

Markets



Channel Islands

Covid-19 storm shakes islands

Recovery depends on ability of tourism and leisure sectors to bounce back, writes **Helen Crane**

It is no secret that leisure and tourism have been among the sectors hit hardest by the coronavirus pandemic. With hotels, restaurants, bars and leisure facilities unable or unwilling to open during the height of lockdown, premises across the country were left empty and businesses put in jeopardy.

The effects of this have been particularly strong in areas such as the Channel Islands. While the offshore financial services sector dominates the islands' economy, the region's good weather makes the tourism industry one of its most important secondary assets. An Oxford Economics report in March 2019 found that tourism accounted for 8.7% of Jersey's economy (as measured by GVA), equivalent to a total of £372m.

In addition, prior to the Covid-19 pandemic, restaurants and bars traded well on the Channel Islands, supporting the affluent lifestyle that many in the financial services sector enjoy, as well as serving visitors.

Now the world is starting to tentatively reopen, the Channel Islands will be counting the cost of this downtime. So, which businesses are back up and running, what casualties have there been - and what has been



Choppy waters: Jersey and the Channel Islands have taken a big hit from the fall in visitor numbers due to Covid-19

the overall impact of the pandemic on the property market?

As in the rest of the UK, hotels have been particularly badly hit. Although some kept trading through lockdown, bookings plummeted and for the most part they remain at much lower levels than in a normal summer season.

Hotel occupancy down

"One leading hotel we are aware of is 55% occupied, compared with 95% occupancy for the corresponding period last year," says Julian Mallinson, director in

CBRE's Jersey office.

Before coronavirus hit, tourism on the islands was on the up. In 2019, Jersey alone welcomed its highest number



Brian McCarthy
Le Masurier

“Pre-Covid, there was actually an uplift in visitors to Jersey

of holidaymakers since 2001, according to figures from local tourism body Visit Jersey. This had reversed a downward trend that had lasted for decades, so the pandemic could not have come at a worse time.

"Tourism on the Channel Islands really had its heyday in the 1970s, before it became cheaper to jump on a plane to mainland Spain," says Brian McCarthy, managing director of Le Masurier, one of Jersey's largest property companies.

"In recent years, we've seen hotels being converted to

« apartments, particularly outside St Helier - but these trends have been reversing of late and Visit Jersey has done an excellent job of promoting it. Pre-Covid, there was actually an uplift in visitors to the island.”

The type of accommodation available has been modernised, including the development in 2018 of the first Premier Inn on Jersey. Le Masurier developed the 91-bed property in St Helier, and is also developing a second 120-bed scheme in the town as part of a larger mixed-use project. Premier Inn is also opening its first Guernsey site, which is being brought forward by developer Comprop.

The operator says it remains confident about the region's prospects. “We're investing strategically and we don't see coronavirus diminishing the attractiveness of the Channel Islands as a place to do business or take a leisure break,” says Alex Flach, UK development director at Premier Inn parent company Whitbread.

“I suspect Jersey and Guernsey will become even more popular as tourist destinations as people continue to seek out shorter ‘staycation’-type breaks.”

Figures from Visit Jersey support this idea; it reported a 40% spike in its month-on-month web traffic in July. It believes this increase has been boosted by visitors from the UK, who make up the vast majority of the island's holidaymakers, looking for holidays closer to home.

However, an increase in staycations over the coming months and years may not make up for the huge amount of income lost.

“Hotels in particular are dependent on a good summer's trade to manage the less profitable winter and ‘shoulder’ months,” says Mallinson.

“Although staycations will undoubtedly increase this summer, they will not replace the level of overseas tourists



Premier location: Premier Inn opened its first Jersey hotel in 2018 and is set to open a site in Guernsey

who have cancelled bookings.”

Tourists can visit Jersey if they produce a negative coronavirus test on arrival, among other conditions, but the Bailiwick of Guernsey still has a mandatory 14-day self-isolation period in place for visitors.

