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What does the restaurant industry look like in 2024? - by Dennis Serpone

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Dennis Serpone

Unless you're housebound you'll be crossing the threshold of a supermarket or a prepared food provider...be it a pizzeria, coffee shop, or full service restaurant. Whether you're standing at a counter, scanning a billboard for what you want to eat or sitting down reviewing your food options on a menu, take a deep breath.

There was a time when it was cheaper to 'go out to eat' than buying food from a supermarket and cooking at home. Those days are gone. In the not too distant past, a couple could go out to eat in a nice restaurant ... a shared appetizer, two entrees and a cocktail each, the bill, with a 20% tip would approach \$70. Today, that same experience will cost you \$100.

Your local pizzeria is charging an average of \$13 for a sub that, this time last year, was \$9 and last year's pizza, that was \$12 is now \$17. A coffee and a breakfast pastry at Café Nero will cost the average person over \$8. The dichotomy is striking.

While sticker shock is prevalent throughout the food and beverage industry, those food purveyors are not seeing a slowdown in business. Across the board, people are opting to eat out no matter what the cost. It's like you have to put gas in your cars, but you have to do it no matter what the cost.

It's so simple, just whip out your charge card and deal with it at the end of the month. Charge cards have become what chips are in casinos ... they're not considered 'real money' till the end of the month.

Visit the Seaport District in Boston, throngs of people, many of them millennials ... some days it looks like bees in a hive.

You can see similar incredible activity at Quincy Market and Newbury St.

Go to Assembly Row in Somerville, getting a parking space on any of their busy streets is a challenge. Their restaurants are always busy. As large as Assembly Row has grown, and is still growing, the plans for the development of Suffolk Downs on the other side of town should dwarf Somerville.

According to Restaurant Business Magazine, pizza and tacos have dominated the list of fastest-growing small concepts over the past decade. However, this year, new cuisines are rising to the top, signaling increasing acceptance of different ingredients, flavors, and formats.

2024 should be an excellent year for the Massachusetts food and beverage industry. With the election of a President this year, the present administration will be hell bent on bringing inflation down thereby putting more money in everyone's pocket.

From the perspective of a restaurant brokerage, the National Restaurant Exchange has had to add

two new brokers to handle the increase in activity. Sellers looking to capitalize on their years of building their business by retiring and buyers looking to leave the rat race of working for someone else and buying their own business.

Recently, the activity has shifted from most buyers looking for full-service restaurants, to bars and pizzerias. That said, multiple unit restaurant management groups have been exceptionally active, not just looking, but actually buying.

Bars are the most profitable business in the USA. If you look at bars and grilles, a pub or restaurant that focuses mainly on alcohol sales could do reasonably well, profit-wise. It's estimated that a bar can earn about \$300,000 a year. Alcohol is a great way to enhance the profit margin. The earning of the bar can vary depending on the location and style of business. Although you need a considerable amount of investment at first to start the business, one or two years later, you can recoup the costs efficiently.

Do you know that only a pizza restaurant can earn around \$450,000 per year? In this type of restaurant, building cost depends on the place and size of your restaurant. Although the development costs of a pizza restaurant are high, the ingredients of making a pizza are not so expensive. Moreover, pizza restaurants are getting more popular nowadays as the number of people who love to eat pizza is considerable. So you will get some regular customers and the delivery options which can create a higher profit margin.

A side note to the proliferation of bars and pizzerias is the demand for businesses with real estate. Food operations for sale where the underlying real estate is available are generating at least a 10% premium over appraised value.

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