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55 YEARS

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What a great time to buy a restaurant in the greater Boston market!

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The number of restaurant transactions is up by more than 50% going into the fourth quarter of 2013 over the same comparable time in 2012. The confluence of economic and market conditions spell 'opportunity' for the seasoned buyer. No matter if we're looking at vacant space, or an operating restaurant that has become available in good locations or conversely a losing business that the inexperienced operator bought in a less-than-desirable location, there is a buyer out there ready to make a deal.

Deals are made from a position of strength when you're selling without any financial or emotional pressure. Other deals are made from a position of weakness where the operator is losing money due to competition or poor management skills. In either case, if you or your partner (s) has the money and experience, now's a great time to make a deal. However, with so much growth in the food and beverage industry, competition has also grown. There isn't one segment of this industry that doesn't have considerable competition. The strong will survive and grow; the weak will sell out or simply close their doors.

A perfect example is what's happening in Boston and the suburbs.

The playground of the affluent in general and the young professionals as a subset, was Newbury St. Old money, new money, the people watchers, and the wannabes could all be found wandering in and out of stores and restaurants, walking tirelessly up and down Newbury St. or sitting by a window when it was too cool to be perched at a sidewalk table. There was a time when there was little of no business turnover in those coveted locations.

Then the Seaport area materialized. Like Poseidon rising from the ocean's depths, slowly at first and then amazingly fast, a multitude of restaurants, Irish bars, and expensive fast food emporiums appeared. The migration from Newbury St. of its patrons to the Seaport area is apparent whether you drive through there any time of the day or any day of the week. The loss of significant, or at least consistent revenue, has prompted some of those mainstay businesses to sell.

In the suburbs, that same phenomenon can be seen at the still-not-completed Market St. lifestyle center in Lynnfield. If you listen carefully, you can hear the sucking sound of business being drawn out of the surrounding towns. Each of those towns have established restaurants, coffee shops, supermarkets, retail shops etc. with loyal customers supporting them. Supporting them until something better came along. Last week, on a clear Wednesday night, I had trouble getting a parking space at 7 PM at Market St.; I literally had to follow a couple leaving to get a space. Whole Foods was typically busy, Legal C Food has just opened and had a 45 minute wait, the Yard House restaurant/pub had a 1 1/2 hour wait, and Davio's had almost a 2 hour wait. You have to ask yourself, where all these people are coming from. The answer is simple...from all those established businesses in the surrounding towns. Open less than a month, Davio's sales have eclipsed all his

other restaurants; a long-established restaurant in Danvers had been doing a solid \$25,000 - \$30,000/ per week, consistently for years, has seen his sales drop by over \$10,000 per week.

This scenario will be played out all over the state as lifestyle centers pollinate the landscape. That said, now is a great time for the seasoned, successful operator to position his operation in the suburbs or Boston in areas where there was little turnover. Those restaurants weakened by the effects of Market St. or the Seaport will be acquired by operators with a 'competitive advantage'.

Competition will always be there, but to survive, to thrive, a restaurant, or for that matter, any business has to have something different or better to draw people away from their competitors...better atmosphere, better service, better food quality, better pricing, better marketing, different food, different presentation, etc.

Even with 15 active associates at New England Restaurant Brokers, we're overwhelmed with businesses wanting to list with us and buyers looking to buy. In 33 years of being in the restaurant brokerage business, I've never seen it busier. Whether it's a \$3 million restaurant or a \$200,000 breakfast place, motivated sellers and opportunistic buyers are making deals. However, success is a function of the strength of one's 'competitive advantage'. What is yours?

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

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