MIDLANDS ENGINE

Economic Observatory

MIDLANDS ENGINE
ECONOMIC IMPACT OF COVID-19 ON PLACE

23RD NOVEMBER 2020

Executive Summary

In the post-COVID-19 era both rural and urban areas will be affected in terms of where people wish to live and work. The challenge for rural and urban planners is to ensure that new patterns of settlement and new ways of working are appropriately managed. This will help to ensure that well connected, 'high amenity' urban areas become increasingly attractive.

Cities have fared worse in the wake of the pandemic compared to rural areas; resulting in higher claimant count rates, higher rates of furlough, and higher rates of death from COVID-19. Deprivation has also affected communities' resilience to the virus, with national statistics showing mortality rates in deprived areas were more than double mortality rates in the least deprived areas.

The lockdown seriously impacted business and investor sentiment, during March enquiries from occupiers and investors in properties dropped to half the levels seen in January. However, demand bounced back after restrictions were eased and even exceeded levels seen in the busiest months. West Midlands cities Coventry and Birmingham saw the highest increase in enquiries, however levels of office space enquires have not recovered as well in these areas, instead Coventry saw a huge demand for industrial and distribution space, unsurprising given its location on the motorway network. Rural areas such as Shropshire have seen large increases in office space enquiries as well as home property searches as it benefits from increased appetite for country living.

In the days leading up to lockdown, people living and working in the Midlands Engine began to change their behaviour dramatically in response to an impending lockdown. Footfall numbers in grocery and pharmacy shops peaked on 19th March at 30% above the baseline (median value, for the corresponding day of the week, during the five-week period 3 Jan – 6 Feb 2020). After the official lockdown on 23rd March, retail and recreation rates plummeted to 87% below baseline figures, transport station attendance was 70% lower, workplace attendance was at an all time low of 83% below baseline figures. Some activities were more pronounced, for example time spent at home reached a peak of 26% above normal levels, and park usage peaked at 85% above baseline levels.

Transport behaviour has changed significantly since lockdown, weekday traffic levels on the Strategic Road Network in the Midlands Connect area reduced by 65% between April 2019-20, and 50% between May 2019-20.

The Midlands Engine is facing the most vast and complex set of challenges in living memory. Not only is it essential that we secure our status as a global trading hub post-Brexit and work in earnest to address the threat of climate change, the region is now in the midst of an unparalleled economic crisis caused by the COVID-19 pandemic.

Midlands Engine Geography

The Midlands Engine includes very different communities located in both urban and rural areas. The map below highlights the distinctive split between these areas. By landmass, the urban area makes up **490,314 ha (18%)**, however the majority of residents live here **(81% / 8,352,291 people)**. The rural areas account for **2,239,859 ha (82%)** however only **19%** of residents live here (**1,996,251 people**).

Figure 1: Rural and Urban Split of the Midlands Engine



Key statistics:
404,670 enterprises
4,459,000 employees
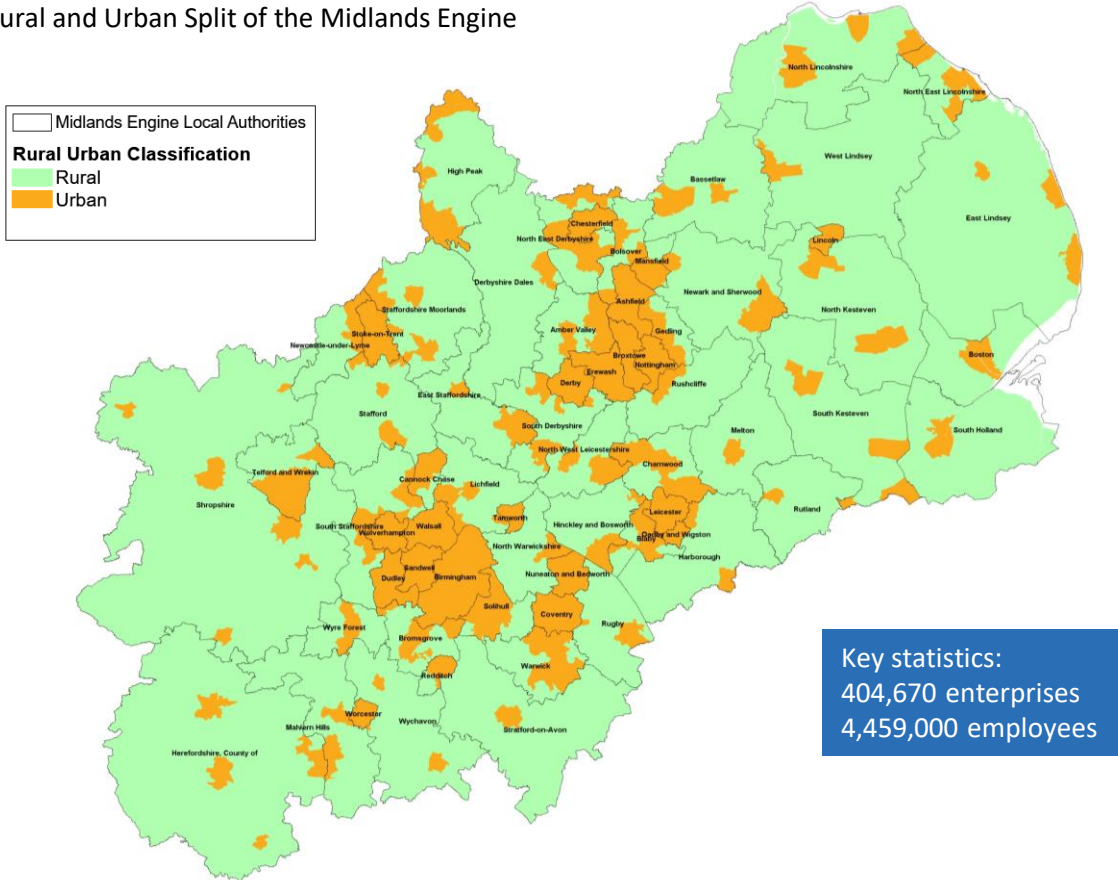
In terms of demographics, older people aged 65+ make up a larger percentage of total residents in the rural areas compared to urban (25% vs 18%), whilst in urban areas younger and middle aged residents make up a larger percentage of total residents than in rural areas (82% vs 75%).

Figure 2: Midlands Engine Population by Rural/Urban and Age

Type	Age	Residents	Proportion of urban population
Urban	0-15	1,647,977	19.7%
	16-64	5,226,917	62.6%
	65+	1,477,397	17.7%
	TOTAL	**8,352,291**	100.0%
Type	**Age**	**Residents**	**Proportion of rural population**
Rural	0-15	328,521	16.5%
	16-64	1,162,828	58.3%
	65+	504,902	25.3%
	TOTAL	**1,996,251**	100.0%
Type	**Age**	**Residents**	**Proportion of total population**
Total	0-15	1,976,498	19.1%
	16-64	6,389,745	61.7%
	65+	1,982,299	19.2%
	TOTAL	**10,348,542**	100.0%

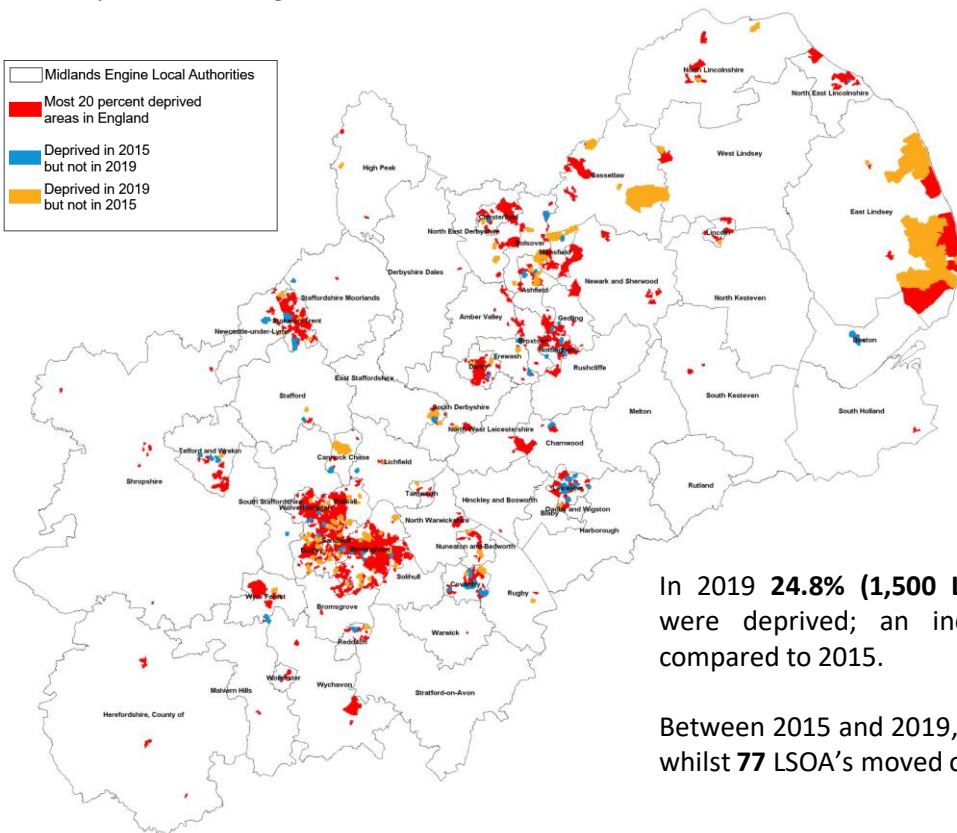*Source: ONS, Rural-Urban Classification, 2011*

Deprivation

Figure 3: Deprivation
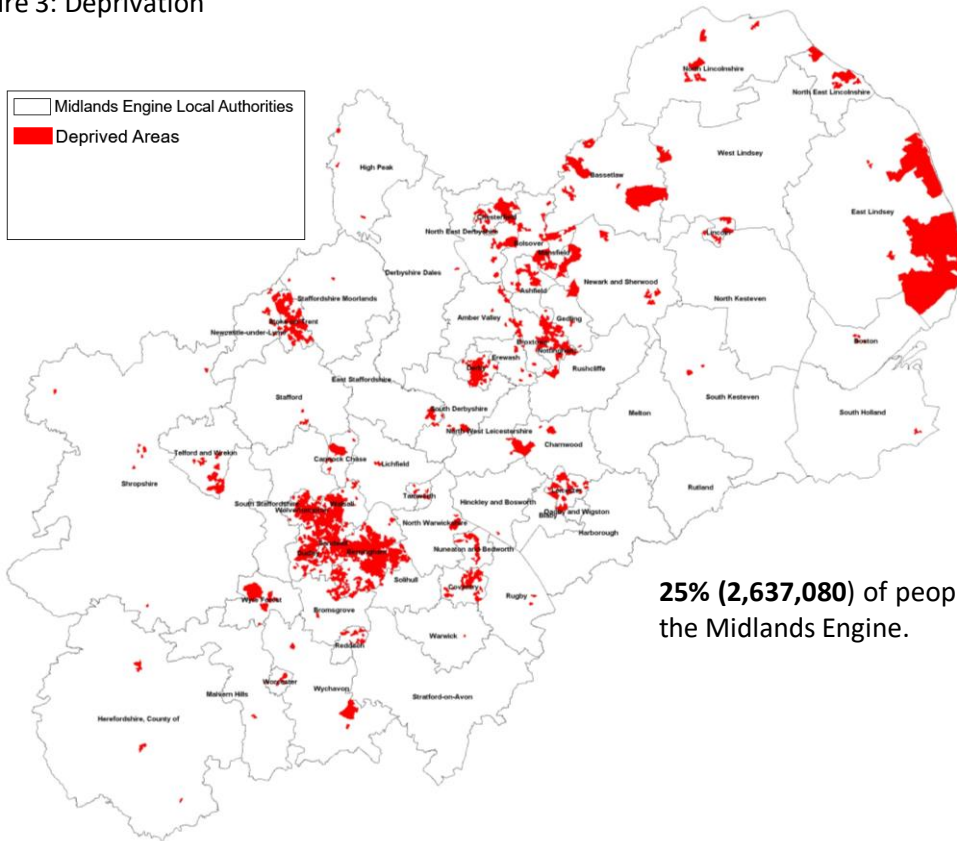
25% (2,637,080) of people reside in deprived areas within the Midlands Engine.

