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# HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

**MAY** 2024

## Hospitality closures slow in Q1 but pressures persist

### Introduction by Karl Chessell, CGA by NIQ director - hospitality operators and food, EMEA

After a tough year, there are grounds for very cautious confidence about a better 2024. The Hospitality Market Monitor revealed a net decline of **2.9%** of all licensed premises in Britain throughout the calendar year of 2023, but in the first quarter of 2024 the rate slowed substantially to **0.4%**. Put another way, there were an average of **eight** net closures a day in 2023, but **four** per day in the last three months.

Growing optimism is also reflected in the CGA RSM Hospitality Business Tracker, which revealed above-inflation sales growth for managed groups in March. There are positive economic indicators too, like falling inflation and a steadying of interest rates and energy bills, which should loosen people's spending as the year goes on.

However, positivity needs to be restrained. Inflation is still high by recent standards and is disproportionately hurting hospitality, and the confidence of both consumers and leaders remains fragile. While closures are slowing, growth in hospitality site numbers feels some way off.

**98,745**

Total licensed premises in Britain at March 2024

## Market overview

While a **0.4%** drop in hospitality site numbers over the first quarter of 2024 is unwelcome, it is a reasonable performance in the context of COVID-19 and the costs crisis. The drop is one of the smallest since the start of the pandemic, with only four other quarters recording a more favourable performance since March 2020. It shows that concerns of high venue closures becoming a consistent trend are not as significant as once feared.

Green shoots of recovery are most visible in the food-led and managed operator segments of hospitality. The first quarter of 2024 brought a **0.1%** net increase in the number of food-led outlets, compared to drops of **0.7%** and **0.4%** in the drink-led and accommodation channels. Trends in restaurant and casual dining outlet numbers are particularly encouraging (see page 2).

As has been the case since the start of COVID, bigger businesses are faring better than smaller ones. Managed group numbers were almost exactly flat quarter-on-quarter, while the independent and leased segments contracted by **0.4%** and **0.7%** respectively. On a 12-month measure, net closures have been four times higher on the independent side **(-3.3%)** than the managed side **(-0.8%)**. Despite the improving trends, thousands of small restaurants, pubs and bars remain vulnerable to closure.

The breakdown of openings and closures below shows drink-led venues have found trading tougher than food-led ones in early 2024. There have been quarter-on-quarter drops in segments including community pubs **(-0.7%)**, high street pubs **(-0.6%)** and bars **(-0.3%)**, and worst hit of all are nightclubs, where numbers have tumbled **7.9%** in just three months. They are now **37.1%** lower than at the start of COVID lockdowns.

### Outlets by segment, March 2024 v December 2023 and March 2023

| | Sites at March 2023 | Sites at December 2023 | Sites at March 2024 | % change in sites, March 2024 v Dec 2023 | % change in sites, March 2024 v March 2023 |
|---|---|---|---|---|---|
| Bar | 4,457 | 4,363 | 4,351 | -0.3% | -2.4% |
| Bar restaurant | 3,242 | 3,221 | 3,219 | -0.1% | -0.7% |
| Casual dining restaurant | 5,160 | 5,085 | 5,119 | +0.7% | -0.8% |
| Community pub | 18,254 | 18,021 | 17,899 | -0.7% | -1.9% |
| Food pub | 11,754 | 11,639 | 11,554 | -0.7% | -1.7% |
| High street pub | 6,040 | 5,910 | 5,874 | -0.6% | -2.7% |
| Hotel | 7,264 | 7,232 | 7,210 | -0.3% | -0.7% |
| Large venue | 4,519 | 4,240 | 4,248 | +0.2% | -6.0% |
| Nightclub | 865 | 851 | 784 | -7.9% | -9.4% |
| Restaurant | 15,350 | 14,968 | 15,037 | +0.5% | -2.0% |
| Sports / social club | 20,317 | 19,737 | 19,616 | -0.6% | -3.5% |
| Other* | 4,093 | 3,846 | 3,834 | -0.3% | -6.3% |
| **Total** | **101,315** | **99,113** | **98,745** | **-0.4%** | **-2.5%** |

