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Attention class...The word of the day is tepid - by Dennis Serpone

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Dennis Serpone

I found it enlightening to focus on the health of the restaurant and hospitality market in New England. To describe its health in one word, most in the know would agree that it is tepid.

The Nation's Restaurant News (NRN) reports that the restaurant industry remains about 500,000 employees short of pre-pandemic numbers. Staffing is going to be an issue right through the holidays. 56% of restaurant owners said they planned to staff up significantly. Further, 48% of all restaurant owners said they're not hiring anyone, including seasonal or permanent employees, because their revenues won't support it.

In spite of staffing issues, interestingly new ethnic chain restaurants are popping up everywhere...either in places of previously failed operations or in the redesign of the older standard malls. More astoundingly, there isn't a shortage of optimistic restaurant professionals adding to the number of their existing units, but also investment groups funding multimillion dollar food and beverage concepts in the Seaport District of Boston and Assembly Row in Somerville.

According to a new survey commissioned by Bank of America, 88% of small business owners say inflation is currently impacting their business, and 75% say inflation and commodity pricing is their primary concern. Alignable finds that 43% of restaurant owners have reduced their inventory and supplies ahead of the holiday season to navigate these continued challenges. As a result, optimism is low, with 54% of operators expecting to earn less this year than last year.

Consumers are also feeling the squeeze and therefore demand is also expected to be lower this year versus last year. Retail sales this holiday season are expected to increase just 4% to 6%, compared to 15.1% last year. Still, despite this current and very gloomy environment, most small business owners do see a light at the end of the tunnel. The Bank of America report, for example, finds that 66% of small business owners expect an increase in revenue in 2023, while 77% believe they're equipped to handle a recession should one manifest. The National Federation of Independent Businesses optimism index also shows a recent uptick, despite stubborn inflation. In fact, the index has increased for the past three months. That said, this positive trend is against the backdrop of historically low metrics for the index, so the road to recovery remains long and bumpy.

Not surprisingly with the changes in demographics, among the fastest growing chains, the Latin/Mexican operations are experiencing sales growth of over 10%.

In another NRN survey, interestingly, they found five reasons why customers don't repeat visitation to newer restaurants. 43% don't go back due to the perception of being 'too expensive', 26% are interested in different food or beverage, 24% have gotten bored with the same place, 23% like to try new places, and 23% looks for better deals or promotions.

With the accessibility that comes with our phenomenal highway system and taking in stride the cost of gas, the suburbs are enjoying significant benefits...people can easily decide to have dinner on the water in Rockport or Newburyport, enjoy a fabulous steak at The Capital Grille in Burlington, or

simply drive up to Kimball's in Westford for some homemade ice cream.

Some of the other reasons for the success of hospitality along these highways are that it's usually an easy drive, most restaurants offer plenty of parking and good food. For many it makes more sense to frequent restaurants outside of Boston than, for example, trying to justify driving into the North End, paying exorbitant parking fees, eating over-priced pasta, and dealing with tight seating with strangers on either side of you overhearing your conversation. I'm exaggerating a bit, but note the traffic flow out of Boston on Rtes. 1, 3, and 93. These highways feed hundreds of thousands of people onto Rte. 128 and I-495 every day.

Rte. 128 is littered with several high-profile lifestyle centers with almost every major retail and hospitality brand represented. Starting at the somewhat mundane North Shore Mall in Peabody to the vibrant Market St. in Lynnfield, the redesign of the Woburn Mall into another lifestyle center, the expansion of the Burlington Mall, to Legacy Place in Dedham...busy, busy, busy.

Professionally employed people are earning good money and the less skilled have seen their income rise as a result of the social activism that has come out of our experiences with the pandemic. What do they do with their money...they eat out. Eating out is become the national past time whether going to a local fast food joint for lunch or a full-service restaurant for dinner, or to a sports bar to watch a game and socialize with friends...they're all busy with hours of operation squeezed around the weekends. Most full service restaurants used to be busy right up till closing...no longer. Even with a shorter number of days operating, business is almost non-existent after 9 o'clock. With prime costs increasing, the bottom line is decreasing. The curse of restaurateurs having to pay \$15/hour for low-skilled workers not too long ago, today is a bargain...if you can find the help.

Like all gray clouds, the sun will shine again.

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