Figure 4: Deprivation Change 2015-19

In 2019 **24.8% (1,500 LSOA's)** of the Midlands Engine were deprived; an increase of **0.4% (+22 LSOA's)** compared to 2015.

Between 2015 and 2019, **99** LSOA's went into deprivation, whilst **77** LSOA's moved out of deprivation.
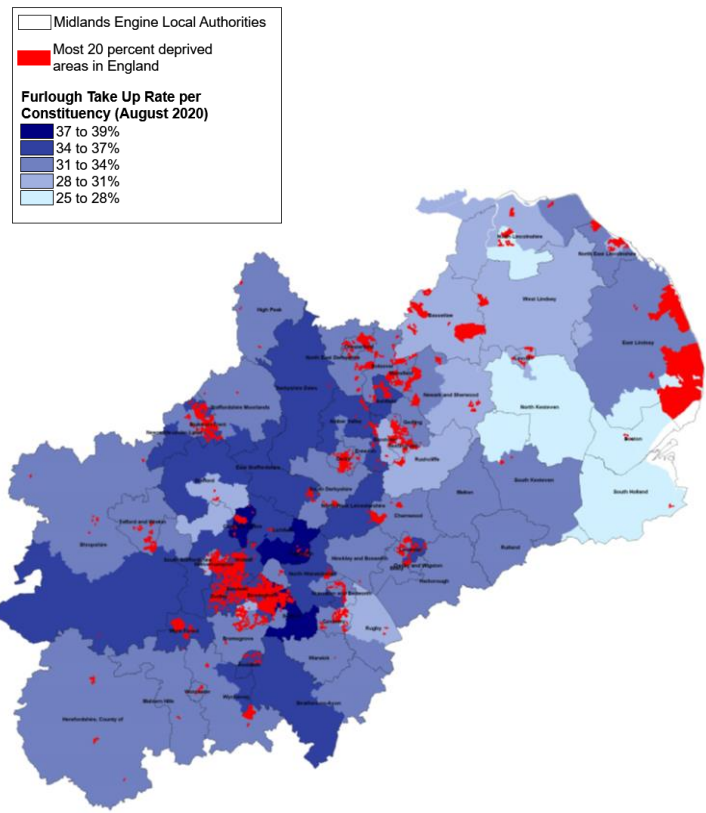
Source: ONS, Rural-Urban Classification, 2011
Source: [Ministry of Housing, Communities & Local Government, English indices of deprivation, 2019](#)

COVID-19 Impact on Deprived Communities

Figure 5: Impact on Deprived & Furloughed

Cities have seen the largest furlough scheme take up since the COVID-19 crisis began. The map below highlights the joint problem facing certain communities: living in deprivation and on low wages facing months on 80% of their salary could spiral some households into debt.

Figure 6: Impact on Deprived & COVID-19 Deaths

Cities have seen the largest increases in claimant counts since the COVID-19 crisis began. National data shows deaths from COVID-19 are more than double the rate in deprived areas compared to non-deprived areas. The map below shows this link in the Midlands Engine context.

Index of Multiple Deprivation

The coronavirus has had a proportionally higher impact on the most deprived areas of England.

In England, the age-standardised mortality rate for deaths involving COVID-19 in the most deprived areas in July 2020 was 3.1 deaths per 100,000 population; as seen in previous months, this was more than double the mortality rate in the least deprived areas (1.4 deaths per 100,000 population).

All deaths are 1.9 times higher in the most deprived areas compared to the least deprived areas. This increases to 2.2 times higher when looking at COVID-19 deaths.
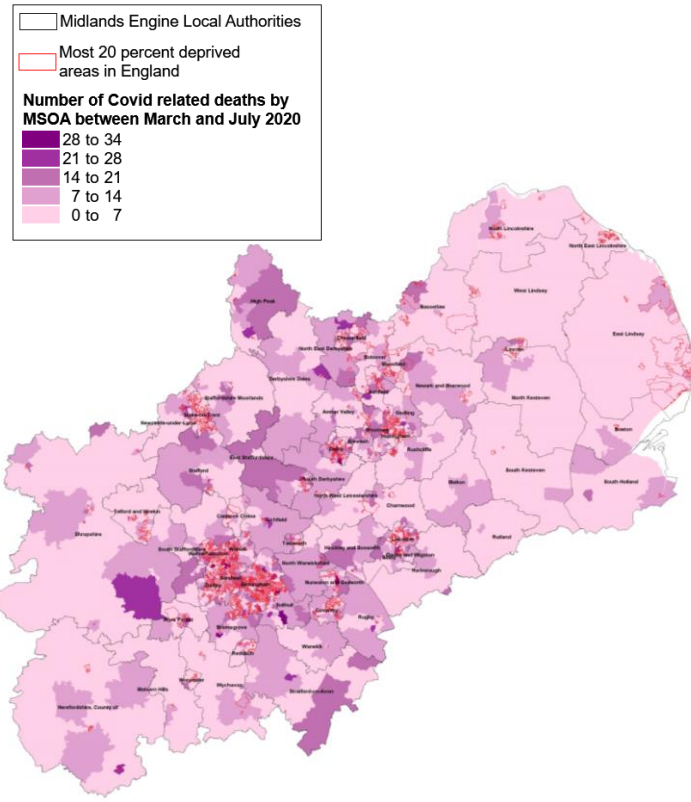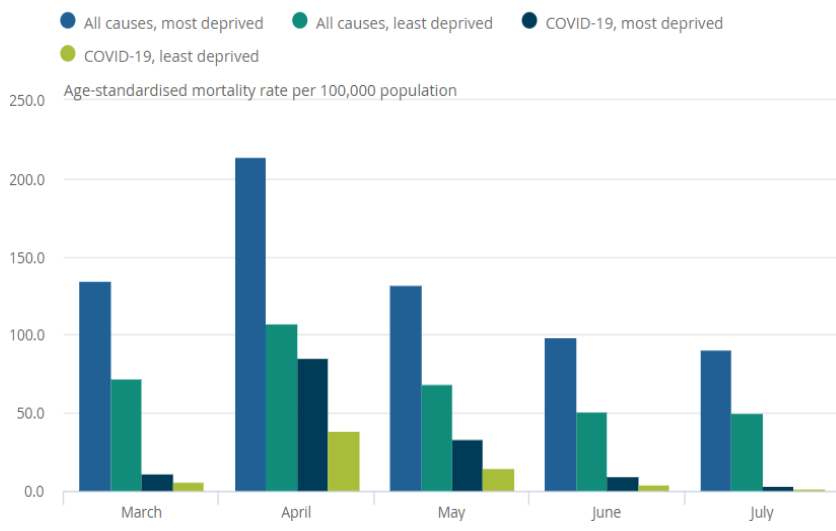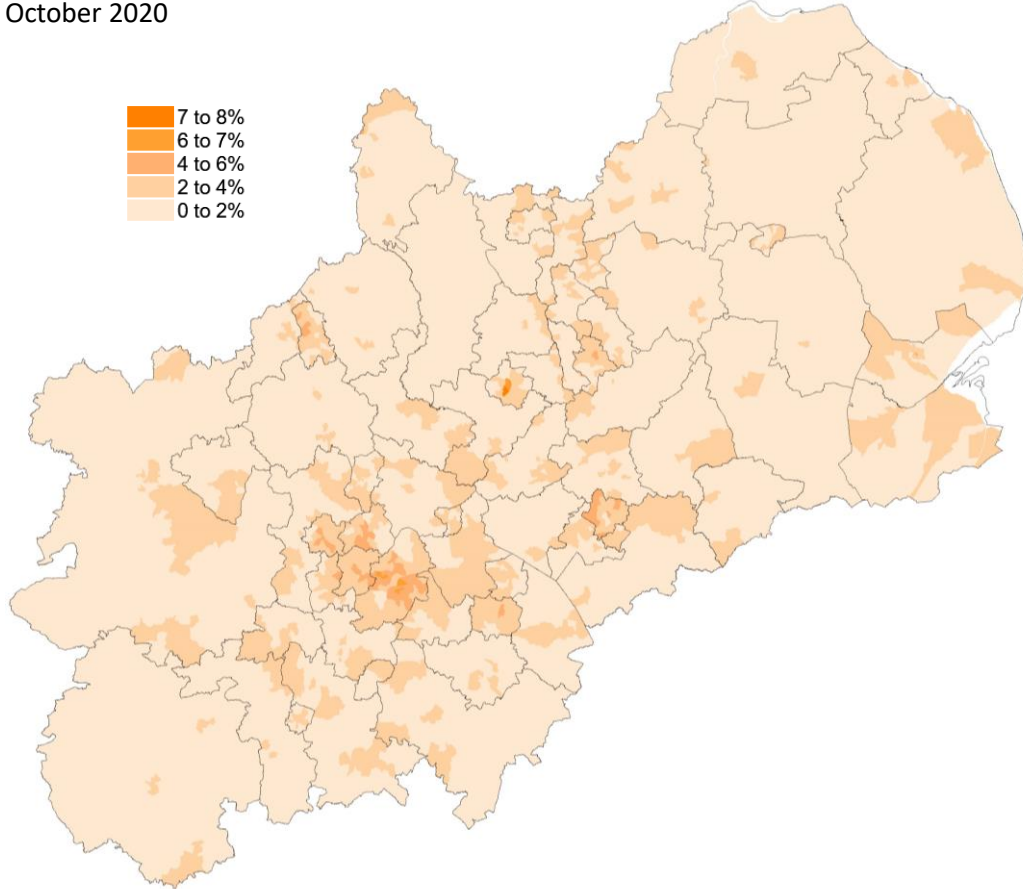
Figure 7: All deaths and deaths involving COVID-19 by IMD, England, deaths occurring between 1 March and 31 July 2020

Impact of COVID-19 on Claimants

Figure 8: Percentage point change in claimants as a percentage of total population aged 16+ between March & October 2020

Legend:
- 7 to 8%
- 6 to 7%
- 4 to 6%
- 2 to 4%
- 0 to 2%

In October 2020 there were 421,175 claimants aged 16 and over. The number of claimants as a percentage of residents aged 16 years and over was 2.7% in March 2020 (UK 2.4%), this has increased to 5.0% in October (UK 4.8%). The map shows the areas most affected by the increase in claimants as a proportion of total residents.

