



MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

AUGUST 2021

93% of venues open after 'freedom day'

Introduction by Karl Chessell, CGA director – hospitality operators and food, EMEA

Hospitality is still in the early stages of its recovery from COVID, but this edition of the Market Recovery Monitor shows how the worst of the crisis is now hopefully behind us. Well over nine in ten venues are back trading following the lifting of restrictions on 'freedom day' in England on 19 July—and as we see in our review of the last 16 months, there is encouraging evidence of new openings rather than closures (see page 3).

We may now be in the midst of a fundamental reset of our industry. Some of the striking contrasts in reopenings since March 2020 appear to be sticking, rebalancing the market in favour of managed groups over independents, and eating-out over drinking-out. The net decline in total venues, while deeply damaging, may allow remaining outlets to widen their catchment areas and increase footfall.

Thousands of licensed premises remain in limbo status—not yet trading again, but not yet permanently closed—and plenty of major challenges remain before we have a final picture of how many venues have been lost. The recruitment crisis and 'pingdemic' have had a particularly big impact on many businesses' plans at the worst possible time. But for those that have sustained themselves through the pandemic, there could be lots to look forward to.

98,790

Total licensed premises trading at end-July 2021



1. Overview

In the last edition of the Market Recovery Monitor, we reported that some 12,000 of Britain's licensed premises were still to reopen after the end of lockdown. By the end of July, just under 5,000 had returned, bringing the total number of trading sites to 98,790—**93.0%** of the total. However, more than 7,000, or **7.0%**, have yet to do so.

Some of these venues will reopen in due course. In the late-night sector in particular, businesses that have been shut for 16 months will be taking their time to bring operations back, or gauging consumer demand. However, the future of many of these closed sites will depend on how well they can overcome the various staffing, consumer confidence and debt challenges over the coming months.

The **93.0%** figure is a month-on-month increase of just over four percentage points from June. It follows a wave of reopenings after England's 'freedom day' on Monday 19 July, when nightclubs and other late-night venues were finally able to trade again—though the hospitality sectors in Scotland and Wales have had to wait until early August for a similar easing of restrictions.

It means that Britain's licensed sector is now trading more widely and freely than at any time since March 2020. As we see in our review of COVID's impacts on hospitality (see page 3), trading capacity has climbed steadily since inside service was permitted from mid-May, but the continued closure of so many venues shows the sector's recovery has a long way to go yet.

Market Recovery Monitor data here shows a stark divide in reopenings between eating and drinking venues. **98.1%** of all food-led sites are now open—far more than the **91.4%** of drink-led sites that are trading. It means that for every food-led venue that remains closed, seven drink-led ones are still shut. In the accommodation-led sector, **81.9%** of venues are now trading, with small guest or boarding houses accounting for most of the remaining closures. See page 2 for more analysis of openings by segment.

Reopenings by segment

	% of sites trading at end-July 2021	% of sites trading at end-June 2021	Percentage point increase, July v June
Food-led	98.1%	94.4%	+3.7
Drink-led	91.4%	86.1%	+5.3
Accommodation-led	82.3%	81.9%	+0.4
Total	93.0%	88.7%	+4.3

Managed v independent

Reopenings since 'freedom day' have done little to narrow the gap between the solid return of managed operators and the difficulties of independent businesses.

By the end of July, **98.7%** of all managed venues were open and trading, compared to **89.9%** of independents. Around 4,000 more independent venues reopened over July, most notably in the sports and social club segment, where indies dominate. But of the 7,000 or so venues that remain closed, independents outnumber groups by more than 25 to one. The third pillar of the licensed sector, the leased market, is on a par with managed groups at **98.6%** of capacity.

It is clear that the managed sector is emerging from the pandemic in much better health than smaller businesses. In terms of outlet numbers, the independent sector is already **8.5%** smaller than it was before COVID hit, and sustained government support will be needed to avoid more contraction here.

Reopenings by tenure

	Total known sites at end-July 2021	% sites trading at end-July 2021	Percentage point increase, July v June	Sites still closed
Managed	20,362	98.7%	+0.8	258
Independent	67,968	89.9%	+6.2	6,883
Leased	17,858	98.6%	+0.9	257

2. Segments

Market Recovery Monitor data shows how some parts of the licensed sector are now much closer to full capacity than others. Food pubs (**99.5%**), casual dining restaurants (**96.7%**), bar restaurants (**96.7%**) and other restaurants (**98.4%**) all have more than 96% of sites open again, with only 600 or so venues still closed between them.