**-0.4%**

Net change in outlets between December 2023 and March 2024

**-2.5%**

Net change in outlets between March 2023 and March 2024

**Contact:** CGA by NIQ's director – hospitality operators and food, Karl Chessell: karl.chessell@cgastrategy.com

## Focus on restaurants

COVID-19 took a heavy toll on both independent and casual dining restaurants. Extended trading restrictions put paid to thousands of small, family-owned businesses without financial reserves to draw on, and accelerated closures in the casual dining sector, which had already reached saturation point after years of expansion. Between the start of the pandemic in March 2020 and the end of December 2023, there was a combined net decline of **21.0%** of sites in the casual dining and restaurant segments of the Hospitality Market Monitor—equivalent to **5,342** closures, or nearly **four** per day. In other words, the restaurant sector shrunk by a fifth.

Closures, including from some larger multi-site groups, have extended into 2024, and other businesses are at risk of failure as costs continue to rise. But new operators are constantly emerging too, and openings have just started to outstrip closures. In the three months to March 2024 there was a **0.7%** increase in Britain's number of casual dining outlets, and a **0.5%** rise in other restaurants.

These are not dramatic changes, and are equivalent to roughly **one** net opening per day. Total numbers are down year-on-year and this may be a short-term upward movement. Nevertheless, it is a welcome sign of improving confidence from restaurant operators and investors after several challenging years.

Prospects are particularly encouraging for small but ambitious restaurant groups. Businesses with distinctive and good-value concepts have been scaling up by occupying vacated units, often on more favourable terms than previously. If inflation and interest rates start to ease, more independent operators may get the confidence to expand too.

All operators remain under severe cost pressures, and it is doubtful whether Britain's restaurant numbers will ever return to pre-COVID levels—but early 2024 has shown that the best operators still have a bright future.

### Casual dining and restaurants, March 2024 v March 2020 and December 2023

| | Sites at March 2020 | Sites at December 2023 | Sites at March 2024 | % change in sites, Dec 2023 v March 2020 | % change in sites, March 2024 v Dec 2023 |
|---|---|---|---|---|---|
| Casual dining restaurant | 6,625 | 5,085 | 5,119 | -23.2% | +0.7% |
| Restaurant | 18,770 | 14,968 | 15,037 | -20.3% | +0.5% |
| Combined restaurants | 25,395 | 20,053 | 20,156 | -21.0% | +0.5% |

## City centres

The last 12 months have been a period of consolidation for the hospitality sector in Britain's city centres. Between March 2023 and March 2024 there was a net decline of only **1.3%** of licensed premises—less than half the rate of **2.8%** in towns.

This reflects the steady return of visitors and commuters to city centres after COVID. As this table shows, site numbers in both London and Manchester have held level year-on-year, while Edinburgh and Nottingham have slightly more than they did in March 2023.

Quarter-on-quarter trends are also encouraging. Of the ten British cities with the most licensed premises, seven now have more sites than at the end of 2023. London, by far the biggest city for hospitality, has seen **0.1%** growth. The gains may be marginal, but they are hopefully a sign of trends to come as city centres regain their pre-COVID vibrancy and consumers become more confident with their spending.

### Outlets in major city centres, March 2024 v March 2023 and December 2023

| | Sites at March 2023 | Sites at December 2023 | Sites at March 2024 | % change in sites, March 2024 v March 2023 | % change in sites, March 2024 v Dec 2023 |
|---|---|---|---|---|---|
| London | 2,922 | 2,918 | 2,922 | 0.0% | +0.1% |
| Manchester | 616 | 617 | 616 | 0.0% | -0.2% |
| Edinburgh | 518 | 520 | 521 | +0.6% | +0.2% |
| Glasgow | 435 | 426 | 429 | -1.4% | +0.7% |
| Liverpool | 452 | 448 | 445 | -1.5% | -0.7% |
| Birmingham | 343 | 340 | 339 | -1.2% | -0.3% |
| Leeds | 337 | 324 | 327 | -3.0% | +0.9% |
| Newcastle | 345 | 335 | 338 | -2.0% | +0.9% |
| Brighton | 320 | 314 | 315 | -1.6% | +0.3% |
| Nottingham | 276 | 275 | 277 | +0.4% | +0.7% |