Figure 9: Percentage point change in claimants as a percentage of total population aged 16-24 between March & October 2020

Legend:
- 9 to 11%
- 6 to 9%
- 3 to 6%
- 0 to 35
- -3 to 0%

In October 2020 there were 88,785 claimants aged 16-24. The number of claimants as a percentage of residents aged 16-24 was 3.8% in March 2020 (UK 3.4%), this has increased to 7.5% in October (UK 7.4%). The map shows the areas most affected by the increase in claimants as a proportion of total residents.
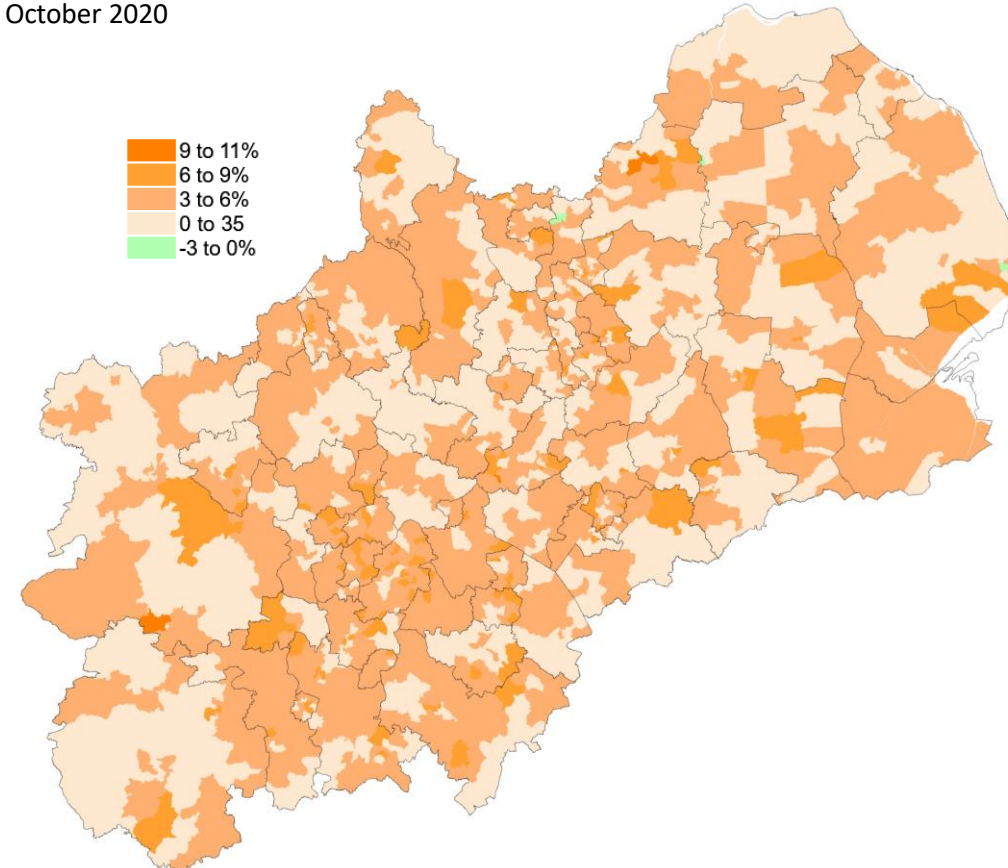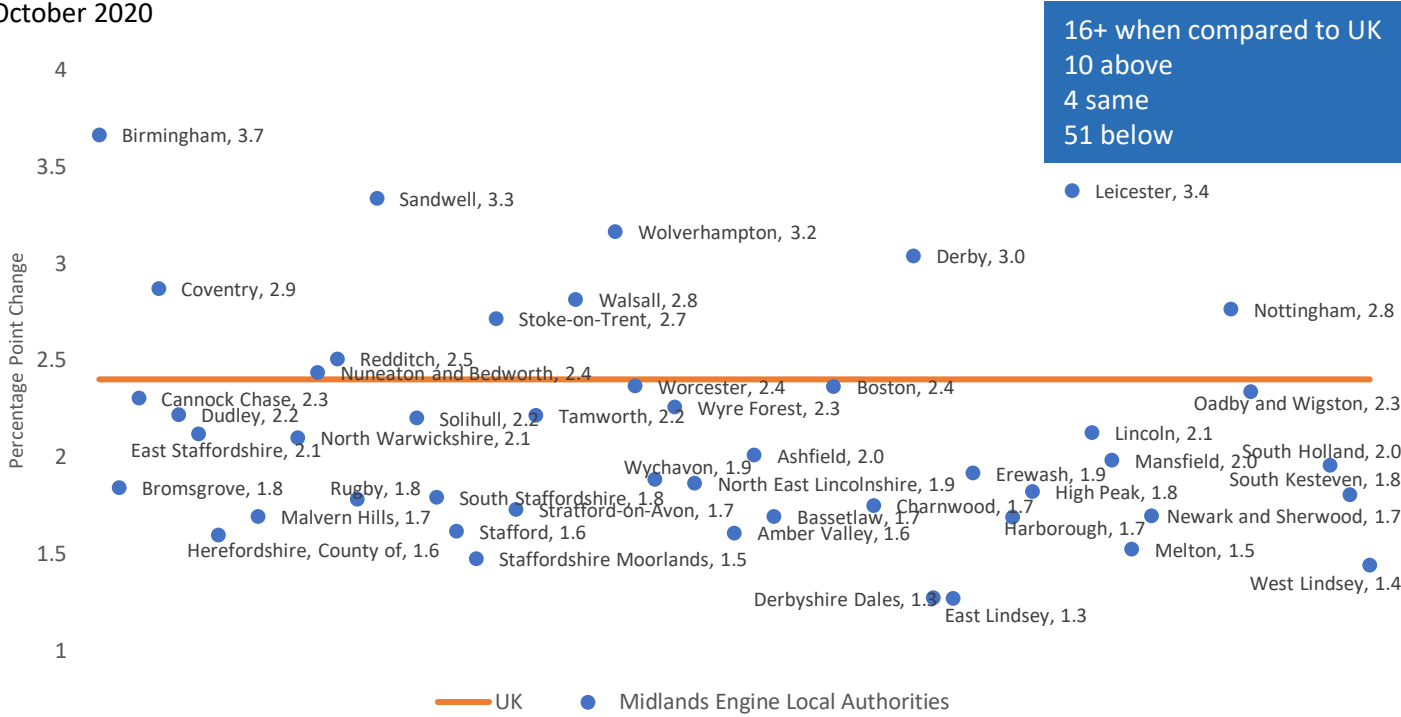
Impact of COVID-19 on Claimants

Figure 10: Percentage point change in claimants as a percentage of total population aged 16+ between March & October 2020

16+ when compared to UK
10 above
4 same
51 below

The local authorities which saw the largest increase in the proportion of claimants (aged 16+) compared to the total population was Birmingham, Leicester and Sandwell at 3.7pp, 3.4pp and 3.3pp respectively. The local authorities which saw the smallest increase was East Lindsay, Derbyshire Dales and Rushcliffe at 1.3pp, 1.3pp and 1.4pp respectively.

Figure 11: Percentage point change in claimants as a percentage of total population aged 16-24 between March & October 2020

16-24 when compared to UK
18 above
2 same
45 below
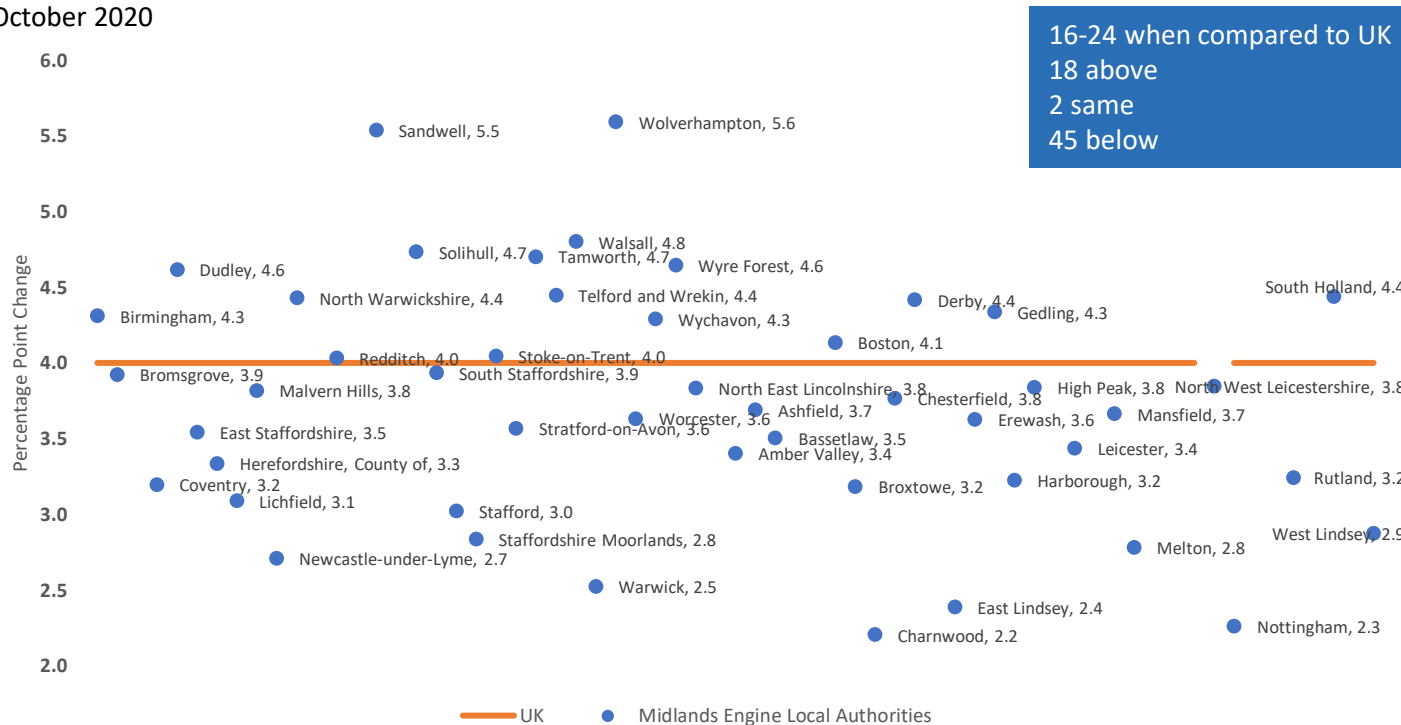
The local authorities which saw the largest increase in the proportion of claimants (aged 16-24) out of the whole population was Wolverhampton, Sandwell and Walsall at 5.6pp, 5.5pp and 4.8pp respectively. Whereas the LAs who saw the smallest increase was Lincoln, Charnwood and Nottingham at 2.0pp, 2.2pp and 2.3pp.

Impact of COVID-19 - Rural/Urban

The following data refers to all deaths that occurred in England and Wales between 1 March and 31 July 2020, registered up to 15 August 2020, where the coronavirus (COVID-19) was involved, focusing on differences between local areas. For this analysis, we use the term "involving COVID-19" when referring to deaths that had COVID-19 mentioned anywhere on the death certificate, whether it was the underlying cause of death or not.
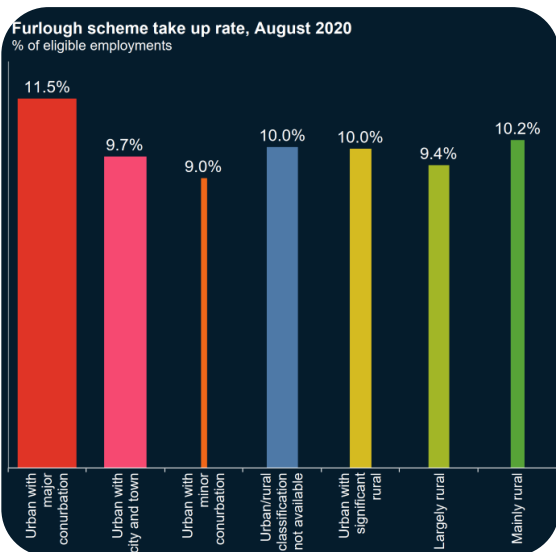
Rural and Urban Areas

The Rural Urban Classification for England and Wales is used to distinguish rural and urban areas of different housing sparsity and location for analytical and policy purposes. Areas with 10,000 resident population or more are defined as urban; urban areas are split into major conurbations, minor conurbations, and city and town categories. Rural areas are split between town and fringe, village, and hamlets and isolated dwellings.

Urban major conurbations had a significantly higher age-standardised mortality rate of deaths involving COVID-19 than any other type of areas, using the Rural Urban Classification, at 132.8 deaths per 100,000 population.

The next two highest rates were also statistically significantly different to all other categories: urban minor conurbations had 110.6 deaths per 100,000 population, and urban cities and towns had 84.4 deaths per 100,000 population. The lowest rates were all found in sparse settings; rural hamlets and isolated dwellings in a sparse setting had the lowest age-standardised mortality rate of 24.4 deaths per 100,000 population. The highest death rates for all areas occurred in April, after which the rates decreased over the following months.

