



Issue 15 of our quarterly series



AlixPartners

Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply

FEBRUARY 2019

At a glance: five headline Market Growth Monitor messages

1 Licensed premises down 3.1% in last year



	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
GB	118,374	-3,847	-5,075	-3.1%	-4.1%

Britain had 118,374 pubs, bars, restaurants and other licensed premises at December 2018—3.1% less than a year earlier. That represents 3,847 net closures over 12 months, equivalent to more than 10 a day and a pace that is in line with the last edition of the Market Growth Monitor. As recently as the September 2017 edition of the Monitor the country's supply of licensed premises was rising—now, though, it is in sustained decline.

2 Managed restaurant numbers fall for the first time this decade



	Restaurants at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
GB	26,751	-561	+1,924	-2.1%	+7.7%

The last Market Growth Monitor recorded a fall in Britain's number of restaurants for the first time in many years. It has been followed in this edition by another dip—of 2.1% in the 12 months to December 2018. That is equivalent to more than 10 net restaurant closures per week.

Recent data has indicated that independent restaurants were bearing the bulk of the closures. But in a significant landmark, managed restaurants are now in decline too. Their numbers fell 0.1% in the year to December—the first negative movement since 2005. There is detailed analysis of the managed restaurant sector later in this edition of the Market Growth Monitor.

3 Cafés and wine bars beat the trend



	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
Food-led cafés / wine bars	6,599	-20	+576	-0.3%	+9.6%

Against the backdrop of a steady stream of closures, one of the standout segments of the licensed sector has been cafés and wine bars. They have experienced only fractional decline in the last 12 months, and in the five years to December they have increased in number by 9.6%—or nearly 10 net new openings a month. The rise of the casual but premium wine bar is one driver of this, and another is the emergence of hybrid concepts like Grind that morph from daytime coffeeshop to cocktail and wine bar by night.

4 High streets outperform the suburbs—for now



	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
High street	40,143	-1,167	-69	-2.8%	-0.2%
Suburban	43,050	-1,438	-3,344	-3.2%	-7.2%
Rural	35,181	-1,242	-1,661	-3.4%	-4.5%

CGA data has consistently identified high streets as Britain's strongest locations for restaurant, pub and bar openings in the last few years. Licensed premises have held steady on high streets since December 2013, with numbers down just 0.2%. By sharp contrast, suburban and rural areas have seen a 7.2% and 4.5% decline respectively.

But there are signs that the gap between the three segments is narrowing. In the last 12 months, the pace of high street closures has accelerated to 2.8%—very close to suburban areas (3.2%) and rural areas (3.4%).

5 A slowdown in pub and bar closures



	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
Food-led pubs and bars	17,801	-177	+426	-1.0%	+2.5%
Drink-led pubs and bars	31,881	-807	-6,517	-2.5%	-17.0%
Total pubs and bars	49,682	-984	-6,091	-1.9%	-10.9%

Britain's number of pubs and bars has been in long-term decline, and closures are continuing. But there are welcome signs of a slowdown in the trend.

As this above table shows, over the five years to December 2018, closures have averaged 3.3 a day—but in the last 12 months that figure has dropped to 2.7. The slowdown is even more apparent in the drink-led sector. Here, an average of 3.6 pubs and bars a day have closed in the last five years—but in the last 12 months the pace has slowed substantially, to 2.2 a day.

Many drink-led pubs thrived in 2018, in part due to a summer of hot weather and the football World Cup, and in part thanks to compelling and fast-evolving drinks offers. Some of their success appears to have come at the expense of food-led pubs: the number of these increased by 2.5% in five years, but dropped by 1.0% in the last 12 months. Drinking pubs may—slowly—be bouncing back.

INSIDE:

The struggles of managed restaurants + City centre ups and downs

Focus: Managed restaurant expansion into reverse

The rise of branded casual dining restaurants has been the big driver of the out-of-home market growth over the last decade. Numbers jumped by a startling 27.3% in the five years to December 2018—equivalent to 1,241 net new openings, or more than 20 every month. But the tide now appears to have turned.

This edition of the Market Growth Monitor suggests that casual dining may now have peaked, and the perceived over-capacity which has been blamed for a number of high-profile casual dining brand closures may be beginning to ease – if slowly.

Numbers of managed restaurants fell 0.1% in the 12 months to the end of 2018 – a small shift, but the first negative movement since 2005.

It reflects a challenging 2018, when managed restaurant groups were hit by mounting people, property and food costs, and several high profile names began closure programmes or underwent CVAs. At first, many of the units they vacated were promptly snapped up by ambitious small and medium sized brands, and that helped to keep overall numbers up. Now, though, the supply of managed restaurant space appears to be outstripping operator demand. And with Brexit uncertainty further denting the confidence of big groups, we can expect to see numbers decline further as 2019 goes on.