Lagging behind are segments like large venues (**71.0%**) and nightclubs (**84.7%**). Although these parts of the market have been boosted by the easing of COVID restrictions, many venues are still not trading again, and may never do so again.

The segment with the highest number of venues still closed—2,298, or nearly a third of the total—is the sports and social club sector (**89.2%**), which has been so badly affected by restrictions on social gatherings over the last 16 months.

One encouraging sign here is that trading numbers increased by 12.7 percentage points over July, and we can be hopeful that more will come back in August, especially with many people staying close to home for holidays.

Of course, all segments have been substantially reduced in number since the start of COVID (see page 3). The casual dining restaurant sector, for instance, has seen a **20%** drop in total numbers since March 2020. But the reduction in sites—already in motion before the pandemic—means the sector is now on a more sustainable footing.

96.7%   
Of casual dining restaurants trading at end-July 2021

Reopenings by segment

	Total known sites at end-July 2021	% sites trading at end-July 2021	Percentage point increase, July v June	Sites still closed
Bar	4,447	90.1%	+2.6	442
Bar restaurant	3,315	96.7%	+5.7	109
Casual dining restaurant	5,376	96.7%	+0.2	178
Community pub	19,066	97.0%	+0.9	580
Food pub	12,043	99.5%	+1.9	64
High street pub	6,249	99.5%	+1.2	31
Hotel	7,481	91.4%	+0.3	645
Large venue	4,519	71.0%	+2.2	1,312
Nightclub	1,103	84.7%	+1.1	169
Restaurant	16,688	98.4%	+5.9	271
Sports / social club	21,261	89.2%	+12.1	2,298
Total sites	106,188	93.0%	+4.3	7,398

3. Location

'Freedom day' has been another important step to recovery for businesses in big city centres, where footfall is starting to return to something like pre-pandemic norms.

By the end of July, **95.3%** of city centre venues were back trading, leaving only 500 still closed. This is a slightly better return to capacity than both the high street (**94.7%**) and suburban (**93.0%**) segments. As consumers' confidence about safety and busy places increases, more venues are returning, and CGA's trading data suggests many types of pre-COVID city-centre visits, like late-night drinking-out, are coming back. The gradual reopening of offices should help other occasions, like after-work drinks or on-the-go lunches, to pick up too.

Rural licensed premises have been reopening at a slower pace. Just over nine in ten (**91.3%**) are now trading, up by nearly five

percentage points month-on-month, and more may be expected to reopen in August as people look to countryside destinations for staycations. However, nearly 3,000 rural venues remain shut.

Reopenings by location

	Total known sites at end-July 2021	% sites trading at end-July 2021	Percentage point increase, July v June	Sites still closed
City centre	10,622	95.3%	+2.6	500
High street	35,653	94.7%	+3.2	1,894
Suburban	38,303	93.0%	+4.9	2,693
Rural	32,231	91.3%	+4.7	2,811

City centres

As with the breakdown of reopenings by segment, the recovery of city centres is further advanced in some places than others. Among city centres with more than 200 licensed premises, Bath (**98.4%**), Nottingham (**98.3%**), York (**96.7%**), Cardiff (**96.2%**) and Leeds (**96.1%**) all have more than **96%** of venues open again. Liverpool (**95.9%**), Edinburgh (**95.5%**), Newcastle (**95.4%**) and Glasgow (**95.2%**) are not far behind.

All these city centres are above the average for Britain's licensed sector as a whole (**93.0%**; see page 1). So is London, where

94.7% of sites are back—a month-on-month increase of three percentage points. With travel limited and people working from home, these and other big cities have been heavily reliant on residents for footfall for much of the last 16 months, but have been boosted in recent weeks by returning tourists and workers.

94.7%   
Of sites in central London trading at end-July 2021

Hospitality and COVID: A look back at openings and closures since March 2020

This timeline shows the rollercoaster ride that Britain's hospitality sector has been on since the first COVID-related restrictions were announced. It highlights two month-by-month patterns: a steady decline in the total number of licensed premises as the pandemic's effects took hold; and dramatic ups and downs in the number of sites that were trading as lockdowns came and went.