25% (2,637,080) of people reside in deprived areas within the Midlands Engine of which **98% (2,590,078)** live in urban areas and **2% (47,002)** live in rural areas.

Figure 12: Age-standardised mortality rate of deaths involving the COVID-19 by Rural Urban Classification, deaths occurring between 1 March 2020 and 31 July 2020

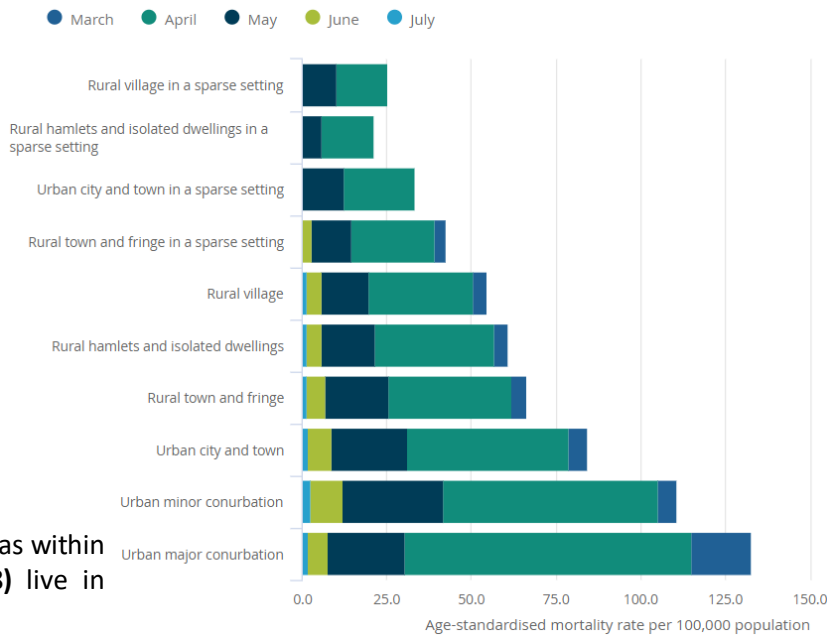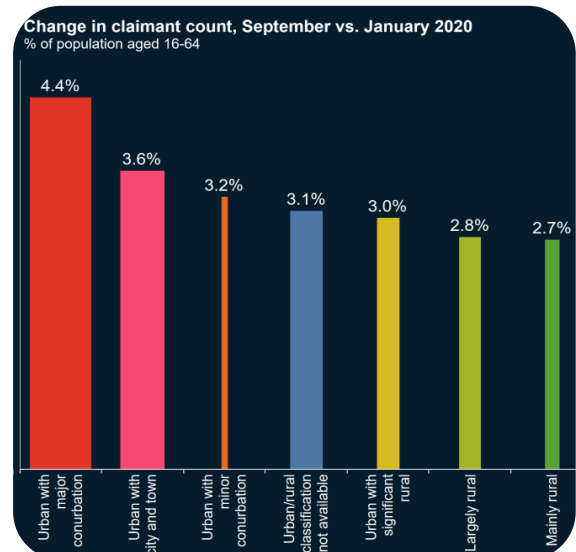Figure 13: Cities have seen the largest furlough scheme take up since the COVID-19 crisis began.

Figure 14: Cities have seen the largest increases in claimant counts since the COVID-19 crisis began.

Bar width indicates total population in 2019

Ageing Towns and Cities

As life expectancy increases and people live healthier lives for longer, the question of where and how the 'super-aged' are going to live can't be ignored. They may be over 65, but this is a youthful, healthy and mobile group of people.

Figure 15: People aged 65+ as a Proportion of the Total Population in the Midlands Engine and the UK

In the Midlands Engine, 42 Local Authorities have a population of over 65s which make up over 20% of the total. The area with the largest ageing population is East Lindsay at 30.0%, followed by Malvern Hills at 28.2% and Derbyshire Dales at 27.2%. This is in stark contrast to the young cities of Nottingham, Leicester and Birmingham where over 65s make up 11.6%, 12.2% and 13.1% of the population respectively.

The growing numbers of older people throws up both opportunities and problems for areas where they are. The opportunities include a large population of potential volunteers engaging in community projects, but on the flip side the large costs for caring if their health declines.

Cultural traditions around ageing vary drastically from place to place. In Asian cultures parents are mostly cared for by their children in old age, whereas Western culture tends to outsource caregiving and can lead to issues of isolation of the elderly which creates further problems in terms of poor mental health outcomes from loneliness.

There are a variety of residential formats for older people that recognises this generation's ability to live independently for longer, but it also offers the benefits of being part of an organised community. If there were viable retirement villages for the elderly to move into which encouraged a community based living and offered light-touch care when needed, this could free up homes and tackle the housing shortages affecting many parts of the country today.

COVID-19 and climate change pose a great threat to this large swathe of the population: it is known that COVID-19 results in higher death rates for older people, and climate change is likely to increase summer temperatures and the risk of heatwaves which can be fatal for the elderly. Deforestation and other forms of land conversion are driving exotic species out of their evolutionary niches and into manmade environments, where they interact and breed new strains of disease humans don't have immunity to. This increases the potential threat of future pandemics.

Source: Savills, 2020
Source: ONS, Population estimates based on single year of age, 2020

Impact of COVID-19 on Footfall

Mobility Maps from Google Community Mobility data shows how visits to places, such as shops and parks, are changing in each geographic region over time. They calculate these changes using the same kind of aggregated and anonymised data used to show popular times for places in Google Maps. They calculate these insights based on data from users who have opted in to Location History for their Google Account, so that the data represents a sample of users. As with all samples, this may or may not represent the exact behaviour of a wider population.

The baseline is the median value, for the corresponding day of the week, during the five week period 3 Jan – 6 Feb 2020.
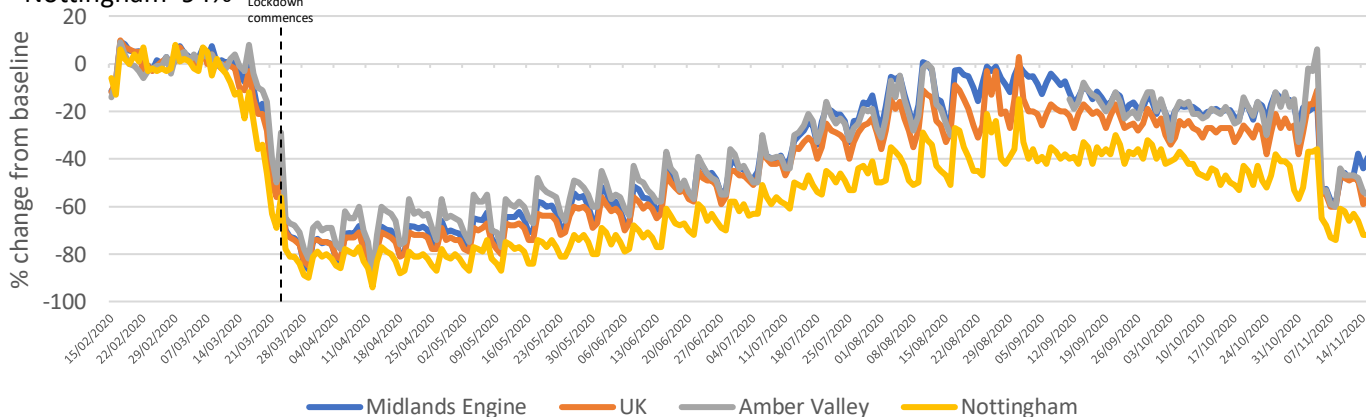
In the days leading up to advice from the Health Secretary on the 16th March to "reduce social contact as much as possible" people began to avoid going shopping and recreation activities, and it can be seen that people changed their behaviour dramatically even before the official lockdown on 23rd March. Behaviours gradually returned to pre-lockdown levels at the weekends at the end of August but have since tailed off again with the wave of new cases and restrictions.

The 12th April saw the largest change from the baseline levels
- Midlands Engine -87%
- UK -89%
- Amber Valley -89%
- Nottingham -94%

> Local authorities in the Midlands Engine have been selected at random to represent the localised differences in the data e.g. rural vs urban, East vs West, town vs city. Gaps in the data are intentional and happen because the data doesn't meet the quality and privacy threshold—when there isn't enough data to ensure anonymity.

Figure 16: Retail and Recreation

In the days leading up to the advice from government to reduce social contact on the 16th March, people began to go shopping in higher numbers as the hysteria about a potential lockdown led to panic buying and empty shelves, with numbers reaching a high on 19th March:

- Midlands Engine +30%
- UK +24%
- South Holland +30%
- Warwick +17% (largest increase of +18% was seen on 16th April)

Shopping habits have recovered fairly quickly, reaching near normal levels by June and remaining constant since.

Figure 17: Grocery and Pharmacy

Source: Google, COVID-19 Community Mobility Data
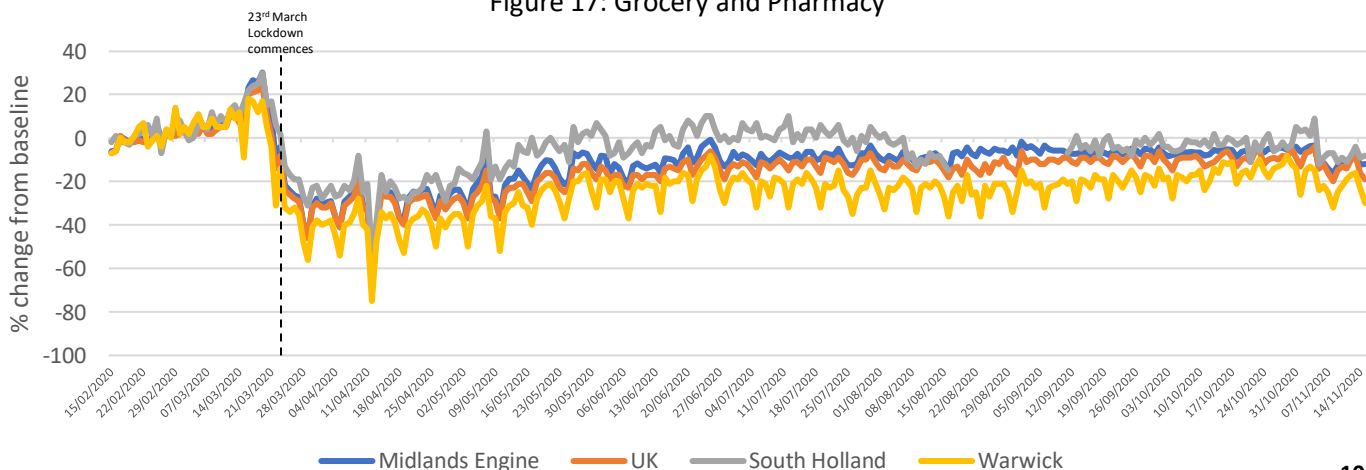
Impact of COVID-19 on Footfall

Parks is the only activity outside the home which has seen an increase in activity throughout lockdown. This will have been explained by the fact that other social venues were closed, e.g. restaurants, pubs, community hubs etc. Pleasant spring/summer weather also contributed to this, as well as the fact that parks are free to attend and would be a safe option given its outdoor setting when advice was to socialise/exercise outside where possible.

The Bank Holiday weekend in May saw the largest change from the baseline levels for many regions around the UK.
- Midlands Engine +49% (largest increase of +85% was seen on 12th July)
- UK +136% (largest increase of +152% was seen on 31st August)
- Derbyshire Dales +105%
- Sandwell +250%

Levels have since reduced as other social venues and gyms have opened up again and the good weather has passed.