27.3% INCREASE

in managed restaurants in past five years

As the data shows, the pattern of managed restaurant numbers is far from even across the country. Outside the M25, there was a 0.9% drop in the total in the year to December 2018—but inside there was a 1.5% rise. London's relative affluence and density of population has left it better insulated against

Managed restaurants: trends by TV region

	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
Anglia	371	-6	+68	-1.6%	+22.4%
Central	629	+9	+173	+1.5%	+37.9%
Granada	498	+6	+108	+1.2%	+27.7%
Harlech	127	-8	+23	-5.9%	+22.1%
London	2,345	+10	+497	+0.4%	+26.9%
Meridian	519	-7	+84	-1.3%	+19.3%
Scotland	367	+4	+76	+1.1%	+26.1%
Tyne Tees	181	-6	+58	-3.2%	+47.2%
Westward	380	-13	+92	-3.3%	+31.9%
Yorkshire	363	+6	+62	+1.7%	+20.6%

casual dining's downturn – although it is generally newer brands, rather than older established names, that are supporting the market in the capital.

There was a modest increase in managed restaurants in some other regions, like Central (1.5% up) and Yorkshire (1.7% up). Others though, like Anglia (1.6% down) and Tyne Tees (3.2% down), saw a drop in supply.

Around two thirds of all managed restaurants are on high streets, CGA data shows—and by December 2018 there were 30.2% more sites there than five years earlier. And this pace of new openings on high streets has been comfortably faster than in suburban areas (26.4%) and rural areas (8.0%) over those five years.

The number of managed restaurants on high streets fell by 1.1% in the 12 months to December, against small increases in the suburbs (2.2%) and rural areas (1.2%). This suggests that some high streets have reached saturation point, and that casual dining brands are being forced to retreat.

30.2% INCREASE

in managed restaurants on high streets in past five years

The surge in managed restaurants in recent years has been remarkable, and for focused, differentiated and good value brands, there is still plenty of headroom to open new sites—especially as property becomes available at more reasonable cost. But for weaker or complacent casual dining names, further contraction in numbers seems certain.

Managed restaurants: total numbers

	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
GB	5,780	-5	+1,241	-0.1%	+27.3%

Licensed premises: trends by location

	Sites at Dec 2018	Change v Dec 2017	Change v Dec 2013	% Change v Dec 2017	% Change v Dec 2013
High street	3,867	-42	+898	-1.1%	+30.2%
Suburban	1,495	+32	+312	+2.2%	+26.4%
Rural	418	+5	+31	+1.2%	+8.0%

0.1% DECLINE

in managed restaurants in past year



Focus: Britain's big five city centres

Britain's leading cities have seen a revolution in their pub, bar and restaurant supply in recent years. But how did they fare for new openings in 2018? Our analysis of the five city centres with the most licensed premises—London, Manchester, Edinburgh, Glasgow and Liverpool—reveals the big one-year and five-year trends.



8.6% Increase in licensed premises in London in past five years

1. London

London has well over a thousand more licensed premises than the other four city centres on this list put together. This density makes it pivotal to the success of the eating and drinking out market, but the size and unique nature of the capital can also sometimes make it feel detached from the rest of Britain: like a country within a country.

London's pace of new openings has not been as rapid as many other cities over the last five years, with net growth of 8.6%. It slowed to just 0.8% in the year to December 2018, though that is still ahead of the national average. And as data from CGA's Coffer Peach Business Tracker shows, London frequently outperforms the rest of Britain in trading terms too.

	Sites at Dec 18	% Change v Dec 2017	% Change v Dec 2013
All licensed premises	3,303	+0.8%	+8.6%
Food-led	2,162	+1.5%	+12.8%
Drink-led	919	-1.5%	-3.3%
Managed restaurants	1,581	+2.0%	+35.6%

2. Manchester

Manchester's city centre has probably seen more change in pubs, bars and restaurants than any other British hub in the last five years. Its number of licensed premises has rocketed by nearly a fifth in that time, with food-led sites increasing by a third. Managed restaurants have risen 39.7%, as casual dining brands have poured into the city, and to developments like the Corn Exchange and Trafford Centre in particular.

But supply may well have reached saturation point now. Across both the food-led and drink-led sectors, net new openings slowed to a standstill in 2018, and a further clear-out of operators may be on the cards for Manchester in 2019.

	Sites at Dec 18	% Change v Dec 2017	% Change v Dec 2013
All licensed premises	639	0.0%	+24.8%
Food-led	344	-0.9%	+34.4%
Drink-led	250	+0.4%	+13.6%
Managed restaurants	162	0.0%	+39.7%

3. Edinburgh



Edinburgh has a wide range of independent restaurants and pubs, but it has been part of the branded casual dining revolution too. Its number of managed restaurants more than doubled in the five years to December 2018, and there was healthy double-digit growth in the last 12 months as well. Whether Edinburgh has any more capacity for further new openings in 2019 remains to be seen.