Once this is lifted, Guernsey might be particularly attractive for tourists looking for a safer place to holiday, as it was the first place in the British Isles to be declared coronavirus-free at the end of May.

Early return to offices

Companies on Guernsey have started returning to business-as-usual more quickly than those across the rest of the British Isles, with some firms returning to their offices as early as the end of May. It is too early to fully assess the impact of this, but anecdotal reports suggest that this boosted service businesses

in the island's main office hubs.

Meanwhile, Jersey has had 331 confirmed Covid-19 cases (as of 22 July). It also relaxed lockdown measures more quickly than the rest of the UK, entering the first phase of its lockdown exit strategy on 11 May.

“Jersey came out of lockdown relatively quickly and this has potentially lessened the impact of lockdown somewhat,” says Nick Trower, head of agency at D2RE in Jersey.

“Now the borders are open

and there are testing procedures in place, the island is trying to get tourism and the leisure industry back on its feet.”

Businesses have had to adapt to a different post-lockdown reality, though. McCarthy notes that “pubs and restaurants can reopen now, but have had to reinvent themselves. Part of Broad Street in St Helier has been pedestrianised to allow pubs to open alfresco and trade is certainly picking up”.

Many food and beverage (F&B) businesses secured rent holidays or reductions during the pandemic, according to Mallinson, and this has limited the scale of business closures and vacant units.

“During the second and third quarters, many restaurant and pub tenants requested rental reductions, rent deferrals or rental holidays from landlords and these were generally



“ Staycations will not replace overseas tourists who have cancelled



Tourism uptick: prior to Covid-19, an increase in visitor numbers helped boost St Helier's retail and leisure sectors

granted," he says.

"There have been a few business closures, but demand for vacant restaurants is expected to remain low."

Jersey lost the Shipyard restaurant at the St Helier ferry port and a handful of restaurants at Jersey Airport when Casual Dining Group called in administrators and closed 91 of its 250 outlets. However, the group had been experiencing difficulties before the coronavirus pandemic.

Trower echoes Mallinson's point that there have not been many business closures yet. He says his firm has only dealt with one small retail unit, which was re-let within two weeks, and he believes operators and landlords are assessing the market before making any difficult decisions.

"Generally, the letting market is tough. People are taking stock of trends and we expect it will

stay this way for a few months yet," he says. "[However], the government of Jersey's code of practice has allowed landlords and tenants to act properly and in most cases we have dealt with, they have come to amicable agreements."

McCarthy describes the restaurant market in Jersey as "saturated" and predicts that units where businesses have closed could stay vacant for some time.

The outlook for pubs is more



Nick Trower
D2RE

“ The letting market is tough. People are taking stock of trends

positive. Mallinson estimates that 90% of pubs on Jersey have already reopened. This is partly because trade in the Channel Islands is dominated by two medium-sized pub companies, Liberation Group and Randalls, eliminating some of the risks faced by small and independent operators.

Pubs back in business

Liberation, which operates 68 pubs on Jersey, Guernsey and Alderney, has opened a proportion of its managed pubs already, while Randalls has opened all 19 of its pubs.

The drop in income for pubs, restaurants and hotels is likely to result in falling capital values for properties, but it is too early to predict what the scale of this might be.

Mallinson adds that there has been no "transactional evidence" in the sector this year

thanks to the halt in the market caused by the pandemic.

It is also hard to tell what impact the pandemic will have on property development in the leisure and F&B sectors, but early indications seem positive.

Most projects that stalled during lockdown have now resumed and Flach says Premier Inn sees "the potential for further growth on the islands".

Local property experts think the islands could bounce back fairly quickly, but redundancies and salary cuts across the UK have had a knock-on effect on regions heavily reliant on tourism. Staycations and restaurants are not at the top of people's priority lists this year and that could put a further dent in the region's finances.

As a result, the Channel Islands may need to work up contingency plans to ensure local hospitality businesses stay afloat. ■