Figure 18: Parks
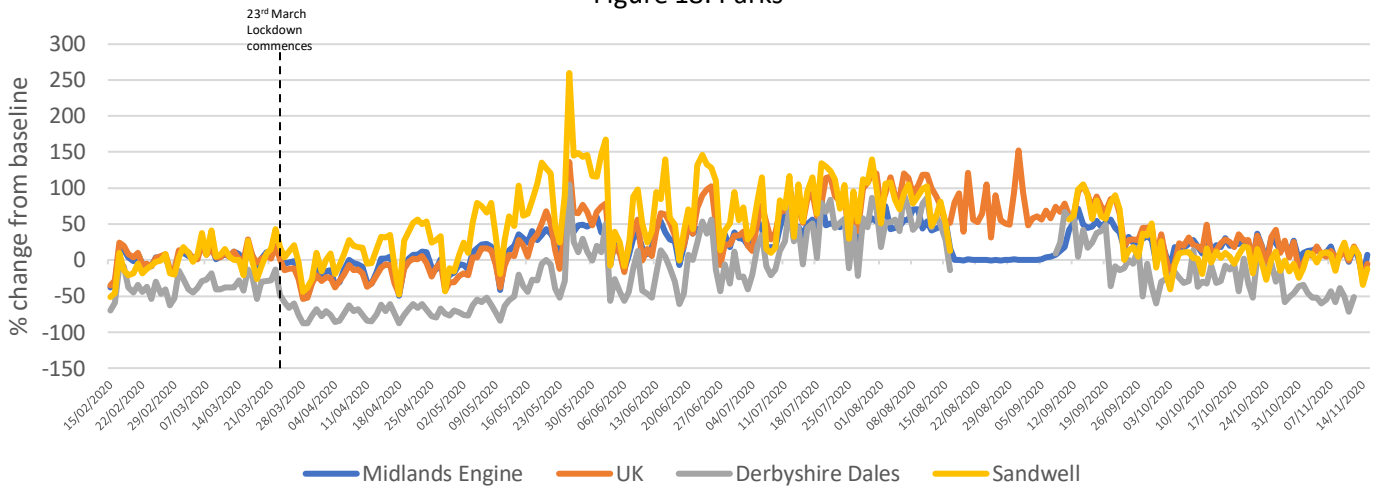
As companies begun to trial home working in the days leading up to the lockdown, office workers begun to work from home and avoid the commute to the office. People's fears over the virus led them to avoid crowded areas, transport stations being a prime place for large numbers of people. Note, peaks in the data suggest weekend travel is more popular than weekday travel.

At its lowest on 13th April, attendance at transport stations reduced by:
- Midlands Engine -70%
- UK -78%
- Birmingham -84%
- South Kesteven -79%

A peak of +1% above pre-lockdown levels on 12th July suggests that people in the Midlands Engine were using public transport at the same levels as before the lockdown, if only for one Sunday during the summer.

Figure 19: Transit Stations

Source: Google, COVID-19 Community Mobility Data

11
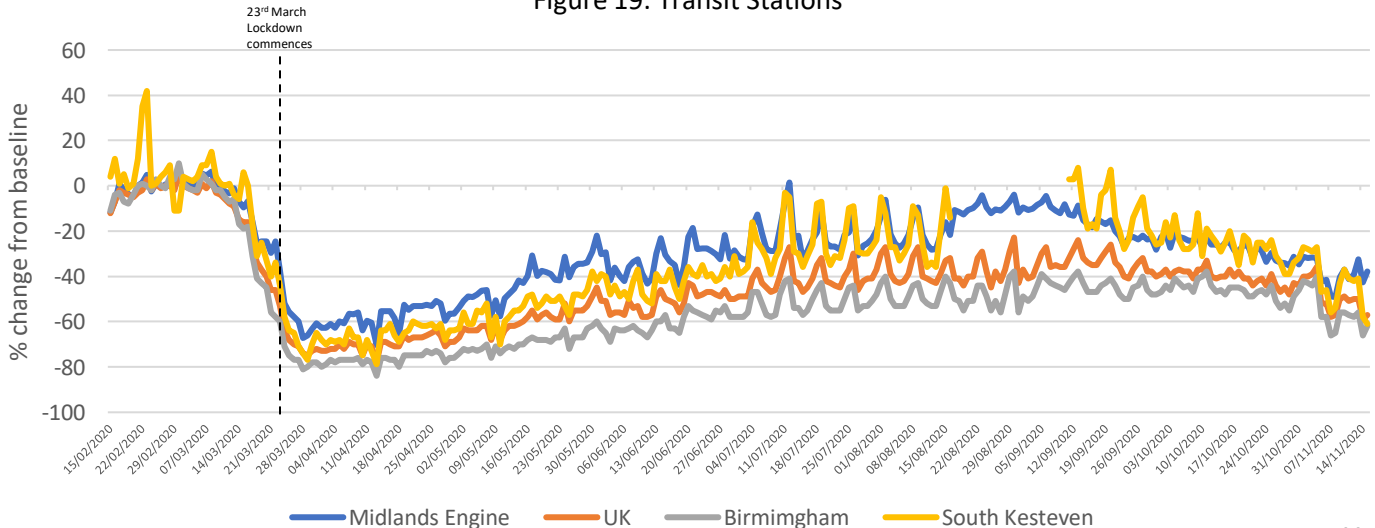
Impact of COVID-19 on Footfall

Note, peaks in the data post lockdown account for weekends. This explains some workers having to work more on the weekends, e.g. shops, restaurants etc. In the days leading up to lockdown, office workers worked from home & the general public avoided crowded spaces/social settings and numbers in hospitality venues decreased, so staff would be sent home from service jobs – leading to large decrease in workplace attendance.

The largest change from baseline was on 13th April:
- Midlands Engine -83%
- UK -83%
- Coventry -84%
- Mansfield -79%

Since then attendance at workplaces have been fluctuating but remain below normal levels as office workers stay working at home, but other occupations e.g. manufacturing and hospitality return to normal levels.

Figure 20: Workplaces
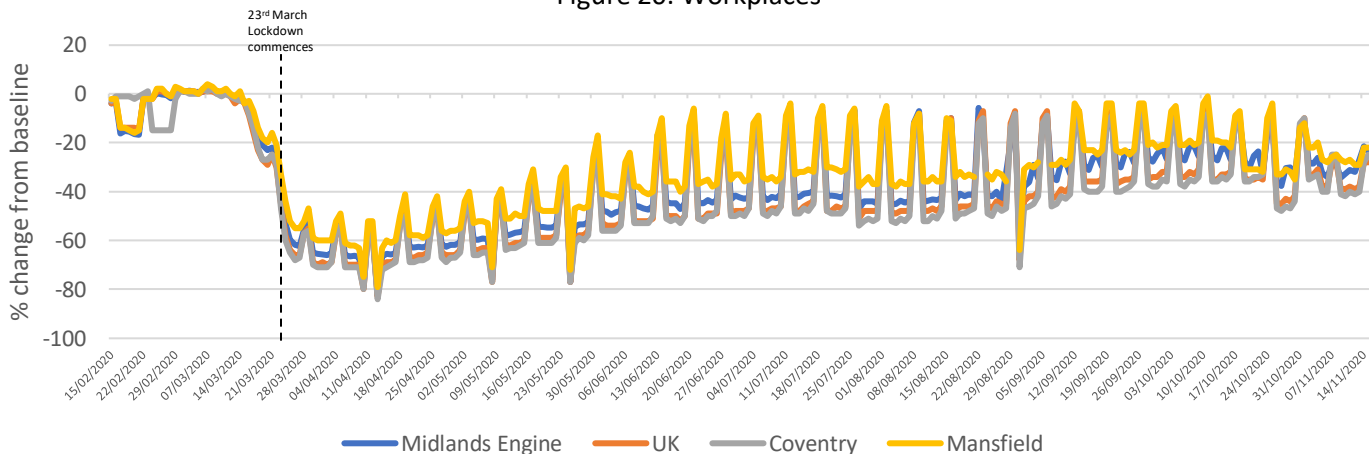
In the days leading up to lockdown it is evident from the graph that people spent more time at home than normal, even before the official 'stay at home' message was given from Government. During lockdown, levels of home working were at an all time high, and people in many industries e.g. hospitality, leisure, entertainment and arts were furloughed and would be staying in their homes as social venues were closed and social contact was discouraged.

After lockdown was eased at the end of May, we can see time spent at home decline as people begun to meet up socially with others in parks and some workers returned to their jobs e.g. construction. Time spent in the home has recently returned to normal levels during August weekends, as people took day trips and gained confidence in going to social settings with the help of Eat Out To Help Out scheme, but it is on the rise again.

At its peak, time spent indoors at home was highest on 17th April:
- Midlands Engine +26%
- UK +29% (largest increase of +32% was seen on 10th April)
- Leicester +26% (largest increase of +32% seen on 10th April)
- North Warwickshire +28%

Figure 21: Residential

Source: Google, COVID-19 Community Mobility Data
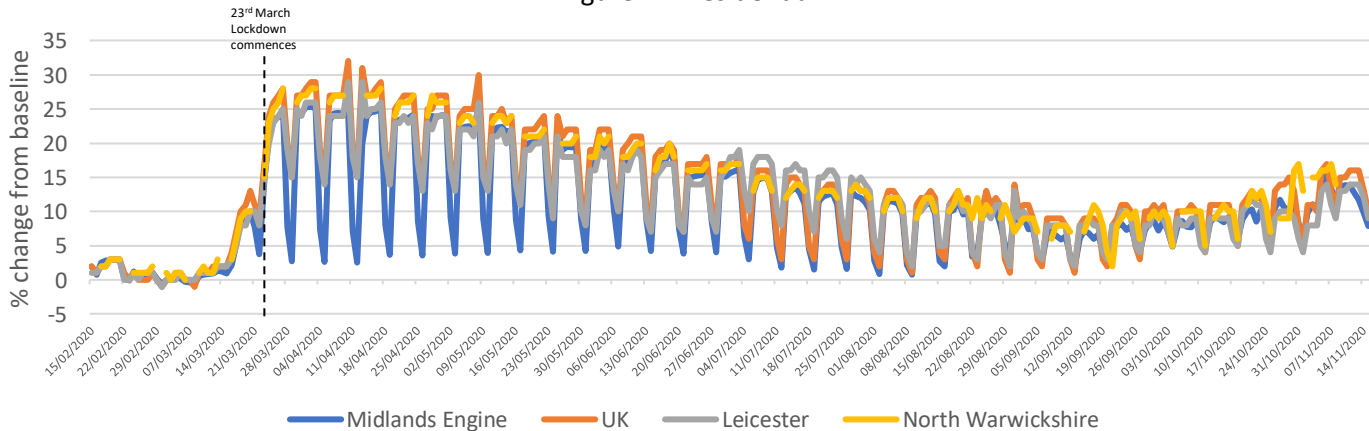
Impact of COVID-19 on Towns and Cities

COVID-19 has had a huge impact on town centres and high streets: the increase in online sales during lockdown has accelerated the demise of town centres and high streets as shopping destinations, paving the way for a post-retail landscape.

The Grimsey Review highlights this decline, arguing that high streets have to be re-invented as unique Community Hubs designed around health, education, culture, housing, leisure, art and crafts, along with some shops.

High streets are arguably the most symbolic representation of community wellbeing, yet shuttered shops and urban decay blight far too many areas. Rather than lift communities and strengthen social capital, they hold them back and breed isolation. Instead of acting as a catalyst for good health and neighbourliness, they've become a frontline for ill health and crime**.**

The report argues that for town centres and high streets to thrive post-COVID-19 and rediscover their community purpose, we need to see:

- **Localism** - A massive shift in power away from central government to local communities and a renewed focus on localism. Local people must be empowered to redesign their own high streets and have a say on the businesses, services and amenities that occupy it, with increased CPO powers if necessary.
- **Leadership** - Local leaders valued and recognised in the same way that powerful mayors are viewed in other countries. Candidates for leadership roles should be selected for having a broad range of dynamic and collaborative skills in order to get the best out of their communities. They must embrace change in order to build back better.
- **Fewer cars, more green space** - Fewer streets and a huge expansion of green space, parks and town squares. Our towns and cities must no longer be designed solely around the car as people learn to appreciate the benefit of open spaces.

