

Where next for retail and hospitality in central London?

The impact of new Covid-19 restrictions and support

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Introduction – An extremely challenging environment for retail and hospitality in central London

Retail and hospitality businesses experienced a gradual recovery in footfall and spending following the lifting of national lockdown in July.

But the strength of this recovery has varied across the country – data shows that the return of footfall and spending in larger towns and cities has been muted in comparison to smaller towns and cities.ⁱ

The recovery in central London has been particularly weak. Even the ‘Eat Out to Help Out’ scheme had a relatively small effect. Visitors to the centre of London increased by just three percentage points on Eat Out to Help Out evenings when compared to the same nights in July. The average increase across all UK towns and cities was eight percentage points.ⁱⁱ

The Government’s announcement on the 22 September of further Covid-19 restrictions – and the message that these restrictions would be in place for six months – will at best suppress, and at worst completely reverse, any footfall and spending recovery that had been taking place in central London.

The survival of many central London retail and hospitality businesses will be supported to some degree by the economic policy interventions that have been announced. But these interventions will not fundamentally change what is an extremely challenging business environment.

The following section analyses three key Government measures that were announced last week, and that have big implications for retail and hospitality businesses in central London. These are:

- The encouragement to work from home.
- The ‘curfew’ that forces closure of some businesses at 10pm.
- The Job Support Scheme.

There were other announcements that will affect retail and hospitality businesses. The requirement for table service in hospitality settings will require further investment and adaptation for some. The more favourable terms for Government supported loans and tax payments will help ease cashflow issues. Yet the measures that this paper looks at are the biggest interventions that the Government undertook.

The final section of the paper presents new quantitative evidence that supports the view that retail and hospitality businesses in central London will be particularly hard hit by the encouragement to work from home and by the curfew.

This is not a policy document, but it is worth setting out the types of interventions that could further support central London’s retail and hospitality businesses in this challenging environment (and that would offer support if the environment should become even more challenging, such as under a local lockdown). These interventions are:

- **Making central London safer.** Instill confidence that London’s public transport is safe and hygienic and ensure that retail and hospitality hotspots are ‘covid-secure’.
- **Ensuring that retail and hospitality can be supported.** Public information campaigns should communicate that central London is ‘covid-secure’. Business support (such as help with rent negotiations) should be offered.
- **Ensuring that retail and hospitality can be sustained.** Further tax relief (particularly for business rates) could be offered, as could grant funding to support business adaptations to the new normal.

New measures – The impact on retail and hospitality in central London

New measure	Impact on retail and hospitality in central London
<p>A renewed request to work from home</p>	<ul style="list-style-type: none"> • Of the new measures announced, this will have by far the biggest impact on retail and hospitality businesses in central London. • Broadly speaking, these businesses have three sources of footfall – residents, commuters and visitors to the city (both domestic and international). • Retail and hospitality businesses that relied more heavily on commuters and visitors before the pandemic will have been hit harder during it. • With domestic and international visitors unlikely to return in great numbers any time soon, the return of commuters had offered hope of greater footfall. • This hope has now faded with the renewed request to work from home. • Retail and hospitality businesses in the boroughs of Westminster, City of London, Tower Hamlets and Camden, which used to receive large net inflows of people on a working day, are likely to be particularly hard hit. • There will be some ‘winners’. Those retail and hospitality businesses that are located in more residential areas and have been benefitting from increased footfall because of more people working from home.
<p>Hospitality and leisure businesses must close between 10pm and 5am (a curfew)</p>	<ul style="list-style-type: none"> • The impact of this measure is highly uncertain (and press rumours suggest that Government policymakers have done little modelling on the impact). • Unless diners and drinkers who would have spent after 10pm subsequently substitute that spending to before 10pm in the same venue or elsewhere, then retail and hospitality sectors will take a hit. • The sectors will adapt, but there may only be limited scope for this adaptation. As described by the owner of a restaurant group:ⁱⁱⁱ <i>“With a three-hour sitting, that means my last table will now have to come in for 7pm – my last one used to be in at 10.30pm. So I’m losing half my covers again – I’ve already lost a third to social distancing – so now I only have one third of my original restaurant left”.</i> • Potential diners and drinkers who have to travel longer to get to central London may be deterred from travelling altogether because the time they have to socialise has been curtailed.
<p>The Job Support Scheme (a wage subsidy to protect jobs during a period of weak demand)</p>	<ul style="list-style-type: none"> • The Scheme will support some retail and hospitality jobs in central London. Yet there are reasons to believe that it will not be that attractive to many retail and hospitality businesses. • Retail and hospitality jobs tend to be occupied by the relatively young and the relatively low paid. • Jobs in these sectors tend to be lower-skilled and shorter term - retail and hospitality firms are used to hiring new staff. • Given that employers will still pay some wages for hours not worked under the Scheme, it may make sense to shed staff and hire when demand picks up again (and when there will be plenty of people looking for work).

