



# nerej

## **Well-located retail vacant space is quickly gobbled up by independents or chains -by Dennis Serpone**

October 26, 2018 - Spotlights

Dennis Serpone,  
New England Restaurant Brokers

The most recent issue of the Nation's Restaurant News, reports, "The third quarter of 2018 was relatively strong for the restaurant industry. Same-store sales were up 1.2% in September, the fourth consecutive month of growth. The industry had not experienced a quarter in which all months had positive sales since the fourth quarter of 2015. Sales for the third quarter were also up 1.2 %, the highest since the third quarter of 2015. The fact that the third quarter of 2018 was still the best quarter for traffic in the last three years highlights the magnitude of the continued market share battle for guest traffic."

As restaurant specialists, we've never seen it so busy. Restaurant chains are expanding everywhere. Either through opening company-owned units or through the sale of franchises. Well-located vacant retail space is quickly gobbled up by independents or chains. Conversely those marginal operators who've survived the Great Recession are either being rewarded for their efforts and are doing well or those with limited resources are slowly succumbing to the inevitable. As in all aspects of business the strong survive and the weak are absorbed.

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'.

The battery that keeps the blood pumping is the optimism, resilience, and fortitude of the American spirit.

So far this year, it appears that consumer confidence is going to continue to grow as consumers find themselves with more disposable income. Particularly in the fast food and casual dining sectors with brands like Blaze pizza, 110 Grill, Red Robin, Texas Roadhouse, and Jersey Mike's....leading the way.

Casual dining has really been the success story of the past few years. Consumers have traded down from traditional table cloth restaurants to those with more diversified menus and more value-added. However, competition is severe in all sectors of the industry.

Nowhere is the competition more severe as in the hamburger wars...from the leaders like McDonald's, Wendy's, and Five Guys, and not to mention our local favorite... Wahlburgers.

You can expect seeing more chicken- oriented, and Latin-themed places opening like Buffalo Wild Wings, Wingstop, Mexicali, and Acapulco. This growth though will be most apparent in high traffic pedestrian places like downtown office areas and life-style centers.

There is meanwhile a real 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 legislators is 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 three months or longer.

We'll see more and more people substituting that 2nd drink, or after-dinner-drink with tea or coffee. Our already over-regulated industry is fair game for the activists. This will only grow stronger.

People are living longer...the baby boomers have much more disposable income than their parents at this stage of their life and are much more able to get out and about during their retirement.

With 20 active restaurant specialists at New England Restaurant 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 a number of chains sold this year as deals that have been in the works for years get completed throughout this year. The National Restaurant Exchange, our sister company, is representing 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 further growth in the eating out and the prepared food sectors over the next year. The prepared food segment is accelerating with the growth of food delivery systems across the country. The restaurant industry employs more than 13 million people and will generate significantly more than \$700 billion in sales in 2018.

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