	Sites at Dec 18	% Change v Dec 2017	% Change v Dec 2013
All licensed premises	527	+1.0%	+10.7%
Food-led	300	+1.7%	+15.8%
Drink-led	180	+0.6%	+2.9%
Managed restaurants	104	+11.8%	+55.2%



4. Glasgow

Glasgow's city centre has been close behind Edinburgh in the pace of new openings over the last five years. Growth of 8.4% means it now has more than 500 licensed premises, though it has seen a net decline in the last 12 months. The number of managed restaurants has fallen too, amid fierce competition for footfall.

Glasgow is a good illustration of the struggle for share between city centre and out-of-town leisure and retail developments. Buchanan Galleries and Princes Square pull diners to the heart of Glasgow, but places a little further afield, like Silverburn and intu Braehead, can draw them away from the city.

	Sites at Dec 18	% Change v Dec 2017	% Change v Dec 2013
All licensed premises	504	-1.4%	+8.4%
Food-led	265	+2.7%	+14.7%
Drink-led	196	-7.1%	-3.0%
Managed restaurants	127	-2.3%	+38.0%



81.4%
Increase in managed restaurants in Liverpool in past five years

5. Liverpool

Liverpool is unique among the top 10 British cities for licensed premises in having more drink-led sites than food-led ones. Its late night reputation has only increased lately, and it has 12.1% more pubs, bars and other drink-led sites than it did five years ago.

Liverpool's casual dining scene has taken longer to take off than many other cities, and in December 2013 it had barely 40 managed restaurants. Five years on, that number has nearly doubled, thanks in large part to the popularity of Liverpool ONE, which has become a major hub for casual dining brands. But across all licensed premises, there has been a marked slowdown in new openings: numbers have grown 20.0% in five years, but are completely flat in the last 12 months.



	Sites at Dec 18	% Change v Dec 2017	% Change v Dec 2013
All licensed premises	414	0.0%	+20.0%
Food-led	180	+0.6%	+30.4%
Drink-led	204	-0.5%	+12.1%
Managed restaurants	78	+11.4%	+81.4%

Comment from AlixPartners

Over the past year or so, sector headlines have been dominated by extremes ranging from CVA restructurings to Pret and Wagamama's record breaking M&A valuations. This year we expect to see a continued divergence in performance between relevant well-invested groups and those unable to shake off the excesses from the casual dining space race of recent years. This will invariably lead to more site closures.

However, with demand levels remaining robust, delivery being used more effectively to drive incremental sales and high-footfall locations such as travel hubs proving successful new hunting grounds, the best operators have grounds for optimism. Now that time has been called on the casual dining space race and retailers are reducing their store numbers, the next 12 to 24 months offer an opportunity for well-funded restaurant groups to expand into prime sites at much reduced costs. This can only be good for returns on capital which had come under pressure during the restaurant expansion boom.

We see continued interest in deals from private equity, other restaurant groups and international buyers. There is more careful focus on what sets a brand apart from its peers and a clamour to acquire the best-in-class brand in each vertical and cuisine. A replicable offer that resonates with customers is of critical importance for investors, and as operators such as Honest Burgers, Arc Inspirations, Tortilla and Pho show, if you can catch the right consumer wave the returns are impressive.

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Changing shape of the GB out-of-home market

