



# nerej

## **The good news is that for every restaurant that comes up for sale, we have buyers waiting to buy - by Dennis Serpone**

July 26, 2019 - Spotlights

Dennis Serpone,  
National Restaurant Exchange

Mid-stream in 2019, the restaurant market is in a constant state of flux. The face of our industry is changing at an accelerating rate driven by the immense amount of new buildings being built throughout the State and the soaring stock market which is making trillions of dollars available for speculation.

It appears that the old habits are coming back. Consumers confidence has come roaring back. Go to any of the regional malls, meander over to any of the outlet malls, it seems like every weekend is like Christmas...where do I park? Sunday night I went to the Kowloon in Saugus...the parking lot was nearly full, the restaurant was busy, but their new Tiki Island patio was jammed...on a Sunday night? Go by there almost any night of the week and it's the envy of every restaurateur.

Try any of the Ninety-Nines, they seem to busy every day. The Prince Restaurant, and Border Café, on opposite sides of Rte.1 in the Saugus/Lynnfield area...always busy. Many new-to-the-area national franchised restaurants are popping up everywhere...especially in the various sub-sections of Boston.

I don't know about you but I have to ask, "where are people getting the money to support this level of activity?" From what I hear it's back to the good old days of dinging those credit cards. The difference today is that if a consumer maximizes his credit cards, he figures that he has equity in his home to bail him out. The fact is that, across the board, existing food operators are seeing the numbers of repeat customers increasing. So for the restaurant industry as a whole, sales are up and help wanted signs are in the windows. Hey, we all have to eat and who wants to cook? It's so much easier to grab breakfast on the way to work, slip out for a sandwich or salad at lunch time, and either pick up a prepared dinner on the way home or simply go out to dinner. Augmenting 'restaurant visits' is the huge impact that the home delivery businesses like UberEats and DoorDash are having, across the country, to unit sales.

What a great country! What a great life! What a great industry!

The problem is that we're sitting on a house of cards.

The good news is that for every restaurant that comes up for sale, we have buyers waiting to buy. For every vacant retail space suitable for a food concept, it gets leased. There seems to be an unlimited supply of displaced people who see their success and fortune tied to a food business. For many this is the best choice they could make. Hell, where else could someone make a \$100,000 cash down payment to buy a restaurant and have his investment back in one year. Most restaurants, owner-operated, net well over \$100,00 per year...it's the on-ramp to financial success for the masses that are willing to make the sacrifices that come with ownership.

As the population matures, so do concepts. Now that cannabis has become legal, it's found its way into the food industry; chefs are working overtime to create recipes that they can infuse CBD oil into...you'll find it in appetizers, entrees, desserts, and even adult beverages. Restaurant owners are paying CBD-experienced chefs huge premiums if they can create that magical menu that screams 'cannabis-infused'. What better blend of these pop-up beer gardens proliferating the city than with marijuana. Soon almost every city and town will have cannabis dispensaries...medical or recreational. Smoking marijuana makes you hungry...adult beverages go well with food. This is a marriage made in Heaven.

Obviously success in any business is a direct reflection of experience and financial management.

So where do I, as a seasoned restaurant professional, taking off my rose-colored glasses, see the restaurant industry going in the next quarter?

I see a lot more turnover of ownership due to diminishing profits, difficulty in maintaining staff, and ever-increasing competition. I see the sale prices coming down from previous, justifiable values. I see food operators passing their increasing operating costs onto buyers with higher prices.

We all need to eat. We love to eat out. We enjoy the experience...and the convenience. The 'wild card' are those restaurants and bars that find ways to take advantage of cannabis, marijuana, weed, and pot.

The strong, well managed food operations will survive and grow. The weaker concepts with no competitive advantage will fall by the wayside and provide the opportunity for others to take over. It's a jungle out there. The strong survive, the weak die but we will continue to eat out, and order in.

Dennis Serpone is founder of The National Restaurant Exchange, Cannabis Business Brokers, Wakefield, Mass.

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