**-21.0%**

Net change in restaurants between March 2020 and December 2023

**+0.5%**

Net change in restaurants between December 2023 and March 2024

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## Comment from AlixPartners

The economy and the hospitality sector have been impacted by many different and significant factors in the past three years, whether that be the disruption from rapid inflation or the longer-than-anticipated recovery period from the pandemic. This has been visibly illustrated by hospitality openings and closures. These headline rates have always been among the most meaningful proxy for assessing the overall health of the industry and the operating climate. While the number of venues continues to tick down overall, the slowing rate is a further sign of the easing of some of these big market pressures. Operating conditions are clearly not easy, but the volatility of recent years has calmed.

Another key indicator for the hospitality market is M&A activity, which is building momentum, partly on the back of this easing of market pressures, and also as interest rates stabilise and financing markets open up. Debt is available – albeit more expensive than it used to be. As a consequence, we expect these more stable conditions to continue to translate into fewer closures and more M&A deal activity.

On the back of this stabilisation, we're thankfully returning to a world where the value of hospitality businesses is driven by operational performance and growth prospects, which are particularly encouraging for small but ambitious restaurant groups. Businesses with distinctive and good-value concepts have been scaling up by occupying vacated units, often on more favourable rental terms than were previously available.

While significant pressure on certain parts of the market remain – as can be seen by recent high-street bar and nightclub restructuring activity – if inflation and interest rates continue to ease, we expect that market confidence will build. If that happens, it should feel like a significant corner has been turned and better times, fuelled by margin expansion and growth, lie ahead.

**Graeme Smith, managing director, AlixPartners , gsmith@alixpartners.com**

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

| | | Sites at March 2023 | Sites at Dec 2023 | Sites at March 2024 | March 2024 v Dec 2023 | % change in sites, March 2024 v Dec 2023 | % change in sites, March 2024 v March 2023 |
|---|---|---|---|---|---|---|---|
| **All Venues** | **Total** | **101,315** | **99,113** | **98,745** | **-368** | **-0.4%** | **-2.5%** |
| | Managed | 20,751 | 20,602 | 20,595 | -7 | 0.0% | -0.8% |
| | Independent | 63,809 | 61,954 | 61,705 | -249 | -0.4% | -3.3% |
| | Leased | 16,755 | 16,557 | 16,445 | -112 | -0.7% | -1.9% |
| **Food-led Venues** | **Total** | **36,866** | **36,125** | **36,145** | **+20** | **+0.1%** | **-2.0%** |
| | Managed | 10,698 | 10,555 | 10,567 | +12 | +0.1% | -1.2% |
| | Independent | 21,620 | 21,044 | 21,086 | +42 | +0.2% | -2.5% |
| | Leased | 4,548 | 4,526 | 4,492 | -34 | -0.8% | -1.2% |
| **Drink-led Venues** | **Total** | **55,339** | **53,987** | **53,634** | **-353** | **-0.7%** | **-3.1%** |
| | Managed | 7,008 | 6,954 | 6,935 | -19 | -0.3% | -1.0% |
| | Independent | 36,419 | 35,300 | 35,039 | -261 | -0.7% | -3.8% |
| | Leased | 11,912 | 11,733 | 11,660 | -73 | -0.6% | -2.1% |
| **Accommodation-led Venues** | **Total** | **9,110** | **9,001** | **8,966** | **-35** | **-0.4%** | **-1.6%** |
| | Managed | 3,045 | 3,093 | 3,093 | - | 0.0% | +1.6% |
| | Independent | 5,770 | 5,610 | 5,580 | -30 | -0.5% | -3.3% |
| | Leased | 295 | 298 | 293 | -5 | -1.7% | -0.7% |

## Sources and definitions

Data in this report is sourced from CGA by NIQ'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'** pubs 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.

***Segments**
**'Other'** consists of: Cafe/Delicatessen, Guest/Boarding House Holiday/Caravan Park.

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