

THE BOSTON RESTAURANT GROUP, INC.

RESTAURANTS:

INDUSTRY UPDATE 2020

Compliments of The Boston Restaurant Group, Inc., a commercial real estate firm specializing in selling restaurants, leasing restaurants and restaurant appraisals (978) 887-9895

www.bostonrestaurantgroup.com

UNIT ECONOMICS

Rules of Thumb

Food Cost	28% to 32%
Liquor Coat	18% to 20%
Bottled Beer	24% to 28%
Draft Beer	15% to 18%
Payroll: Full Service	30% - 35%
Payroll: Fast Food	25% - 30%

Source: Restaurant Start-Up & Growth

RESTAURANT FAILURES

"The 90% first year failure rate is a myth that makes it difficult to get funding."

Source: Restaurant Hospitality, Nov. 2007

"A Cornell University study showed a first year failure rate of only 27 percent."

Source: NRN, March 2006

"Chains don't kill the independent operation, bad leases, poor operations and inadequate training do."

Source: NRN 09/11/06

NEGOTIATING A LEASE

A partial checklist of key points

- Hire an attorney with restaurant experience
- Request a minimum of 5 years with options
- Try to limit any personal guaranty
- Assignment – "not unreasonably withheld"
- Rent and taxes not to exceed 8% of sales
- Scope of Landlord and Tenant improvements
- Condition of the space at time of delivery

BUYING A RESTAURANT

Documents to be requested

- Copy of the lease
- Tax Returns for 3 years
- Financial Statements – 3 years
- Complete Equipment List
- Latest Health Inspector's Report

INDEPENDENTS VS. CHAINS

According to the National Restaurant Association, 7 out of 10 restaurant operations are still independently owned.

Source: Restaurant Start-up & Growth, 01/14

TIMELINES – THE 80'S

- Ronald Reagan
- Celebrity Chefs – Chris, Gordon, Todd
- Baby Boomers, Yuppies, VCRs
- Food a spectator sport
- The emergence of regional cuisine

MASSACHUSETTS LANDMARKS

Durgin Park	1742
Union Oyster House	1742
Parker House	1855
Jacob Wirth	1868
Marliave	1885
Amrhein's	1890
J.J. Foley's	1909

OPENING A NEW RESTAURANT

To be on the safe side:

- Discount your sales projections by 15% - 20%
- Increase your cost projections by 15% - 20%
- Target first year sales at 2.5 times the investment
- Target total occupancy costs at 8% of sales

TOTAL RESTAURANTS IN THE US

Near the end of 2016, there were approximately 680,876 full service and fast food restaurants in the United States.

Source: Restaurant Start Up & Growth, 10/17

RESTAURANT HEAD WINDS 2019

- The Casino
- Government regulations
- The tight labor market
- Increased competition
- Escalating occupancy costs

TOP DINING GRIEVANCES IN 2018

- Declining Service Standards
- The critical labor shortage
- Too much noise
- The proliferation of national and regional chains driving up rents in new development projects

Source: Eater Boston, 12/28/17

WHAT TO EXPECT IN 2019

- Fast-Casual & Multiuse continue to explode
- International flavors will proliferate
- CBD / Marijuana
- Menu prices will increase
- More women will get their due
- Diversity in ownership
- Working conditions will improve
- Bars will go green

Source: The Boston Globe 01/17/18

GONE BUT NOT FORGOTTEN

East Coast Grill	Cambridge
L'Espalier	Boston
Sunset Grill & Tap	Allston
The Fireplace	Brookline
The Blue Room	Cambridge
Blue Ginger	Wellesley
The Ship	Lynnfield
Rattlesnake Bar	Back Bay
Lineage	Brookline
Rialto	Harvard Square

THE RIGHT LOCATION

The mantra is no longer location, location, location. Today, the success of any restaurant is dependent upon the location, the right concept at that location and the right sales to investment ratio.

DEFINITIONS

Full Service Restaurant

The customer is seated, places an order at the table and pays at the conclusion of the meal.

Limited Service

The customer stands at the counter, places an order and pays prior to receiving the meal.

AVERAGE UNIT VOLUMES

Chain	Sales	Change
Cheesecake	\$10.9	3.7
Yard House	\$8.0	(1.5)
Capital Grill	\$7.6	1.6
Legal Sea Food	\$7.0	(0.5)
Ruth's Chris	\$5.0	1.4
Olive Garden	\$4.6	2.1
Shake Shack	\$4.6	1.6
Pret a Manger	\$2.9	2.5
Ninety-Nine	\$2.9	2.6
Panera	\$2.6	1.8

DEMOGRAPHIC PROFILE

Millennials	18-33 years
Generation X	34-48 years
Boomers	49-69 years
Silents	70+ years

Source: Technomic



Selling Restaurants

Leasing Restaurants

Appraising Restaurants