



nerej

The deals that are closing are those where the seller is motivated and buyer feels he's getting a good deal

October 27, 2009 - Spotlights

After being in the restaurant brokerage business since 1980 (ugh...almost 30 years) I've seen the ups and downs of the market, just like the peaks and valleys of the stock market...today everything looks good, tomorrow the sky is falling.

Its amazing how many times that I walk into a restaurant as a customer for dinner and I'm recognized by the owner. The first question out of his, or her, mouth is "how's business?" But the question has two parts...on the surface they're asking me how's MY business...do I have a lot of restaurants for sale? But the underlying question is how are the other restaurants doing?

Every restaurant owner needs a reference point to gauge how they're doing as it relates to their competition. My usual refrain is, "we've never been busier." Then the automatic response is "Is anything selling?" Followed by my response 'sure', but the deals have to make sense. The deals that are closing are those where the seller is motivated and the buyer feels he's getting a good deal. Actually, its always been that way...win-win.

In answer to the question, "How do I see the restaurant industry in this quarter?" I'd say that I see the bigger, independent, high-end restaurants experiencing drops in sales of 25-40% across the board. Those that can, are not opening the early part of the week and maximizing their value through the weekend. Obviously some of these restaurants can't maneuver in that fashion and stay open to very marginal traffic. Like all the rest, these operations carry the burden of increasing costs to operate and stricter and stricter government regulations.

On the other hand, the mid-range, casual dinner houses are seeing some dilution but only in the single digits. They're mostly effected by a frugal portion of the market that decides to cook hamburgers at home and watch TV, or said simply, not going out as often. That said, the 99-style operators are doing just fine and many are in a position to increase market-share by taking advantage of the problems of some of the larger restaurants. The lower-tier food operators - pizza & subs, breakfast and lunch are doing a land-office business with customers trading down. "I bet we get 30-40 calls a day from people looking for an opportunity. Surprisingly, most of the people, if you can believe them, have \$75,000 to \$150,000 cash readily available to put down on a decent, low-tech fast food operation or bar.

Meanwhile there are numerous groups of sophisticated investors who are bankrolling seasoned operators...taking advantage of some well-known landmarks that can't be sustained using their old, time-tested operating model.

In the same vain, some owners are taking advantage of the plethora of vacant space that is available at prices that lessors scoffed at a year ago.

How is the restaurant market? TERRIFIC!

It's a great time to transition from a non-food, salaried career into a cash-driven fast food enterprise.

It's a great time for the buyer who has the experience and financial ability to take over an underperforming facility and water it with care and creativity and watch it bloom.

It's a great time for someone who wants to bail out of a business that may be draining him and stop the bleeding and embark on another venture pursuing some other endeavor.

Sometimes taking a contrarian strategy makes sense. When everybody is selling, buying can be the right move. When everybody is buying, then that may be the time to sell. There are far more people in this country that have gotten wealthy by going against the grain rather than following the masses. The machinations of the restaurant industry haven't changed but success runs much beyond concept and location.

From my lofty perch, it seems that those who are ultimately successful in this relatively easy, minimally complex industry are those who are 'driven'...those with fortitude, those with good people skills, and those who surround themselves with the right team of cheerleaders. No one in the food industry makes it alone...those that make it know how to hire the right people, share the profits, share the burdens, and beg for God's guidance.

We will look back in a few years and realize that the opportunities available today were unprecedented.

Dennis Serpone is president of New England Restaurant Brokers, Wakefield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540