The old model is broken. In order for high streets to be a viable, sustainable part of the community they must follow a new model that:

1. Sees a massive shift in power away from central government to local communities to give everyone a stake in their town centres
2. Puts sustainability and the environment at the heart of everything
3. Is based on quality of life, experiences and not blind mass consumerism
4. Recognises and rewards great local leadership accordingly
5. Devolves power locally, removes constraints and allows local communities to develop their places to compete for people to live, work, play and visit
6. Removes old taxation that has become inappropriate
7. Encourages sectors to jointly manage risk in order to prosper

The decline of shopping centres:

It is estimated that 40% of shop floorspace (42 million m^2) may be permanently surplus to requirements.

The way forward:
- Some space might be used as offices, though the pandemic has seen a huge rise in remote workers, some of whom may never resume the office commute.
- Making stores into cinemas, restaurants or bowling alleys is not a solution in the short term given the continued risk of transmission in indoor and crowded spaces.
- A more varied mix of complementary uses may be more appropriate, such as universities and colleges expanding their campuses; galleries, workshops and showrooms for the arts and creative sector; community enterprises and hubs; and health and wellbeing services

Source: Grimsey Review, 2020

Impact of COVID-19 on Working Patterns

The Uswitch Remote Working Index 2020 combines seven factors to create a ranking of over 100 towns and cities across that UK that offer idyllic working from home conditions. These were then weighted according to how survey respondents valued them:

- Average property prices (53%)
- Amount of green space (45%)
- Crime rates (43%)
- Average broadband speeds (34%)
- Air quality (28%)
- GP's per 100,000 people (20%)
- Quality of schools (16%)

Small Towns

In terms of big cities only, they performed poorly in the index, with Birmingham ranked 82nd, London ranked 88th, and Manchester ranking last at 100th place.

Small cities and towns make up the top 10 places on the index, and echoes research suggesting people are moving away from big cities in preference for more greenspace and gardens, given the likelihood that home working will continue for a while longer, and flexible working may be permanently adopted by many companies.

Almost a fifth of people (19%) want to spend more time working from home once the pandemic is over, and one in six (16%) employees want to work from home full time when life returns to normal. The proportion of people hoping to spend three or more days working from home each week is expected to double from less than one in five (17%) to more than a third (35%).

Working from home has influenced people's preferences when choosing a place to live, as access to fast and reliable broadband speed comes in 4th place in terms of factors that are most important.

Figure 22: Midlands Engine Towns and Cities Ranked

Midlands Engine Towns and Cities	Rank
Birmingham	82
Chesterfield	52
Coventry	72
Derby	87
Dudley	66
East Staffordshire	37
High Peak	18
Leicester	102
Lincoln	86
Mansfield	62
North East Lincolnshire	42
Nottingham	91
Nuneaton and Bedworth	54
Redditch	23
Sandwell	103
Solihull	25
Stoke-on-Trent	80
Telford and Wrekin	30
Walsall	68
Wolverhampton	89
Worcester	81

Source: Uswitch Remote Working Index

Impact of COVID-19 on Office Space

Occupier Sentiment Report – Work Local, Shop Local

The COVID-19 pandemic seriously impacted business sentiment during the lockdown period. However, as restrictions were eased enquiries for properties spiked, suggesting that demand has bounced back.

Data from EG Propertylink shows how occupiers and investors reacted.

During March, data shows that enquiries from occupiers and investors dropped to half the levels seen in January, and continued to decrease throughout April. In May, after the government announced property viewings were allowed again after a two-month ban, enquiries and searches on the site began to rise.

In June, a 'new normal' way of living was more apparent, and further easing of restrictions allowed businesses to adapt their real estate portfolios, leading to a significant increase in searches and enquiries.

Interest in property not only continued to increase in July, but exceeded January's levels, which is traditionally the busiest month. Coventry saw the largest rise in property demand, a 119% increase since January 2020. A second West Midlands city, Birmingham, saw the second largest rise at 95%. Two London towns saw the third and fourth largest increase, Hayes with 92%, and Slough with 74%. Between January to July, the West Midlands saw an increase in enquiries by 149%.

Figure 23: Enquiries by sector; leisure, land, office, industrial, retail
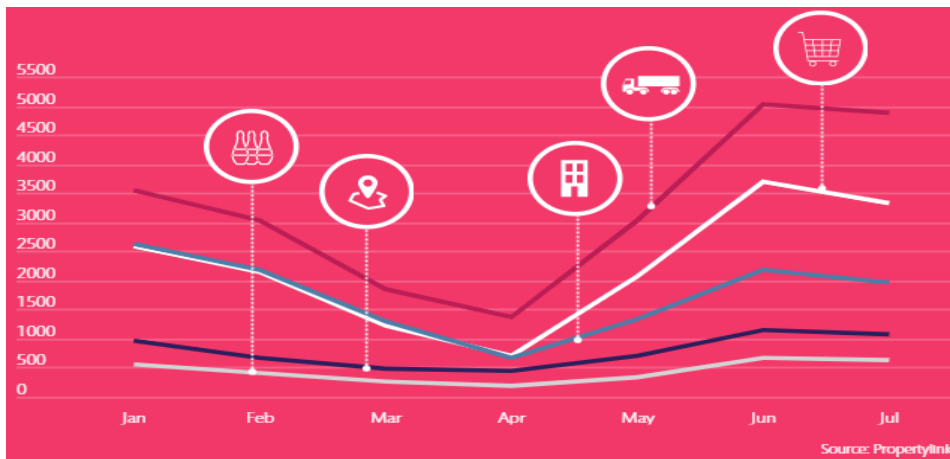

Are local offices the future?

Property searches are up overall, but the proportion of these that are for offices has fallen.

- Office searches have increased almost exclusively in satellite locations.
- The rise of remote working and hotdesking before the pandemic allowed businesses to use less office space, or grow without increasing their floorspace, this trend is likely to continue having been exacerbated by the pandemic.
- Rural counties like Shropshire could benefit from increased interest in country living, having seen the largest increase in commercial property enquiries (+118% between January and June) with office enquiries up by 75% during this period.
- Research by Barclays Mortgages found that a home with a "bigger garden" was a big driver among those looking for a rural residence.

Figure 24: Shropshire total property searches (% change on January)
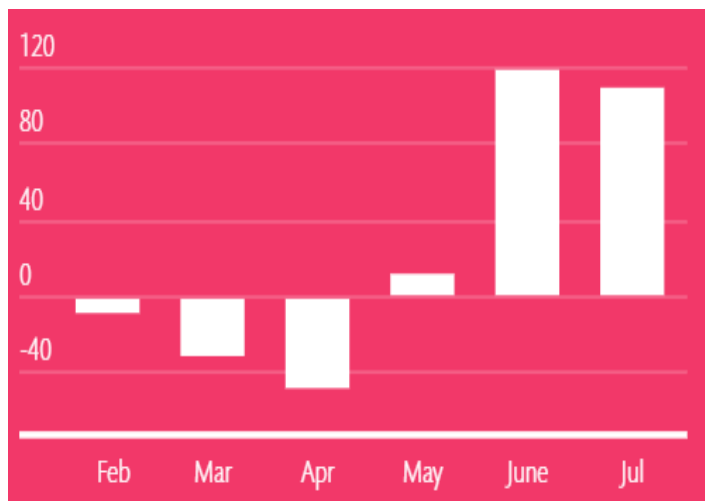
Impact of COVID-19 on Office and Retail Space
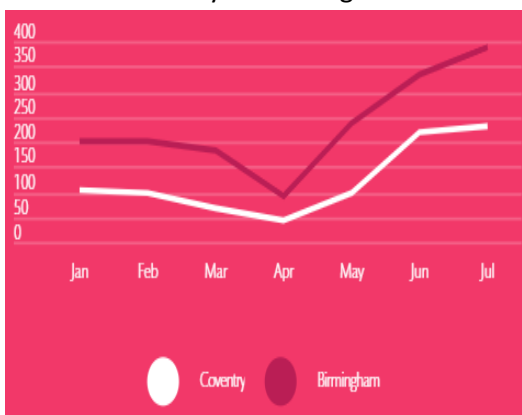
Figure 25: Total property searches Coventry vs Birmingham

Figure 26: London hotspots: % increase in overall enquiries from January to July

Area	% increase Jan-Jul
Hayes	92%
Croydon	45%
Richmond	39%
Bromley	32%
Southall	26%
Source: Propertylink	

Regional offices

Enquiries for offices in Birmingham as a whole increased by 65% between January and July.

- Drilling further into the data shows a higher increase in demand for postcodes outside of central Birmingham for all property types, with the proportion of searches for offices remaining roughly the same as pre-lockdown.
- This mirrors housing demand, with recent headlines highlighting a huge increase in searches for properties in villages.
- Some reports suggest searches are mostly in villages within commuting distance, particularly around cities like Birmingham.
- Coventry saw demand for industrial and distribution space rise by 126% in July compared to January. Given the city's location on the motorway network and the spike in demand for online shopping, this isn't a huge surprise.

City offices

- Central London has always had a different appeal to business. It is accessible to a huge talent pool and its amenities have long made it an attractive place to work.
- While office enquiries for the City are back to levels last seen at the start of the year in Westminster, fewer occupiers and investors were looking for property, with enquiries down 20%.
- With office workers confined to home, central London was a ghost town during lockdown. Outlying boroughs have benefited from people discovering what is on their doorstep.

Retail

- The high street had problems before the COVID crisis as consumers did more of their shopping online. Then lockdown closed all but essential shops, giving consumers little other option.
- With everyone stuck at home, they turned to local shops to buy essential items with Kantar's research showing a 40% increase in convenience store sales.
- As shops have opened, big high streets have mostly remained quieter than usual, while online sales continue to grow.
- However, retail enquiries have boomed, up by 369% in July, but this needs to be read in context with wider market forces – in particular, the government's extension of permitted development rights, making it easier to convert retail space to residential without gaining full planning permission.
- Rather than an interest in opening shops, it could be that retail space is being eyed-up for potential conversion into homes. John Lewis is considering converting some of its retail space into mixed-used schemes with affordable housing.

