

OakNorth Sector Pulse
June 2026

HOSPITALITY & LEISURE



OakNorth



Industry overview

Over the last six months to 30 April 2026, the UK hospitality and leisure sector has continued to demonstrate remarkable resilience despite a more complex operating environment. While inflation has moderated from recent peaks and interest rates have begun to ease, operators are facing a fresh wave of structural cost pressures from higher wages, increased business rates, and elevated employment costs.

Consumer demand has remained relatively resilient, although spending patterns have become increasingly selective. Across both accommodation and foodservice markets, consumers continue to prioritise value, experiences, and quality, whilst reducing frequency and remaining highly conscious of price. As a result, operators with strong brands, differentiated propositions, and disciplined cost control have generally outperformed.

The hotel market has benefitted from continued inbound tourism growth and resilient regional leisure demand, although geopolitical uncertainty and disruption to long-haul travel flows have created some volatility in international visitor numbers. Meanwhile, the restaurant, pub, and bar sector has become increasingly bifurcated, with quick-service, experiential, and community-focused formats continuing to outperform more traditional mid-market and late-night concepts.

Against this backdrop, OakNorth has continued to support some of the UK's most ambitious hospitality businesses. In recent months, this has included providing a £10.75m facility to support the expansion of Rosa's Thai across the UK, an £11m loan to Market Halls to accelerate growth of its premium food hall concept, and a £10m facility to support Joel Cadbury-backed hospitality venture Mad Swans. These transactions reflect our continued confidence in experienced management teams, scalable concepts, and businesses that are successfully adapting to changing consumer behaviour.

While challenges remain, particularly around labour costs, energy prices, and consumer confidence, operators that embrace technology, focus on operational efficiency, and deliver compelling customer experiences are well positioned to capture growth opportunities throughout the remainder of 2026.

Key trends of the last six months

The cost crunch continues

The hospitality sector entered 2026 facing a fresh wave of cost pressures. Following increases to employer National Insurance Contributions and the National Living Wage over the last 12 months, operators are now also contending with higher business rates and renewed inflationary pressure driven by rising energy and food costs. [UKHospitality](#) estimates that the latest wage increases alone will add approximately £1.4bn in annual costs to the sector, reinforcing the need for operators to focus on labour productivity, operational efficiency, and technology adoption to protect margins.



Rising labour and operating costs are driving hospitality operators to focus on efficiency and productivity

Value remains king

Consumers continue to spend on hospitality experiences, but they are doing so more selectively. [Recent research suggests](#) that 49% of UK consumers are reducing discretionary spending in 2026, reflecting ongoing pressure on household budgets despite easing inflation. Across hotels, restaurants, pubs, and leisure venues, customers remain highly price conscious, prioritising value, promotions, and loyalty schemes. While average spend per visit has increased, visit frequency has softened, creating a trading environment where operators must work harder to attract and retain customers.



Value-focused consumers are spending more selectively, increasing pressure on hospitality operators.

Regional hospitality outperforms

While geopolitical uncertainty has created some disruption to long-haul travel markets, regional hospitality businesses have continued to demonstrate resilience. [Regional UK hotel RevPAR increased by 1.9% during 2025](#), supported by strong leisure demand, major events, and domestic tourism. Cities such as Manchester, Birmingham, Cardiff, and Glasgow have outperformed broader market trends, highlighting the growing strength of regional destinations and their ability to attract both domestic and international visitors despite wider economic headwinds.



Regional hospitality remained resilient, with strong leisure demand and tourism driving growth across key UK cities.

Consolidation gathers pace

The past six months have seen closures and insolvencies remain elevated across parts of the hospitality market, particularly among smaller independent operators. [According to CGA by NIQ data](#), the sector lost an average of 3.4 hospitality venues every day during Q1 2026, as rising labour, property, and operating costs continued to squeeze margins. At the same time, stronger, well-capitalised businesses have continued to expand through acquisitions, new site openings, and strategic investment, creating a growing divide between market leaders and weaker operators. As a result, consolidation is expected to remain a defining feature of the sector throughout 2026.



Rising costs are driving venue closures, while stronger operators continue to grow through expansion and consolidation.

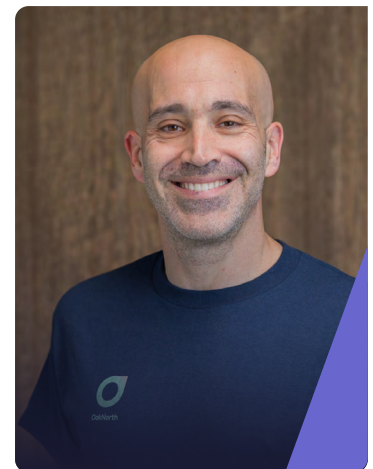


The last six months have reinforced just how adaptable and resilient the UK hospitality and leisure sector has become. Whilst operators continue to face significant cost pressures from wage inflation, business rates, and broader economic uncertainty, many of the businesses we work with have demonstrated an impressive ability to innovate, improve efficiency, and evolve their customer propositions.

