



# MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

JULY 2022

## Site numbers flat but bumpy road lies ahead

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

After all the upheaval of the last few years, this edition of the Market Recovery Monitor shows the size of Britain’s licensed sector is essentially flat. That might seem like a muted performance, but it is in fact a welcome sign that hospitality is returning to pre-COVID norms. It also chimes with CGA’s sales data, which shows trading has hovered just above the levels of 2019 since the start of this year.

However, after the consolidation of the last six months, conditions are getting much tougher in the second half of 2022. Consumer inflation has just topped 9%, and operators’ costs in key inputs including food and energy continue to soar. This means sales are now well below pre-COVID levels in real terms, and the squeeze on people’s spending means inflation-adjusted growth is challenging. There is still significant disruption to supply, and labour shortages aren’t easing.

So: is hospitality’s glass half-full or half-empty? The next editions of the Market Recovery Monitor will tell us whether tough conditions lead to more site closures. Hospitality’s long-term outlook is positive, but there is no doubt that many businesses have a bumpy road ahead.

**105,912**

Total licensed premises in Britain at June 2022



**0.0%**

Net change in outlets between March 2022 and June 2022



### 1. Overview

This edition of the Market Recovery Monitor shows that as of June 2022, Britain’s number of licensed premises was almost exactly level with both one quarter and one year ago.

However, beneath the calm surface there has been a lot of turbulence. CGA data indicates there have been nearly a thousand site closures in the last three months alone—but virtually the same number of new openings. Many vacated premises have been quickly snapped up by other operators, and new entrants continue to flow into the sector to keep established brands on their toes.

As the numbers here confirm, there has been significant variation from segment to segment. Numbers of bars and bar restaurants increased between June 2021 and June 2022 as the late-night market emerged from COVID restrictions. Casual

dining restaurants have grown too, after several years of decline. At the other end of the spectrum, community and high street pub numbers have been trimmed, and Britain now has fewer than 1,000 nightclubs—a drop of **9.1%** in the last 12 months. Prolonged COVID closures have sent a lot of traditional clubs to the wall, though some empty venues have since been filled by new owners.

There have also been contrasting fortunes between tenure types, with managed sites up by **1.8%** since June 2021, and independent and leased ones down by **0.4%** and **0.9%** respectively. Sites in cities are up by **0.6%**, but down by **0.4%** in large towns. This reflects the steady return of workers and visitors to regional city centres like Leeds, Newcastle, Manchester and Liverpool, where numbers have risen by more than **4%** in a year—but it has made trading trickier in some satellite and secondary towns.

### Total sites by segment, June 2022 v June 2021 and March 2022

	Pre-Covid Market March 2020	June 2021 Total Market	March 2022 Total Market	June 2022 Total Market	June 22 vs. March 20	June 22 vs. June 21	June 22 vs. March 22
Bar	4,552	4,395	4,497	4,544	-0.2%	3.4%	1.0%
Bar restaurant	3,685	3,309	3,332	3,380	-8.3%	2.1%	1.4%
Casual dining restaurant	6,625	5,315	5,387	5,381	-18.8%	1.2%	-0.1%
Community pub	20,442	19,078	18,843	18,948	-7.3%	-0.7%	0.6%
Food pub	12,590	12,040	12,017	12,055	-4.2%	0.1%	0.3%
High street pub	6,658	6,268	6,195	6,232	-6.4%	-0.6%	0.6%
Hotel	7,773	7,455	7,440	7,464	-4.0%	0.1%	0.3%
Large venue	4,622	4,491	4,551	4,550	-1.6%	1.3%	0.0%
Nightclub	1,247	1,093	1,017	994	-20.3%	-9.1%	-2.3%
Restaurant	18,770	16,578	16,657	16,372	-12.8%	-1.2%	-1.7%
Sports / social club	22,782	21,312	21,345	21,364	-6.2%	0.2%	0.1%
<b>Total</b>	<b>115,108</b>	<b>105,959</b>	<b>105,908</b>	<b>105,912</b>	<b>-8.0%</b>	<b>0.0%</b>	<b>0.0%</b>



**-9.1%**

Net change in nightclub sites between June 2021 and June 2022

## London in focus

While restaurants, pubs and bars in many regional cities have recovered well from lockdowns, London has been slower to recover its sales and halt its closures. This is because numbers of office workers and tourists, who make up a large proportion of demand for hospitality in the capital, are only now approaching pre-COVID volumes.

But as in all cities, fortunes in London have been different from place to place. Operators have been able to grow well in some parts of the city, but forced to close their doors in others.


Data for the Market Recovery Report on this page illustrates the variations. For example, the northern and eastern regions of London now have **8.0%** and **9.1%** fewer licensed premises than they did in March 2020—and in some boroughs, like Haringey and Barking & Dagenham, the net change is less than **5%**.

These areas have been relatively well insulated from the COVID downturn because they rely on residents rather than commuters or visitors for their footfall. People who previously commuted into central London instead worked at home during the on-off lockdowns of 2020 and 2021, and used their local restaurants, pubs and bars rather than travelling further afield. Despite restrictions easing, many of these people have continued to work from home for at least a day or two a week.

While this has been good news for operators in many parts of northern and eastern London, it is less welcome for those in the middle of town. Central London has seen a **10.2%** net decline in premises, rising above **11%** in the boroughs of Camden and Kensington & Chelsea. In the City of London, where hospitality venues depend almost entirely on workers and visitors, there are now **14.0%** fewer premises than in March 2020—a net decline of nearly one in seven sites.