Figure 27: % change in retail enquiries from Jan

Source: EG Propertylink, 2020

16
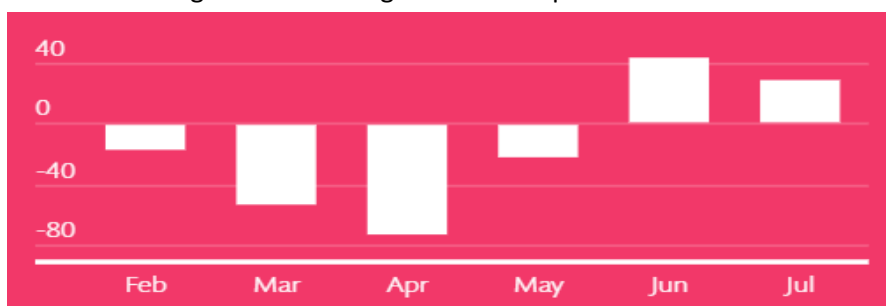
Impact of COVID-19 on Industry, Office and Retail Space

Vacancy Rates by Quarter (2020)

Figure 28: **Industrial** vacancy rates saw an increase between Q1 and Q2 for Nottingham and Birmingham.
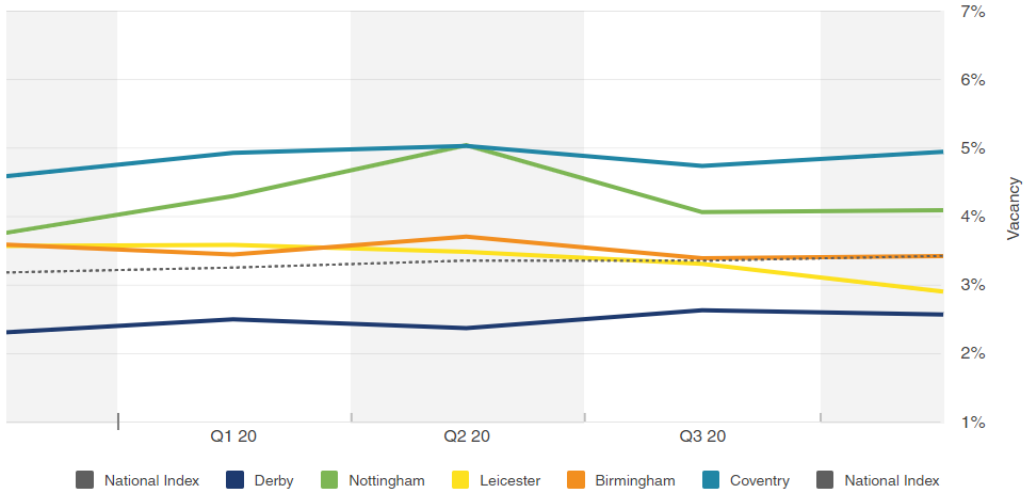

Figure 29: **Retail** vacancy rates decreased between Q1 and Q2 in Derby and Coventry. Vacancy rates saw an increase between Q2 and Q3 in Nottingham and Leicester.
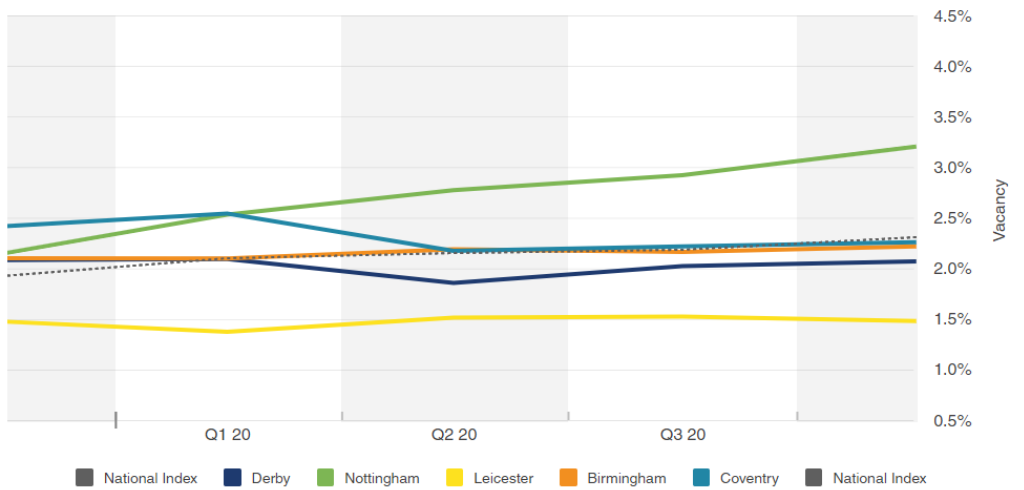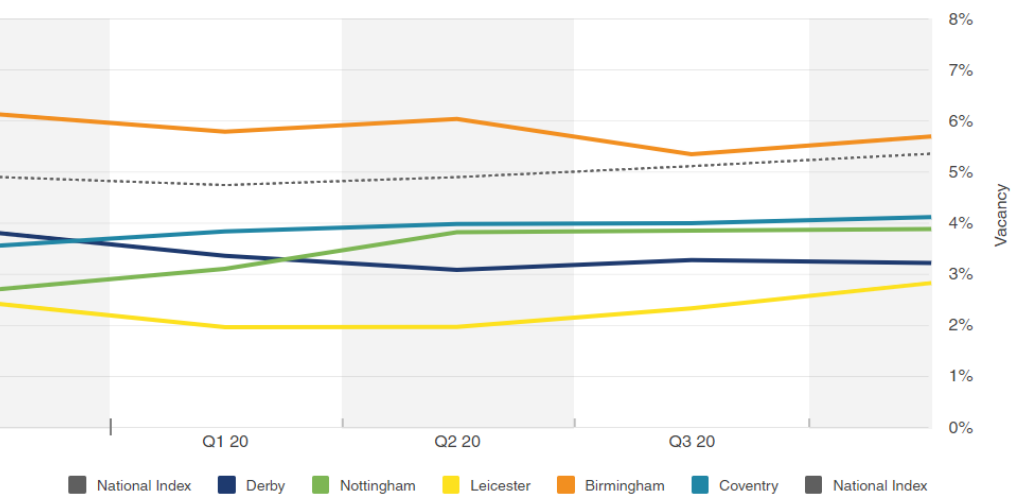

Figure 30: **Office** vacancy rates decreased between Q1 and Q3 in Birmingham and Derby, however they increased in Nottingham, Coventry and Leicester during this time.

Source: CoStar, 2020

Cities Recovery Index

The Avison Young's UK Cities Recovery Index monitors the speed and trajectory of the recovery from COVID-19 by looking at a range of indicators, revealing the relationship between mitigation policies, our response to them and the recovery of our cities over time.

Sector Indices (as of 1st November)

Commercial activity: Industry, business sentiment and employment

- Commercial Activity now stands at 83.7, having increased from 82.3 on 1st October.   It was the most resilient sector during the pandemic, falling from 103.4 on 23rd February to 61.7 on 2nd May. This compared to a fall from 102.2 to 32.1 for the headline National Index during this same time.
- It has continued its resilient performance registering similar readings between 1st September and 1st November despite the increase in restrictions in many parts of the country.

Hotels and leisure: Restaurant, pub, bar and other leisure activities

- The challenges faced by the Leisure sector have been dominating headlines in recent weeks. The index reads 57.6 as of 1st Nov, falling from 59.5 a month ago and continuing its decline since its post 1st lockdown height of 73.0 on 31st August.
- All components of the index are under pressure. Cineworld announced the temporary closure of all its cinemas and Odeon and Vue have both reduced their opening times significantly. Restaurants are facing a severe drop in business with new restrictions inhibiting people's ability to visit them. Hotels are suffering due to seasonality and from falling mobility and the new restrictions.
- The closure of these cinemas has widespread consequences along with direct economic impact. They are a typically an important generator of footfall for restaurants and other leisure businesses in their locations.
- Another headline has been the UK hospitality industry threatening legal action over lockdown restrictions. The trade body, the Night Time Industries Association (NTIA), has said there was inadequate evidence that hospitality venues contributed to the spread of COVID-19.

Mobility: Journeys by foot, air, train, bus and car

- From a pre lockdown height of 105.9 on 21st February, to a lockdown low of 22.1 on 22nd April, the National Mobility Sector Index was slowly recovering, reaching a post lockdown height of 85.6 on 19th September, the strongest recovery across the sectors.
- However, more recently, the National Mobility Sector Index has been declining and fallen to 73.2 on 1st Nov.

Residential: Residential property market activity

- The strength of the housing market recovery in the last few months has exceeded expectations.
- Zoopla property listings have been increasing in October, following a slow down toward the end of September. Zoopla sales volumes, a more reliable but a slower indicator, have also been increasing. The most recent Nationwide house price data has reinforced the positive picture, with 5% annual growth recorded in September.
- From a lockdown low of 23.9 on 16th April, the sector has recovered to a post pandemic height of 112.6 on 1st Nov.
- There is also significant downside risk from reintroduction of lockdown measures, which will weigh on economic activity, confidence and people's willingness and ability to undertake viewings.

Cities Recovery Index

Retail: Footfall, shop visits and consumer confidence

- During the early part of the government's restrictions, the average grocery basket size increased with consumers switching to large weekly shops according to Tesco.
- The Retail Sector indices remained more buoyant than the other groupings as the surge in demand for essentials at the beginning of the restrictions took time to subside.
- More recently, the National Retail Sector Index has begun to decrease, after a post lockdown high of 85.5 on 5th Sept, but it has been a relatively stable decline as consumers face uncertainty around the economic outlook and adapt to new levels of restrictions on normal life.
- Sales figures from the BRC showed that home improvements and "back to school" activity played an important part in the positive sales growth seen in September.
- 6,001 stores closed in the first half of 2020 according to data from PWC and the local data company. Retailers will continue to consolidate their networks.
- In contrast to this, there have been some glimmers of hope for store-based retail with brands like Tim Horton's and IKEA announcing major expansion plans, with the former concentrating on the UK.

Return to Office: Commuting patterns and levels of office occupancy

- The return to school and Government encouragement for people to return to the office had a positive impact on the Return To Office Index which increased to a post lockdown high of 70.0 on 17th September.
- However, as the cases of coronavirus are rising again this had led to a slight decline in office activity, falling to 64.5 on 1st Nov.

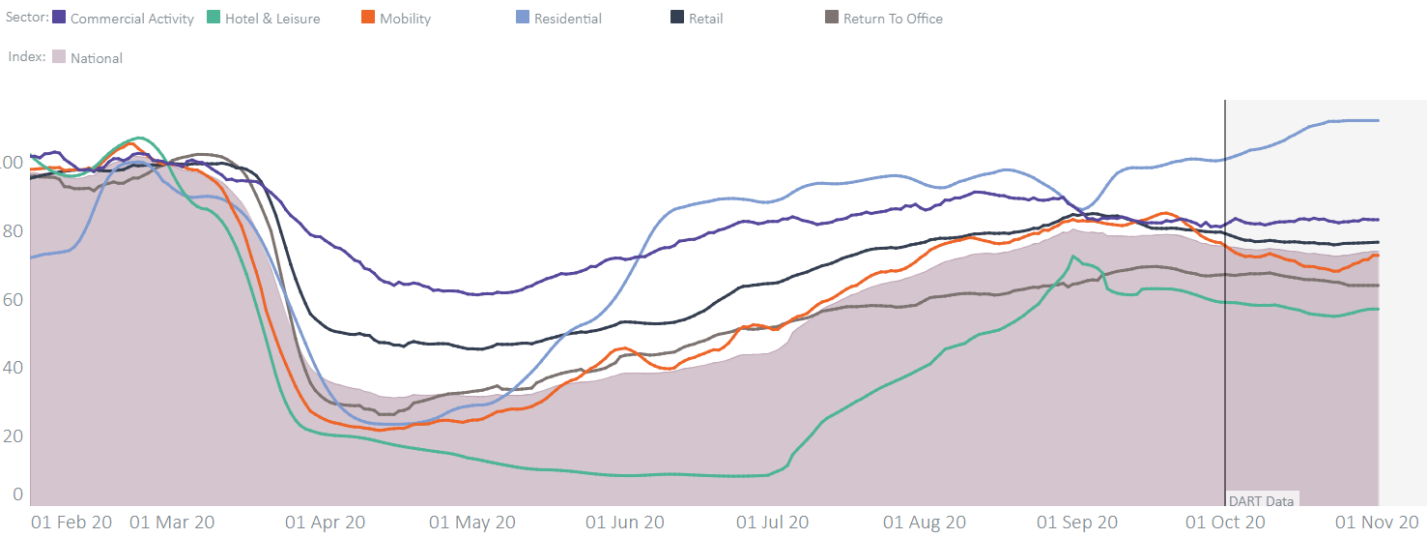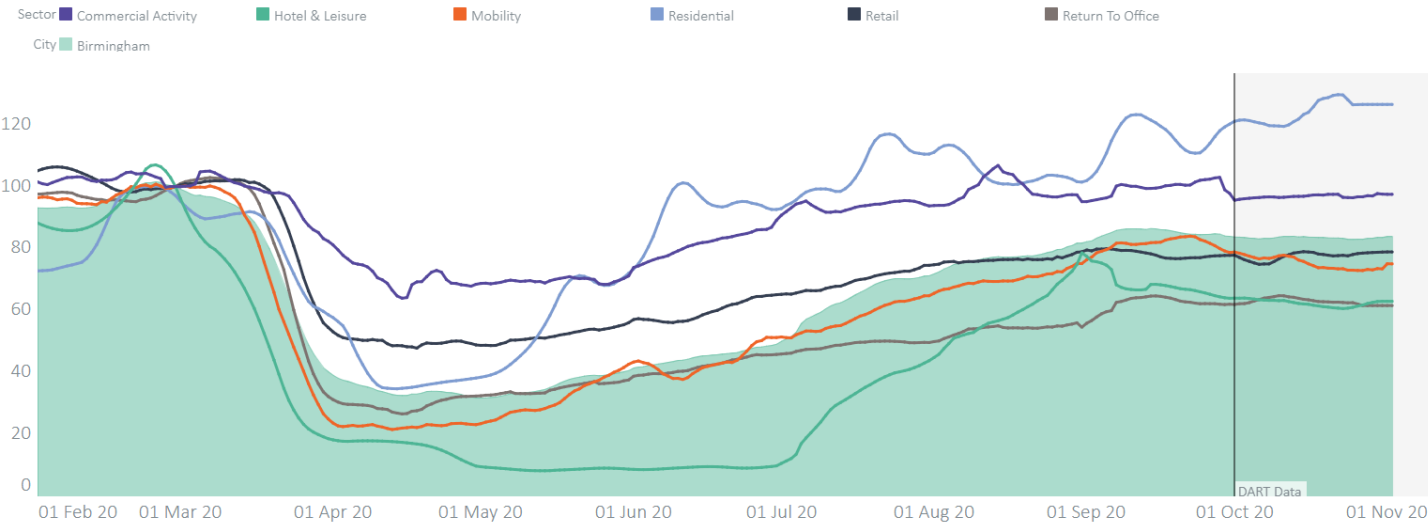Figure 31: National Sector Indices