Back in Spring 2020, Britain had just over 115,000 pubs, bars, restaurants, hotels and other licensed venues. But by Spring 2021 the number had plunged by more than 9,000 sites—equivalent to around one permanent closure every hour.

106,188  **Total known sites at July 2021**

The number of sites actually open has fluctuated spectacularly. After four months of total closure from March 2020—except for takeaways and deliveries—just over 70,000 had returned by the end of July. The government's Eat Out to Help Out scheme drove footfall in August and tempted more venues to open their doors again, and trading numbers edged above 90,000 in September. Then came another wave of lockdowns—both local via increasingly tough tiered systems, and national from November and December. This wiped out hospitality once again—until mid-April, when venues could trade outdoors; and mid-May, when venues could invite people inside. As the graph shows, those landmarks brought two waves of reopening, ahead of 'freedom day' and the total of just under 100,000 sites trading now.

The upward curve of trading numbers brings the hospitality sector much closer to full capacity than at any time since March 2020. The gap on the graph between known sites and trading


sites should continue to narrow in the weeks ahead—though with the future of so many venues still uncertain, it will be a few months yet before we can conclusively assess the permanent damage of the pandemic.

93.0%  **Of sites trading at July 2021**

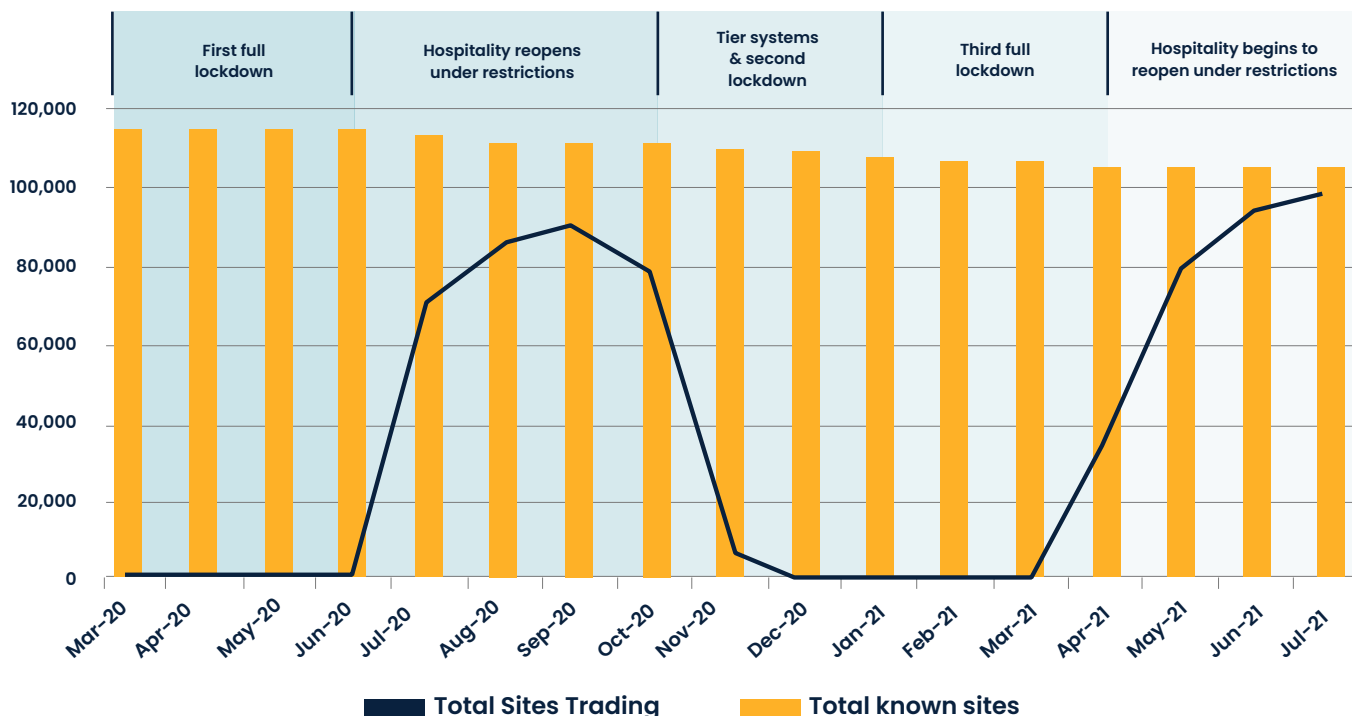
As we look to the future, perhaps the most encouraging trend is the stabilisation of Britain's total number of licensed premises. Since reaching a low of just under 106,000 sites in May, it has made a modest rebound of around 450 net new sites. This indicates that many of the units that have closed in the last 16 months have since reopened in other guises, and that both managed groups and independents have restarted expansion plans that were on pause for so long.

