

## The hospitality sector needs room to breathe

Philip Sandzer | 04/05/2020 | [LeisurePrintDownload](#)



The proposals from Jonathan Downey and his #timeoutuk campaign are a very positive step that could work for all sides over a period.

The upside for the owners and investors being occupied space and basic running costs covered through service charge payments, with potentially a full income stream in 2021. The key to their success, however, is convincing the lenders at the top of the tree.

Clearly, the early beneficiaries are the operators, but they have no clue at this point what kind of business they will have when they re-open. And when is the crucial question.

While the UK government has yet to reveal its plans, it seems certain social distancing will apply and will therefore have impact on capacity. Less clear is whether vertical drinking will be permitted, but that would provide a welcome boost to the fortunes of many operators, given it is a huge revenue stream in the summer months.

Limits on capacity are not the only challenge though. Will operators be able to source food at the same cost, are their staff still around, and what will spend be with so many people financially worse off? And, even for those that can continue to eat and drink out, will they want to? A recent YouGov poll suggests the lockdown is having a detrimental impact on how consumers think they will behave in the future. Of those surveyed, 57% are uncomfortable visiting a restaurant; 63% are reluctant to go to a pub or bar; and 58% are apprehensive of visiting coffee shops.

Operators need to have the breathing space to work all this out, to plan for the new norm, and then get used to it in practice.

*"The long-term relationship between landlord and operator will still need to be resolved, regardless of whatever measures are introduced by the government in the short-term."*

And what of the other side of the coin: landlords?

Landlords are ultimately responsible for collecting rent for their shareholders and to service their debt. But they do need an income, which is where the proposals signed jointly by the BRC, BPF and Revo, come into play. If the government adopts the Furloughed Space Grant Scheme they have suggested, liquidity will be injected back into the property sector, creating certainty for everyone involved.



But the long-term relationship between landlord and operator will still need to be resolved, regardless of whatever measures are introduced by the government in the short-term.

A logical first step is to shift the emphasis from repaying deferred rent over a short-term period to something more like two or three years. Taking a longer-term view and working collaboratively with landlords increases the chances of deals being concluded successfully for both parties.

Surely it would be in the interest of the landlords and investors to take this approach as we work together on a new period of genuine recovery? By doing so, we as professional advisers can do our jobs properly by adding value to clients on all sides.

This suggestion is not about kicking the can down the road; it simply reflects the need to give genuine hope and encouragement to our amazing, entrepreneurial restaurant operators as they get back open and trading.

It also provides the other side of the equation a real chance to keep their investments intact, honour their banking covenants, and ultimately help to resuscitate our once thriving hospitality industry. The alternative is swathes of empty premises with little prospect of income for the landlords, which in turn lead to bad debts and worthless unpaid loans.

*Philip Sandzer is co-founder of of leisure consultancy Shelley Sandzer*