Figure 32: Birmingham Sector Indices

Source: Avison Young, 2020

Impact of COVID-19 on Digital

Impact of COVID-19 on the digital sector

- Historically, the software industry has proved relatively resilient to large economic shocks and cycles, and is expected to weather the COVID-19 storm better than most industries.
- Software providers will benefit from accelerated adoption of digital solutions by businesses to enable flexible working, social distancing and automation.
- An increased demand for digital content, new technologies and apps (e.g. home schooling, wellbeing and food delivery apps), games, esports and virtual and augmented reality products has boosted the digital media and gaming sector. Businesses within the sector may be in a unique position to grow and expand further, attract new customers and shape the New Normal.
- Telcos have been keeping us connected as millions work and learn from home. Ensuring emergency networks remain operational and delivering high-bandwidth content, apps, games, and social media for the entertainment and wellbeing of people stuck indoors.

Digital exclusion

The map shows that rural areas in the East and West Midlands are particularly affected, although there are some exceptions as densely urban areas in the West Midlands including Birmingham score highly. This will more likely be related to high levels of deprivation in these areas.

Each indicator is scored between 0 and 1, with higher values meaning greater digital exclusion (e.g. less likely to own a mobile or more likely to have slower broadband). These indicators were aggregated into MSOAs by taking the mean value of the MSOA's constituent postcodes.

Indicator data looked at:
- People agreeing with the statement "computers confuse me, I will never get used to them"
- Broadband speed
- Buying online
- Managing current accounts online
- Mobile phone ownership
- Internet usage

Figure 33: Digital Exclusion in the Midlands Engine
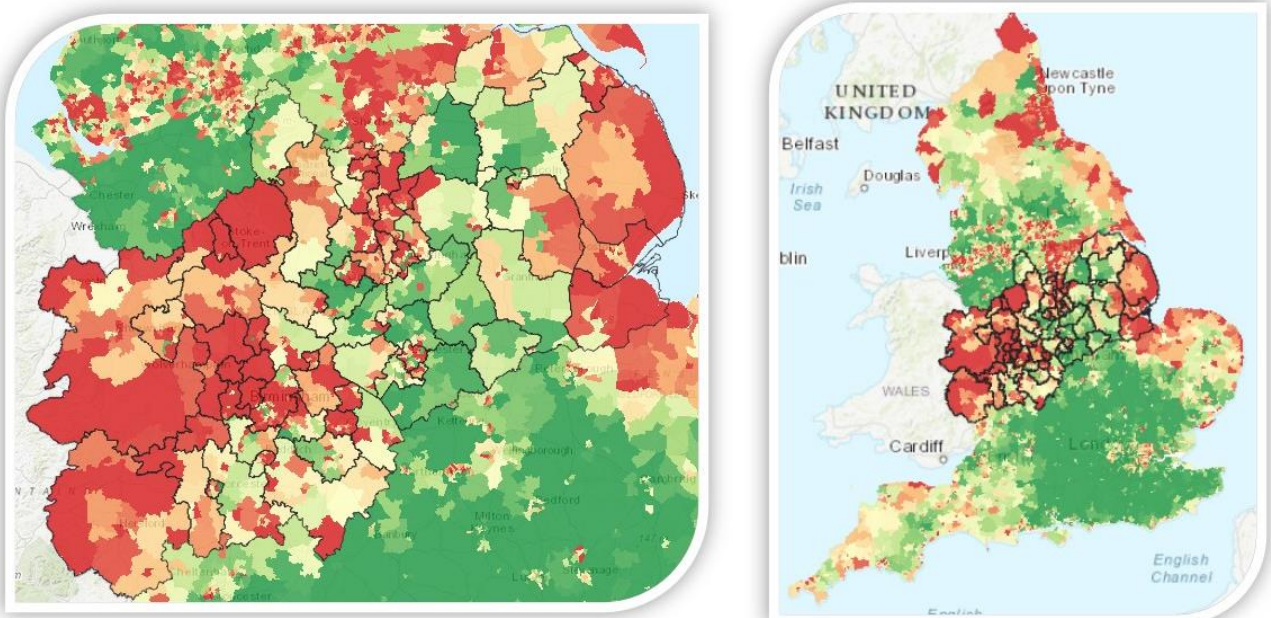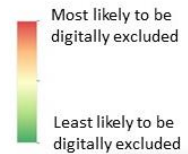
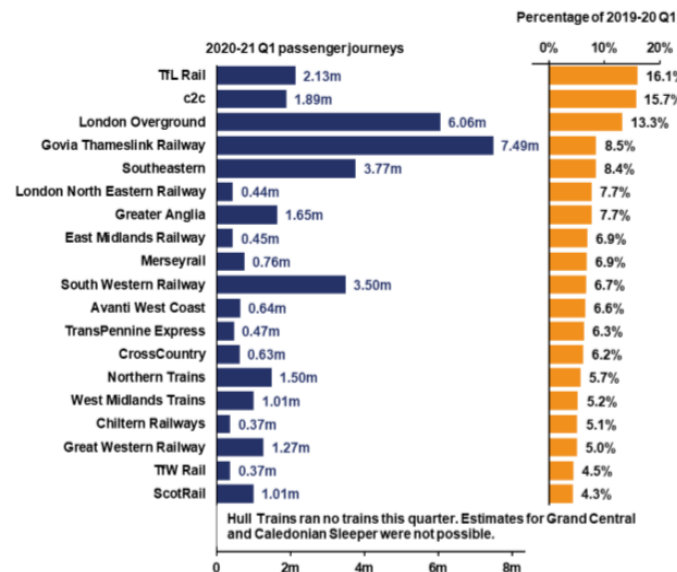# Impact of COVID-19 on Transport

Impact of COVID-19 on Rail Passenger Journeys

Passenger rail usage during the first quarter of 2020-21 was severely affected by COVID-19.

Rail passenger journeys in Great Britain in 2020-21 Q1 fell to 35million, this is 8.1% of the 439million passengers seen in 2019-20 Q1 (or simply, a 91.9% decrease). This is the lowest levels of passenger usage since the mid-nineteenth century.

For the East Midlands Railways passenger numbers fell to 449,192 in 2020-21 Q1 which is 6.9% of the 6.5million passengers in 2019-20 Q1, which equates to a decrease of 93.1%. West Midlands Trains passenger numbers fell to just over 1million which is 5.2% of the 19.3m passengers for Q1 2020-21, which equates to a decrease of 94.8%.

Figure 34: Passenger Journeys by Train Operating Company, 2021 Q1, and percentage change of 2019-20

Source: Passenger Rail Usage 2020-21 Q1, Office of Rail and Road, October 2020

Impact of COVID-19 on the Size of Reporting Airports

There were just over 6.3million terminal passengers at Birmingham airport for the year ending August 2020, this accounts for 4.1% of passengers at all reporting airports. This is a reduction by nearly 6.4million (-50.1%) passengers when compared to the year ending August 2019. There were just over 2million terminal passengers at East Midlands International in the year ending August 2020, this accounts for 1.3% of passengers at all reporting airports. This is a reduction by just over 2.7million (-56.4%) terminal passengers when compared to the year ending August 2019.

Of the 49 reporting airports there has been a reduction from nearly 297 million terminal passengers in the year ending August 2019 to nearly 155million (-47.8%) passengers in the year ending August 2020.

Impact of COVID-19 on the Midlands Strategic Road Network

Overall average weekday traffic on the Strategic Road Network, for the Midlands Connect area, reduced by 65% in April 2020 compared to April 2019.

Overall average weekday traffic on the Strategic Road Network, for the Midlands Connect area, reduced by 50% in May 2020 compared to May 2019.

Figure 35: Average weekday traffic flows for all vehicles for each month in 2019 and up to May in 2020:
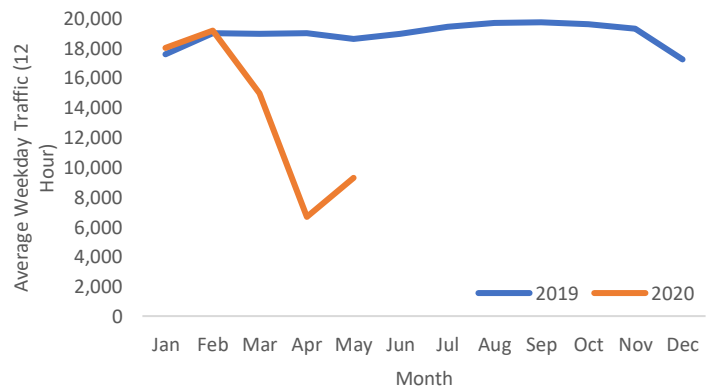
For the M6 and M42 average weekday traffic on the Strategic Road Network, in the Midlands Connect area, reduced by 55% in April 2020 compared to April 2019.

For the M6 and M42 average weekday traffic on the Strategic Road Network, in the Midlands Connect area, reduced by 37% in May 2020 compared to May 2019.

Figure 36: Proportion of heavy goods vehicles (HGV) across all SRN links in the Midlands Connect area for each month in 2019 and up to May in 2020:
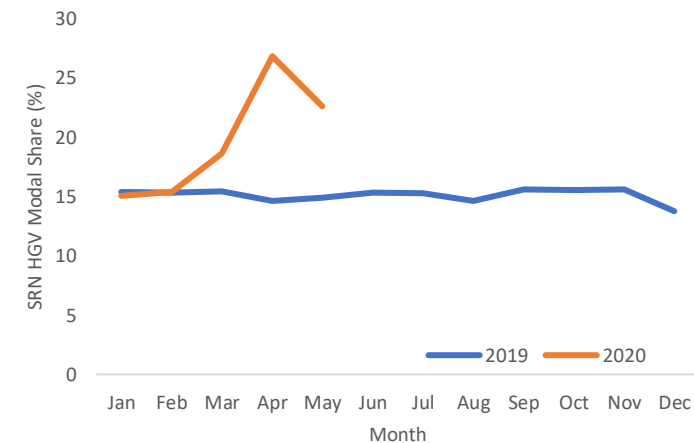
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For any queries please contact Professor Delma Dwight: Delma_Dwight@blackcountryconsortium.co.uk