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## **Locally, we're back to the good old days! Chains expanding and investors seeking sellers**

May 30, 2013 - Spotlights

Like politics, trends in the hospitality industry are felt locally. We elect officials locally for national positions. We look at the restaurant industry locally but it doesn't represent the industry at the national level.

Locally, we're back to the good old days. People have made eating-out a 'non-negotiable' part of our work week. Whether single, eating alone or with a date, or a father entertaining his wife and/or kids, we plan for specific restaurants well in advance. Lunch every day at Subway, Al's Pizza, or Pizzeria Uno, dinner Wednesday night at the Ninety-Nine, and Friday night at the Continental and brunch at Raffael's Sunday morning.

As restaurant brokers, we see the chains expanding: Davio's, Legal Seafood, Buffalo Wild Wings, Subway, Panera's to name just a few. Every new shopping center has become homogenized with the same restaurants. Derby Street Shoppes in Hingham is indistinguishable from Wayside Commons in Burlington or Legacy in Dedham or Patriot Place in Foxboro with the majority of full service restaurants and fast food places mostly the same. Meanwhile local independent operators are constantly calling our offices for new locations or to buy out an existing operator.

This year we're working with a large number of restaurant investors and management groups that are paying a premium for good proven locations.

At the national level, the picture is much different in the sense that the major players, both in hospitality and retail in general, are terrified at the onerous impact that Obamacare will have in our country, and more specifically small business, in 8 short months when the mandated requirements to provide healthcare for all full time employees takes effect.

One of my clients, a successful operator of 16 Burger Kings asked me to find a buyer. When asked why he wants to sell he had a one word answer "Obamacare". He thought that he would be exempt from the health insurance requirements since none of his restaurants had 50 employees-the stated threshold for implementation.

Each of his restaurants was established as individual corporations. However, since he controls/manages his 16 different corporations, his total employee count greatly exceeds 50 people thusly he must provide healthcare to all full time no matter that they're spread over 16 stores. It's mindboggling.

At the consumer level though, consumer confidence is back to pre-recession levels, 401(k) values have skyrocketed with the raging bull market, home sales and car sales in some areas are off-the-charts, and the average home value in the Boston area is hovering around \$285,000 by at least one standard.

The 'balloon' is back...enjoy it while it lasts. While Washington and the buffoons in Congress whittle away at changing our capitalistic society to one of a socialistic model that has never succeeded, we

continue to feed the beast.

Continuing on a positive note, for the purpose of evaluating the restaurant industry today at the national level, it is awesome. The Nation's Restaurant News (NRA) reports that restaurant operators appear to be more upbeat about sales growth and their future prospects. The Restaurant Performance Index (RPI), a monthly composite that tracks the health of and outlook for the restaurant industry, rose to 100.6 in March, up 0.7% over February's level of 99.9. These results reflect the second time in three months the RPI has been above 100, indicating expansion in the index of key industry indicators. The NRA said operators tended to be largely optimistic that sales would rise in the coming months. Forty-four percent of operators anticipate enjoying higher sales in six months-compared with the same period in the previous year. That is up 41% in February.

Fortunately at New England Restaurant Brokers, looking back over 33 years, we've never been busier with a multitude of qualified buyers seeking sellers looking to move on.

I've had to increase my staff to 15 brokers to accommodate such significant activity...activity coming from the small independent operators to the multi-million dollar function facilities looking to transition. The activity has been almost overwhelming. Between the deals in progress, with the new buyers that are coming in every day, and with the amount of we do with other commercial and business brokers, 2013 should be a record year for the stock market and New England Restaurant Brokers. Fortunately, the cliff won't occur until 2014.

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