It is a reassuring sign that the sector's confidence is increasing, and that investment is returning. Ambitious groups are sensing that the current recovery phase is a good time to find new property on good terms and roll out at a sensible pace.

Hospitality's recovery remains extremely fragile, with consumers' anxiety and the staffing crisis just two of many reasons to be cautious. The pandemic will claim many more business casualties before it is properly over. But as is the case in any recession, one business' failure is another's opportunity—and if the steady stream of openings is anything to go by, we can be confident about the long-term future of this industry.

25  **Average net closures per day between March 2020 and July 2021**

March 2020 to July 2021: Known sites and trading sites



* Note: 'Total Sites Trading' excludes sites providing deliveries and takeaways only
 *Note: Snapshot of how many venues were trading was taken at the end of each month

Comment from **AlixPartners**

"The long-awaited 'Freedom Day' marked the beginning of a new chapter for hospitality with the focus for operators now shifting to securing a return to viability after almost 18 months of closure and heavily restricted trading. But over 7,000 sites remain in limbo and the question now must be whether these venues will ever reopen under their current ownership or be lost permanently. The well-publicised challenges in the market around labour and product supply only add to a complex picture during what should be peak trading season, with operators across the country taking drastic action through reducing their hours or closing as a direct consequence of these issues.

"As we move toward the end of summer and into autumn, what will be interesting to see is how a return to offices and other workplaces will impact the sector. Footfall is returning strongly in city centres and the overwhelming majority of venues in these locations have reopened. As the vaccination programme continues and more workers and commuters return, many operators should benefit from a pick-up in trade. Investors certainly remain highly interested in the sector's leading lights, as we witnessed recently when advising leading Vietnamese restaurant group, Pho, on the sale of a majority stake in its business to private equity firm TriSpan – a transaction that backs the business to continue its growth across the UK."

Graeme Smith, Managing Director, AlixPartners, gsmith@alixpartners.com

Market summary: Total known numbers of sites across three key segments: food-led, drink-led and accommodation-led

		Sites at July 21	Sites at Mar 20	July 21 vs Mar 20	% July 21 vs Mar 20
All Venues	Total	106,188	115,108	-8,920	-7.7%
	Managed	20,362	21,461	-1,099	-5.1%
	Independent	67,968	74,271	-6,303	-8.5%
	Leased	17,858	19,376	-1,518	-7.8%
Food-led Venues	Total	38,785	43,126	-4,341	-10.1%
	Managed	10,657	11,659	-1,002	-8.6%
	Independent	23,418	26,437	-3,019	-11.4%
	Leased	4,710	5,030	-320	-6.4%
Drink-led Venues	Total	57,581	61,229	-3,648	-6.0%
	Managed	6,701	6,777	-76	-1.1%
	Independent	38,070	40,478	-2,408	-5.9%
	Leased	12,810	13,974	-1,164	-8.3%
Accommodation-led Venues	Total	9,822	10,753	-931	-8.7%
	Managed	3,004	3,025	-21	-0.7%
	Independent	6,480	7,356	-876	-11.9%
	Leased	338	372	-34	-9.1%

Sources and definitions

Openings data in this report is sourced from CGA's Outlet Index, the leading database of licensed premises in Britain.

'Independent' means that the venue is owned and operated independently—the individual owner has full decision-making responsibility for the venue's operation and profitability.

'Managed' outlets are managed sites of operators with more than one location, typically a collection of venues or portfolio

of brands. They typically employ a manager to carry out the day-to-day running of the venue, according to the company's specifications and objectives.

'Leased' outlets are run by individual tenants who pay a tenancy fee or rent to a corporate landlord, typically a pub company.

'Licensed' outlets are permitted to serve wine, beer and other alcoholic beverages.