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Fast food, breakfast/lunch, pubs, and sports bars are continuing to be profitable and growing - by Dennis Serpone

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Dennis Serpone

Due to the current state of our economy, why would anyone want to start or own a small business in our country, let alone the capital-intensive, labor-intensive food & beverage industry?

The answer is very simple...because 'restaurants' can be very profitable and it doesn't take a college degree or years and years of training to join this crowded industry. With a few months working in a pizza/sub shop or breakfast place, you can learn enough to make you dangerous. With some minimal training and experience, you can learn to run a pub. With the assemblage of a couple of experienced partners and some cash, you can buy a failing restaurant, and with some luck, vision, and an optimistic attitude, you can end up owning several places. Recent statistics are that for every restaurant that closes, three new concepts open in their place.

For the factory worker (are there any left) or the mainstream business worker, taking what's left of his savings and buying a small food operation could be a great long-term move. A short learning curve with sellers staying on to train, usually less than \$100,000 cash is required to put you in business. In this scenario, help is relatively easy to find and you can typically earn \$100,000 to \$150,000 per year if you like to work long hours and have family support. Working for Amazon, Target, or Verizon will not put a Mercedes in the driveway of your new home.

For another category of independent operators, the future is not as clouded as for the larger independent or chain operators. For the larger restaurant operators, because of the complexities and multitude of economically sensitive areas, the outlook is somewhat dire.

The ill effects of what the government has done to business are evidenced by the thousands, upon thousands, of stores closing in malls and small shopping centers, and by just driving around and seeing big, once-successful restaurants 'closed for renovations'...indefinitely.

Within the framework of businesses in general, next to governmental influences, the next biggest enemy is the landlord (who could also be your bank). I see it every day...astute, once-successful business owners in horrible leases. It doesn't matter if it's a large operation or a successful chain, food or otherwise...it's so easy to enter into an imposing lease when the future looks bright, expectations are high, and 'the sky is the limit'.

However, in today's climate, with our economy in severe fluctuation, you would think that landlords would be extra cooperative to save a tenant. However, the opposite seems to be true. Landlords seem to think that because a tenant signed a lease, probably signed personally, and is bound by that contract, they're better off seeing a tenant lose their business and their life savings if they can't pay the rent. The fact of life is that when a food operator is paying 12, 15, or even 18% of their sales for occupancy...they aren't going to make it. Does it make sense for a landlord to sit on empty space, with no income and with the ownership expenses each month, rather than cherish the tenant he has and work with him so both can succeed over the long haul?

As a restaurant broker for over 40 years and former owner of a chain of restaurants, I've seen this

economic cycle several times...but not to this degree.

People will continue to eat out or order in. Some people will trade down from upscale restaurants to the mid-range pub-style. Some people who looked forward to going out for 'dinner' on the weekend will simply 'order-in'.

From my lofty perch, I see fast food, breakfast/lunch, pubs, and sports bars continuing to be profitable and growing...somewhat fueled by the ongoing need to socialize. I see, in the remainder of 2023 and into 2024, the larger, more recognizable restaurants struggling to stay alive with innovative marketing techniques to sustain customer-counts. The challenge will continue to be to find that competitive advantage.

Fortunately, as restaurant specialists, we're experiencing an expanding influx of buyers for every category. But the deals that are coming together have a motivated seller, willing to provide financing for the buyer, and with a buyer who has a realistic business plan and is willing to take a risk.

Fortunately, New England is the best part of the country for the small business owner. We have four discernable seasons, millions of customers, a plethora of schools, hospitals, hundreds of miles of coastline, and with most people benefitting from above-average income.

For the right person, 2023 can be a wonderful opportunity for a restaurant buyer. For the committed seller, 2023 may give him the chance to move on to some other endeavor. Restaurants and socializing are as much of our lives as opening our eyes in the morning, taking a deep breath, and saying... "Thank you, God, for another day."

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