



# nerej

## **Unbridled optimism has returned to many areas of the restaurant industry**

January 27, 2011 - Spotlights

The strong restaurant concepts have survived, the weak are still struggling and the others are just plain 'gone'.

The euphoria that existed within the industry a few years back has resurfaced in some areas while there still exists an undercurrent of pessimism in others.

Collectively, among our agents, we field 30-50 phone calls a day from buyers who are actively looking to get into the food service business. Most of these buyers have significant food experience and know exactly what they want while a small percentage of them are leaving other, non-related industries with no food experience. They think they'll be successful with a fast food or full service restaurant because they 'know how to cook' or because their friends rave about 'how good your lasagna is'. For those few, we suggest that before they blow their life savings, that they first get a job in the food business and revisit their desire to own in 6 months or a year...a few actually do come back.

If you've gone out for dinner recently, on a weekend that hasn't been effected by snow or extreme cold, it is fairly obvious that most full service restaurants aren't hurting for business with up to an hour wait. You'll find that when you go to a casual dining house, the wait may be somewhat less. The fast food places are moderately busy with usually one or two people ahead of you. On the other hand, there's no need to talk about the obvious success of the coffee megaliths. It's almost annoying to go to Starbucks or Dunkin Donuts where there's always a line that seems to be moving much too slowly. On the South Shore, if you go to Marylou's Coffee the lines are shorter, but who's in a rush to leave those young beauties serving you who speak perfect English.

With the chains benefitting from the demise of overleveraged, undercapitalized operations, the sky the limit. Great deals can be had if you have cash or if you can pry some funding out of the SBA

In some cases, those successful companies, with basic formulas, are wheeling barrels of cash back to their banks. A wonderful example of unbridled success is the Sal's Pizza Franchise. In putting a deal together with Sal Lupoli, its youthful president, he explained how he started with one small simple store but with a grandiose plan to grow and a firm commitment to succeed. He has built his pizza company into over 40 pizza shops and Italian restaurants, and a real estate empire. "Flour, and water...cheese & tomatoes...fast and simple. How much easier can it get?" The American Dream!!

Underlying this optimism of the economy finally beginning that slow journey back, are the more macro concerns including unsustainable government deficit, the reliance on China to supply money for our decadent society, and the disconnect of our politicians who pander to the environmentalist at the expense of the small, and large, business owner. Obama and his minions are doing the classic "Please watch my right hand, but I'm really using my left hand." While he talks of building the

economy and creating jobs, his people are shoving regulations down our throats which have the opposite effect.

Healthcare requirements, the 1099 debacle, immigration reform and amnesty, cap and trade, and the all-intrusive food safety bill are all millstones around the neck of the food & beverage industry. But...in spite of these distractors, this industry still continues to be one of the best places for the entrepreneur to make his fortune. Just ask Sal!

Our hope is that the recovery doesn't stall, the issues deriding the housing market get resolved, and most importantly, our children develop lucrative careers so they can support us in our old age because the way we're going the government is not going to.

Dennis Serpone is president of New England Restaurant Brokers, Wakefield, Mass. and a member of the Mass. Restaurant Association.

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