Total site numbers by type of business, with one and five year changes

Sector	Segment	Tenure	Dec-13	Dec-17	Dec-18	Change 18 v 13	Change 18 v 17
GB		Total	123,448	122,221	118,374	-4.1%	-3.1%
		Managed	18,843	20,537	20,841	10.6%	1.5%
		Free	77,524	79,755	76,722	-1.0%	-3.8%
		Leased	27,081	21,929	20,811	-23.2%	-5.1%
Total Food-led Venues			42,202	45,290	44,552	5.6%	-1.6%
Total Drink-led Venues			70,063	65,401	62,883	-10.2%	-3.9%
Total Accommodation-led			11,183	11,530	10,939	-2.2%	-5.1%
Food-led	Branded Food Pub	Managed	2,160	2,655	2,532	17.2%	-4.6%
		Total	6,023	6,619	6,599	9.6%	-0.3%
	Café/Wine Bar	Free	4,422	4,953	4,934	11.6%	-0.4%
		Leased	464	352	317	-31.7%	-9.9%
		Managed	1,137	1,314	1,348	18.6%	2.6%
	Food Led	Total	8,112	7,714	7,731	-4.7%	0.2%
		Free	2,787	2,757	2,747	-1.4%	-0.4%
		Leased	4,080	3,735	3,664	-10.2%	-1.9%
	Restaurant	Total	1,245	1,222	1,320	6.0%	8.0%
		Free	20,000	21,257	20,730	7.7%	-2.1%
		Leased	288	270	241	-16.3%	-10.7%
		Managed	4,539	5,785	5,780	27.3%	-0.1%
Rural Character	Total	1,080	990	939	-13.1%	-5.2%	
	Free	569	537	506	-11.1%	-5.8%	
	Leased	450	412	385	-14.4%	-6.6%	
	Managed	61	41	48	-21.3%	17.1%	
Other	Guest/Boarding House	Total	3,639	3,820	3,538	-2.8%	-7.4%
		Free	3,557	3,710	3,428	-3.6%	-7.6%
		Leased	13	10	9	-30.8%	-10.0%
	Hotel	Managed	69	100	101	46.4%	1.0%
		Total	7,544	7,710	7,401	-1.9%	-4.0%
		Free	4,746	4,730	4,388	-7.5%	-7.2%
Drink-led	Circuit Bar	Leased	350	300	278	-20.6%	-7.3%
		Managed	2,448	2,680	2,735	11.7%	2.1%
		Total	3,639	3,820	3,538	-2.8%	-7.4%
	Community/Drink Led/Local	Free	3,557	3,710	3,428	-3.6%	-7.6%
		Leased	13	10	9	-30.8%	-10.0%
		Managed	69	100	101	46.4%	1.0%
		Total	7,544	7,710	7,401	-1.9%	-4.0%
		Free	4,746	4,730	4,388	-7.5%	-7.2%
		Leased	350	300	278	-20.6%	-7.3%
	Educational	Managed	2,448	2,680	2,735	11.7%	2.1%
		Total	9,482	8,512	7,834	-17.4%	-8.0%
		Free	3,021	3,043	2,896	-4.1%	-4.8%
		Leased	3,474	2,690	2,439	-29.8%	-9.3%
		Managed	2,987	2,779	2,499	-16.3%	-10.1%
		Total	28,916	24,176	24,047	-16.8%	-0.5%
	Entertainment	Free	8,987	8,233	8,236	-8.4%	0.0%
		Leased	17,811	14,044	13,390	-24.8%	-4.7%
		Managed	2,118	1,899	2,421	14.3%	27.5%
Total		943	915	769	-18.5%	-16.0%	
Night Club	Total	3,141	4,124	4,064	29.4%	-1.5%	
	Free	2,678	3,565	3,459	29.2%	-3.0%	
	Leased	16	15	11	-31.3%	-26.7%	
	Managed	447	544	594	32.9%	9.2%	
Sports/Social	Total	2,197	2,128	1,673	-23.9%	-21.4%	
	Free	1,591	1,622	1,241	-22.0%	-23.5%	
	Leased	85	60	41	-51.8%	-31.7%	
Sports/Social	Managed	521	446	391	-25.0%	-12.3%	
	Total	25,384	25,546	24,496	-3.5%	-4.1%	
	Free	24,223	24,433	23,388	-3.4%	-4.3%	
	Leased	50	41	36	-28.0%	-12.2%	
Sports/Social	Managed	1,111	1,072	1,072	-3.5%	0.0%	

The 10 numbers you need to know...

118,374



Total number of licensed premises in Britain in past year

3.1%

DECLINE

in licensed premises in past year



4.1%

DECLINE

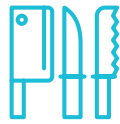
in licensed premises in past five years



0.1% DECLINE IN MANAGED RESTAURANTS IN THE PAST YEAR



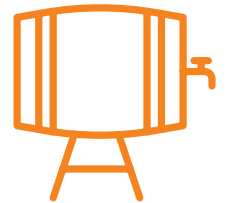
27.3%



GROWTH IN MANAGED RESTAURANTS IN PAST FIVE YEARS

0.2% v 7.2%

Decline in licensed premises on high streets v in suburbs in past five years



9.6%

GROWTH IN LICENSED CAFES AND WINE BARS IN PAST FIVE YEARS



5,780

Managed restaurants in past year

1,241

Net managed restaurants opened in Britain in past five years



1.9%

Decline in pubs and bars in past year



About the AlixPartners CGA Market Growth Monitor

This quarterly Monitor provides a snapshot of pub, bar and restaurant supply in Great Britain. All the data is drawn from CGA's Outlet Index, a comprehensive, continually updated database of all licensed premises. For more information about the Monitor, data or more granular analyses of locations or types of businesses, contact:

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The Market Growth Monitor is delivered in partnership with AlixPartners, the leading global financial advisory firm. Contact:

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