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The sky is full of balloons! Which balloon will burst first?

September 26, 2013 - Spotlights

Have you been to see the new life style center in Lynnfield, Market Street? Go there almost any time of the day and it's jammed...and many stores are not yet opened. For food, first there's the anchor, Whole Foods. Absolutely amazing; within its walls is a coffee shop, food court, liquor store, meat and fish market, and bakery...along with the basics of any supermarket. Across the street is Starbucks, Yard House Restaurant, Davio's, and soon to open is Kings Lanes, Boloco, Legal C Bar, a Mexican, and a Japanese restaurant. Intertwined is your usual array of retails shops...Sports Authority, J. Jill, Yankee Candle, etc. The amazing thing to me is that the rents are over the top, yet, as I understand it, the center is fully committed.

If you stand there and watch all the cars pulling in (mostly luxury models), you have to ask yourself 'where are all these people coming from'? I spoke to a number of food operators in the surrounding towns and many have seen their sales shrinking...a percentage of their regular customers are entranced with the newness, and novelty, of the new restaurants. I also have to assume that most of those customers used to trade at the North Shore Mall and the Burlington Mall. As a direct result of this new facility, we've already had calls from restaurateurs in Wakefield and Stoneham regarding pricing their businesses with interest in selling. They're already feeling the effects of Market Street.

On the other hand, there are new, smaller plazas springing up everywhere. Whether it's Wal-Mart on Rte. One in Saugus, or Webber's on Middlesex Rd. in Burlington, or the plethora of restaurants opened at the Seaport area and Fort Point Channel on Boston's waterfront, there seems to be a sustained euphoria that is permeating the food and beverage industry. Cost of construction, extremely high rents, and the looming Obamacare debacle hasn't dimmed the enthusiasm of commercial banks and investors to fund restaurant concepts.

On a smaller scale, our activity has never been greater for the local independents. We get calls every day for the whole gamete of food and liquor businesses...from small fast food to large full-service operations

On a larger scale, we're representing international investment and management companies looking to acquire regional chains of restaurants on the East coast. We presently have a 10-unit burger chain, a 6-unit burger chain, and a 50-unit fast food chain available with excellent cap rates.

As I see it, as long as the 'covers' are there, as long as the margins are maintained, and as long as an operator can maintain a competent staff, the food and liquor industry should be fine, especially in the I-95 and I-495 corridor.

That said, there is a stock market balloon that is so engorged with manipulated values that it could burst in the near term. I'm betting that there will be a serious correction once the effects of Obamacare kick in, the Middle East gets hotter as Iran gets closer to obtaining a nuclear weapon, and as interest rates continue to creep upwards in our country.

The engine that has fueled our economic recovery, housing, is stalling. Employers are restructuring their staff with more part time workers at the expense of their full timers to avoid the overwhelming cost of providing health insurance to each full time employee. That translates into less money for the families and less disposable income for retail expenditures. That balloon bursting will decimate our tepid recovery.

The credit card balloon is again reaching unsustainable levels. Consumers have fallen under the spell that the media spins of an economy that is growing, that jobs are growing, the national debt is under control and everyone should be buying or leasing a new car. Strange that seeing an old clunker on the road is a rare sight.

There's a line in a poem by Rudyard Kipling, "Into the valley of death rode the 600...", that could be prophetic.

More realistic though, our government will keep everything moving forward through the next election cycle and they'll continue massaging entitlements and business policies to keep us on the edge of prosperity.

So, as long as we need to eat to survive, and we love the experience of dining out, new restaurants will continue to open, weak operators will be replaced by stronger operators, and life will be good. God bless us.

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