New measures - Why central London will be hit particularly hard

The below table sets out some quantitative evidence and analysis, which suggests that central London – defined as the members of Central London Forward – will be particularly hard hit by the Government’s new measures.

New measure	Why central London faces a particular problem
<p>A renewed request to work from home</p>	<p>Key message: the occupations more suited to home working dominate the jobs market and workplaces in central London boroughs.</p> <ul style="list-style-type: none"> • Those in occupations requiring higher qualifications and experience have been much more likely to work from home during the pandemic. • For example, 67.3% of those working as managers, directors and senior officials had worked from home, compared to 18.9% of those working in skilled trades.^{iv} • 76.8% of the jobs in the workplaces of central London boroughs are in occupations most likely to work from home. Only 60.0% of the jobs in outer London boroughs are in the occupations most likely to work from home (this is only marginally higher than the figure for the UK as a whole, which stands at 57.5%).^v • The boroughs where workplaces are most likely to have employees now working from home can be found in the very centre of London. 81.9% of workplace jobs in Westminster are in those occupations most likely to work from home. In Camden this figure is 81.5%, the City of London 79.4% and Tower Hamlets 78.6%.^{vi}
<p>Hospitality and leisure businesses must close between 10pm and 5am (a curfew)</p>	<p>Key message: central London boroughs have a disproportionately large night-time economy.</p> <ul style="list-style-type: none"> • Central London boroughs are home to 4.7% of the UK’s adult population and to 5.3% of the UK’s pubs and bars.^{vii} • Central London boroughs had issued 9,445 premises licences that allow the provision of ‘late night refreshment’ (provision of hot food or hot beverages on or off the premises between 11pm and 5am). This amounts to 11.6% of all premises licences that allow for the provision of late night refreshment in England and Wales.^{viii} • It is also worth noting that central London boroughs are responsible for 10.6% of the temporary event notices in England and Wales (and for 62.0% of temporary event notices in London).^{ix} • Londoner’s spend more per week on average on restaurants and cafes (£24.00) and alcoholic drinks outside the home (£10.20) than any other part of the UK.^x • There is little data on exactly how much this measure will affect the night-time economy. But there is some anecdotal indication. For example, the co-owner of Soho restaurant ‘Balans’ said:^{xi} <p><i>“Where we’ve started opening later at night from Thursday to Saturday...the sales from 10pm onwards last week made up 25 per cent of our turnover”.</i></p>

References

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- ⁱⁱ Centre for Cities, August 2020, Is eating out helping out?, <https://www.centreforcities.org/blog/is-eating-out-helping-out/>
- ⁱⁱⁱ Evening Standard, September 2020, Restaurants, bars and pubs react to the 10pm curfew, <https://www.standard.co.uk/go/london/restaurants/pub-restaurant-10pm-curfew-owners-reaction-a4553596.html>
- ^{iv} ONS, July 2020, Coronavirus and Homeworking, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/coronavirusandhomeworkingintheuk/april2020>
- ^v WPI Economics analysis of NOMIS Annual Population Survey 'Workplace Analysis' 2020 data, <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=100>
- ^{vi} Ibid
- ^{vii} Analysis of ONS data, January 2020, Public houses by size, region and nation, <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/publichousesandbarsbysizeandregionandnationuk2001to2019>
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- ^{ix} Ibid
- ^x ONS, March 2020, Family Spending Statistics, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook3expenditurebyregion>
- ^{xi} Evening Standard, September 2020, Restaurants, bars and pubs react to the 10pm curfew, <https://www.standard.co.uk/go/london/restaurants/pub-restaurant-10pm-curfew-owners-reaction-a4553596.html>