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## **To lease or not to restaurants; they are the life of our cities and neighborhoods**

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Restaurants are the life of our cities and neighborhoods. We are a nation that not only loves to eat, but loves to eat out. Whether families, couples, singles, empty nesters, no one wants to cook. Eating has become entertainment and hopeful chefs as well as haute cuisine masters hear the message. But, who will last?

Despite the recent economic gloom, new restaurants continue to open (and close) in Boston. Just check [hiddenboston.com](http://hiddenboston.com) to see the monthly count of both.

So, succeed or fail, the subject is replete with contradictions. Here is a sampling of industry leaders thoughts:

On the dark side, on January 7, New York Times finance and economic writer Floyd Norris predicts a dramatic fall for the U.S .stock market that will send us reeling into a dark depression. In predictions for 2012, International Restaurant Consultants, Baum + Whiteman, caution that if the economy stays flat, between 8,000 and 10, 0000 restaurants nationwide could close, the majority of which would be independent. The NPD Group, a noted consumer market research firm, reported in August 2011 that 9,450 restaurants closed during the 12-month period between April 2010 and 2011, with 92% of the closures being independents. The majority (63%) of the total closures were full service establishments.

But other experts have found pockets of optimism. According to The National Restaurant Association, a recent survey showed pent up demand for restaurants. They also expect a significant increase in restaurant employment. Baum+ Whiteman claim that approximately ¼ of the nation is still employed, a significant percentage has dollars to spend, and a known desire to eat out. The Bureau of Economic Analysis reports that Americans spent only ½% less of their food budgets for eating out in 2011 from 2006. A minor difference considering 40% of their total budget is for food.

All pundits agree that this economy will hit independent restaurateurs the hardest, despite their creativity and passion to succeed. Industry pros stretch for some optimism explaining that while independents fail more than chains, some can make up for their fragility with flexibility, shifting on a dime. This ability to respond to market subtleties can be a distinct advantage and to a degree level the playing in certain locations.

What does this mean for Boston? The local scuttlebutt varies:

\* Some say Boston has had significant voids in the restaurant scene. As a major market with a solid economy, Boston is attractive to national chains searching for new opportunities since other "restaurant cities" - NYC, Washington D.C., San Francisco, LA, Chicago, and Las Vegas - are close to saturation.

\* Others believe the growth of new restaurants in Boston reflects the recession, awakening landlords to reality: lower rents equal affordable occupancy.

\* Some profess that it takes so long to consummate a deal, the newest eateries on the scene were already in the pipeline two or three years ago.

\* Almost all agree Boston itself has become too expensive for independents.

Given all this, are vacancies suitable for restaurants? Here are key factors to consider:

\* Many independents as well as national chains are actively looking for locations in the Boston region.

\* The movement for food of all kinds has not peaked nationally and nor in the Boston region.

\* The risk for restaurants is high; however, the reward is high in revenue, neighborhood vitality, and city life.

\* Most full service chains and independents require a full liquor license, a potential snag in most municipalities.

\* The deal itself is vital. Most worthy independents and chains have a formula. They know what they can spend to produce good food and a quality experience. When occupancy costs exceed 6%, trouble begins.

If you believe there is a fit, what is the best way to measure the operation, especially if it is an independent? There are three valuable markers:

\* First, regardless of the concept, the food must be excellent. No matter what the theme, décor, or price, the customer cannot be fooled, and will not return if the food to value ratio does not work.

\* Second, a team consisting of a chef, an accountant, and a business manager/owner should be in place to oversee the entire operation. Many also have a beverage or bar manager, increasingly important in a world where the customers demand great beers and wines.

\* Third, an experienced team that has successfully operated more than one restaurant has the knowledge needed to tweak the concept in a new location or market, increasing the chance of competing effectively.

There are many successful chains and independents in Boston.

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