effect with smaller businesses struggling to survive amongst dwindling footfall – especially in town centres. For many, a trip to such stores was not just about shopping; it was an outing, an opportunity to socialise and engage with the local community. The vibrant life that once characterised UK high streets continues to erode; replaced instead by empty units, and a sense of despair.

So how do retail giants fall?

Many are shocked when anchor stores close. If for no other reason than the belief that such companies are surely 'too big to fail'. This is not true. According to PwC, over 14,000 shops and outlets (belonging to multiples and chains) left high streets, shopping centres, and retail parks in 2023. That is equivalent to 39 closures per day.

Insurance, rents, service charges, taxes, supply chains – all of these are still rising. It in fact played a large part in why The Body Shop closed four of its London stores first. While there are reliefs – like the Retail, Hospitality and Leisure relief (RHL) – available to businesses, conditions for eligibility are stringent. A fact that from the 1st of April, is only going to become truer.

Anthony Hughes of RVA Surveyors, the award-winning business savings specialist, weighed in:

"High streets have always relied on a good balance between anchor venues and independent retailers. This offers the best combination of what consumers both need and want."

Why high streets are feeling the impact

Inflation is slowing, but is this enough? Any benefits that come from this have yet to be felt by businesses. While retail sales in January were recorded as the largest monthly rise since April 2021, insolvencies also rose by 5% year-on-year. This is despite sales values (3.9%) being higher than sales volumes (3.4%) in January. In short: people were buying less, but at a greater cost.

However, it is well-known that online retailers offer a cheaper way to shop.

85% of men say that social media influences their shopping decisions. The rise of apps such as Depop and Vinted are a huge contributor to a new way for people to become part of the retail loop. Vinted in particular has seen recent popularity soar – with an increase in growth of over 608% since June 2023.

Factors like changes in buyer mentality have contributed to a dramatic, and sustained, decrease in footfall. A report by MRI Software found that the UK saw footfall in 2023 fall by 11.5% below pre-COVID levels. High streets saw foot traffic decrease by 9.3% in February of this year alone. Online retail offers anchor venues a cheaper alternative as well, lowering potential operational costs. Unfortunately, independent businesses don't always have that luxury. Budgets are smaller. Operations are smaller. Clientele is smaller. It is simply impossible for them to be expected to have the same level of reach.

Many small, single-site retailers are already in receipt of one relief in particular – Small Business Rate Relief (SBRR). Resulting often in a zero-percent rates liability for that property (for those with rateable values below £12,000). However, this relief is only available to businesses where a property's rateable

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value (RV) is below £15,000. Excluding the vast majority.

How are high streets supported?

Local authorities and councils distribute reliefs and incentives to qualifying businesses. The 2023 autumn statement extended RHL relief for another year, at a continued 75% discount. While such measures offer a lifeline for some, they come with limitations and caveats that hinder their effectiveness.

For the 2023/24 tax year, this relief alone was estimated
to be worth around £2.1 billion.

RVA Surveyors have estimated that keeping the RHL relief at 75% for another year is going to cost the taxpayer more than what it can save for businesses.

“At some point, [RHL] will have to end or decrease,” Hughes added. “But restructuring this relief without reasonable accommodations would cause an incredible amount of issues for those who rely on this relief.”

“Dropping RHL entirely this year was out of the question. It has become too much of a burden for businesses to immediately go back to paying 100% of their liability.”

The restrictions on reliefs, such as the £110,000 limit per business under the RHL scheme, disproportionately affects high street staples. Compared to national chains or larger stores, smaller retailers can, and often are eligible for both RHL and SBRR. For businesses with more than one property – think WHSmith’s, Marks and Spencer’s, Boots – this cap means that the relief may not be sufficient to offset their operational costs. Additionally, as criteria for reliefs becomes tighter, fewer businesses qualify for assistance. Exacerbating the challenges faced by those already struggling to stay afloat.

No high street or shopping centre can afford to stand still. They must continuously evolve to create an experience worth leaving the house for. Without continued government support however, this will become untenable.

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