There have also been heavy closures in the south (down **12.0%** since March 2020) and west (down **12.6%**) of London. Boroughs including Croydon (down **19.4%**) and Ealing (down **14.4%**) have seen even sharper net declines than these.

As London recovers from COVID, operators and investors will need to get a hyper-local understanding of the opportunities and challenges that are particular to different areas of London. Despite the difficult conditions of the last few years, trading in the capital is now moving in the right direction, and businesses that respond to the changes in people's working and leisure habits will be well placed to capitalise.

**-10.5%**   
Net decline in sites within the M25, March 2020 to June 2022

## London boroughs: Ups and downs

### Boroughs with the most net closures, March 2020 v June 2022

	London	June 22 vs March 20
South	Merton	-8.3%
South	Sutton	-9.6%
South	Bromley	-10.4%
South	Kingston upon Thames	-10.8%
South	Wandsworth	-11.2%
South	Croydon	-19.4%
West	Richmond upon Thames	-8.5%
West	Hammersmith and Fulham	-12.0%
West	Harrow	-12.2%
West	Brent	-12.5%
West	Hillingdon	-13.7%
West	Ealing	-14.4%
West	Hounslow	-16.4%
Central	Southwark	-5.8%
Central	Lambeth	-7.8%
Central	City of Westminster	-9.6%
Central	Camden	-11.2%
Central	Kensington and Chelsea	-11.3%
Central	Islington	-13.1%
Central	City and County of the City of London	-14.0%
North	Haringey	-3.4%
North	Enfield	-7.0%
North	Barnet	-12.7%
East	Barking and Dagenham	-4.5%
East	Bexley	-5.3%
East	Havering	-5.4%
East	Lewisham	-5.5%
East	Newham	-6.6%
East	Redbridge	-7.4%
East	Greenwich	-7.7%
East	Waltham Forest	-11.7%
East	Hackney	-11.9%
East	Tower Hamlets	-12.7%



### London's net closures by region, March 2020 v June 2022

Area	Sites at March 2020	Sites at June 2022	Net change, March 2020 v June 2022
South	1,909	1,680	-12.0%
West	2,341	2,045	-12.6%
Central	6,493	5,828	-10.2%
North	847	779	-8.0%
East	3,001	2,729	-9.1%

# Comment from **AlixPartners**

What has happened in the square mile, London's financial district, shines a light on a massive cultural shift that has taken place across the UK. Working from home, or rather, hybrid home-office working has sparked a significant shift in the nature and location of demand for eating and drinking out. As a result, pubs and restaurants located in business districts have suffered. What's happened in the City graphically illustrates the problem, with one in seven venues closing. How much of a rebound there will be remains to be seen.

One sub-sector unlikely to stage a recovery is nightclubs. The numbers of 'big box' dedicated clubs have dipped below 1,000 for the first time. Context here is crucial, and speaks to an evolving late-night market where cocktail bars and competitive socialising venues have boomed on the wave of massive consumer demand.

At a macro level, it is very welcome to see some stability in overall outlet numbers, after the shock of covid. However, while the fundamental, longer-term outlook for the sector is strong, a higher degree of volatility will likely return. Operators are experiencing massive cost increases, and with the spectre of recession, consumer spending will likely come under increased pressure. This inevitably means closures and more churn, but significant market share opportunities for the best businesses and brands.

**Graeme Smith is Managing Director and Head of Corporate Finance Advisory at AlixPartners**

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

		March 2020 Total Market	June 2021 Total Market	March 2022 Total Market	June 2022 Total Market	June 22 vs. March 20	June 22 vs. June 21	June 22 vs. March 22
All Venues	<b>Total</b>	<b>115,108</b>	<b>105,959</b>	<b>105,908</b>	<b>105,912</b>	<b>-8.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	Managed	21,461	20,267	20,438	20,633	-3.9%	1.8%	1.0%
	Independent	74,271	67,805	67,786	67,553	-9.0%	-0.4%	-0.3%
	Leased	19,376	17,887	17,684	17,726	-8.5%	-0.9%	0.2%
Food-led Venues	<b>Total</b>	<b>43,126</b>	<b>38,595</b>	<b>38,783</b>	<b>38,596</b>	<b>-10.5%</b>	<b>0.0%</b>	<b>-0.5%</b>
	Managed	11,659	10,618	10,670	10,718	-8.1%	0.9%	0.4%
	Independent	26,437	23,279	23,373	23,106	-12.6%	-0.7%	-1.1%
	Leased	5,030	4,698	4,740	4,772	-5.1%	1.6%	0.7%
Drink-led Venues	<b>Total</b>	<b>61,229</b>	<b>57,570</b>	<b>57,383</b>	<b>57,554</b>	<b>-6.0%</b>	<b>0.0%</b>	<b>0.3%</b>
	Managed	6,777	6,651	6,733	6,860	1.2%	3.1%	1.9%
	Independent	40,478	38,069	38,027	38,060	-6.0%	0.0%	0.1%
	Leased	13,974	12,850	12,623	12,634	-9.6%	-1.7%	0.1%
Accommodation -led Venues	<b>Total</b>	<b>10,753</b>	<b>9,794</b>	<b>9,742</b>	<b>9,762</b>	<b>-9.2%</b>	<b>-0.3%</b>	<b>0.2%</b>
	Managed	3,025	2,998	3,035	3,055	1.0%	1.9%	0.7%
	Independent	7,356	6,457	6,386	6,387	-13.2%	-1.1%	0.0%
	Leased	372	339	321	320	-14.0%	-5.6%	-0.3%

## 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.