At OakNorth, we've remained committed to supporting ambitious hospitality businesses through every stage of their growth journey. Recent transactions with businesses such as Rosa's Thai, Market Halls, and Mad Swans demonstrate our conviction in experienced operators with strong brands, clear growth strategies, and differentiated customer experiences.

What continues to stand out is the strength of demand for businesses that deliver value, quality, and memorable experiences. Whether it's experiential leisure concepts, innovative food hall operators, expanding restaurant groups, or premium accommodation providers, consumers are still willing to spend when the proposition is right.

Looking ahead, we expect the market to remain highly competitive and operationally demanding. However, we also see significant opportunities emerging through consolidation, selective expansion, and continued investment in technology. As many lenders remain cautious, OakNorth continues to be open for business, supporting entrepreneurs and management teams that are building the next generation of hospitality and leisure brands."



Ben Barbanel
Chief Lending Officer

Sector spotlight



ROSA'S THAI

The full-service Thai restaurant

In May, we provided a £10.7m loan to support the expansion of full-service Thai restaurant, [Rosa's Thai](#).



MARKET HALLS

The premium food hall operator

In March, we provided £11m in funding to [Market Halls](#), the premium food hall operator, to support the next phase of its national growth strategy, including the acquisition of additional venues across the UK.



A leading family-run hospitality business

Also in March, we provided a £48m co-loan alongside, REL Finance, to [JMK Group](#), a leading family-run hospitality business, to support the acquisition of an office building in the City of London and redevelop into a 260-key hotel, subject to receiving planning permission and support on-going operations.



A new concept combining leisure, sport, hospitality, and wellness

Also in February, we provided a £10m loan to [Longshot III Ltd](#) to support its latest project, Mad Swans – a new concept combining leisure, sport, hospitality, and wellness, across a collection of repurposed countryside golf clubs.



The purpose-built whisky maturation facility

In February, we provided a £7.5m loan to support the next phase of growth at [Royal Elizabeth Yard](#) at Queensferry, including purpose-built whisky maturation facilities.

Outlook for the next six months

Summer events provide a boost

A packed summer events calendar, including the FIFA World Cup, music festivals, concerts, and major sporting fixtures, is expected to support hospitality demand throughout the coming months. Community pubs, experiential leisure venues, and food-led operators are likely to be among the biggest beneficiaries, particularly those with outdoor trading space and strong local customer bases. **With 77% of UK adults intending to take a domestic overnight trip over the next 12 months**, operators are expected to benefit from sustained leisure demand despite ongoing economic uncertainty.



Strong leisure demand and major events are expected to support hospitality growth throughout 2026.

Selective consumer spending remains the norm

While inflation has eased from recent highs and interest rates have fallen, consumers remain cautious. Demand is expected to remain focused on value, experiences, and special occasions, with shorter booking windows and increased use of promotions likely to persist across much of the sector. **Research suggests** that 33% of consumers cite UK weather as a barrier to domestic travel, whilst 32% point to the rising cost of living, highlighting the continued sensitivity of discretionary spending decisions.



Consumers remain cautious, with demand focused on value and experiences amid ongoing cost-of-living pressures.

Consolidation creates growth opportunities

Market conditions are expected to continue creating opportunities for well-capitalised operators to gain market share through acquisitions and expansion. Businesses with strong balance sheets, scalable concepts, and efficient operating models are likely to be best positioned to benefit as weaker operators exit the market. **Following the loss of 305 licensed venues during Q1 2026 alone**, consolidation is expected to remain a defining feature of the sector throughout the remainder of the year.



Market consolidation is expected to continue, creating growth opportunities for strong, well-capitalised operators.

Technology becomes a competitive advantage

Investment in automation, AI-powered forecasting, digital ordering, loyalty programmes, and labour optimisation tools is expected to accelerate further over the next six months. As employment costs continue to rise, technology is increasingly moving from a growth enabler to a core operational requirement for hospitality businesses. Payroll costs across the UK hospitality sector are now estimated to be around **30% higher than in 2019**, reinforcing the importance of technology-led productivity improvements.



Rising labour costs are accelerating investment in automation, AI, and other productivity-enhancing technologies.

Get in touch with the team at questions@oaknorth.co.uk or visit oaknorth.co.uk for more information.