



CELEBRATING  
55 YEARS

# nerej

## **Unbridled exuberance for the greater Boston restaurant industry going into 2015**

January 29, 2015 - Spotlights

What a difference a year makes. What a difference a few years make. Think back to what the world looked like a few years ago. To some people the glass is always 'half full'...life is great, God is good, let's buy a new car. To others, the glass is always 'half empty'. The reality is that the world is being stirred up by international turmoil at levels we've never seen. Fortunately, we 'seem' to be somewhat isolated from most of it. America keeps plodding along, dumb and fat. Housing prices are rising, the stock market is at record levels, and the restaurants are busy.

As restaurant specialists, we've never seen it so busy. We noted last year that restaurant chains were expanding everywhere... either through opening company-owned units or through the sale of franchises. Well-located vacant retail space doesn't stay vacant long, and independent food operators with one unit are looking for their second; those with two are looking for number three. Conversely marginal operators with limited resources are slowly succumbing to the inevitable. As in all aspects of business the strong survive and the weak are absorbed.

It doesn't take much to see that, much like our body, the lifeblood of our economy is the small business, with 70% of all small business food and liquor related. If a healthy body pumps 'bright red' blood, the small business community is pumping 'pink' blood.

While the government seems to want to stifle entrepreneurship and business growth, it's the vaccine of the American spirit of optimism, resilience, and fortitude that keeps the blood pumping.

As of the first quarter of 2015, it appears that consumer confidence is going to continue to grow -albeit slowly- as consumers find themselves with more disposable income. Particularly in the fast food and casual dining sectors with growing brands like Chipotle Mexican Grill, Panera, Texas Roadhouse, and Subway.... leading the way. Still prominent, casual dining has really been the success story of the past few years'. However, competition is severe in all sectors of the industry.

Nowhere is the competition more visible than in the hamburger segment...from the leaders like McDonald's, Wendy's, BK, and Five Guys to the smaller independents that litter the landscape. Watch for the growth of Wahlburgers and Wild Willy's Burgers (the best I've had so far).

Meanwhile, there is an ongoing concern looming above the heads of a significant segment of the restaurant industry. That concern is in that sector that serves alcohol. With the high cost of operation and the diminishing profit margins, restaurants need the profits derived from the sale of alcohol. However the changes provoked by activists...like MADD, and instituted by our mindless legislators are giving immense discretionary power to the police to close down any restaurant or bar that they see fit to target. With the blood alcohol level so low, almost anyone who has one or two drinks will fail. Failing a Breathalyzer could cost you \$3,000-\$5,000 and cause you to lose your license for 3 months or longer.

We're seeing more and more people substituting that 2nd cocktail, beer, or after-dinner-drink for tea

or coffee. This already over-regulated industry is fair game for the activists. This will only grow stronger. We'll start seeing food and drinking pairings of coffee and tea replacing 'wine pairings' as matches for meals.

With 20 active brokers, we're still having trouble keeping up with the amount of activity generated by independents and chain operators. Fortunately, there appears to be a new willingness for banks and the SBA to help fund deals in the hospitality sector.

There will be numerous restaurant chains across the country sold this year. The National Restaurant Exchange, our sister company, is representing the interests of the owners in the sale of three regional chains.

With most people in reasonably good health and finding themselves in fairly good shape financially, anticipate continued further growth in the eating out and prepared food sectors over the next year...fueled by the aging baby boomer market, those 45-54 years old, representing \$1 out of every \$4 spent in restaurants, and the Generation Xers, those 35-44 years old, who represent \$1 out of every \$5 spent.

If the Islamic terrorists leave us alone, if there are no national catastrophes, and I win the lottery, 2015 is going to be a great year.

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

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