

Economy

It's the Economy, Yes We Know It

Trying to find good news in today's economic environment is not easy. The financial quagmire is squeezing individuals and businesses alike as we enter 2009 with more questions and concerns than answers and hope. The first 100 days of the new presidency of Barack Obama will give us some clues as to the length of this recession that we learned "officially" in December has been with us since December 2007. Our expertise is not in economics ... but it is more

upsetting that even the experts don't appear to be on top of their game.

Foodservice Monthly and the Mid-Atlantic are fortunate to have the resources to help us through these devilish times. Recently I spent an afternoon talking to the principals of Restaurant Brokers and Developers at the Varsity Grille in College Park. Joe Spinelli, Jim McGinnis and Mike Meliker offered some excellent insight into the opportunities that exist in today's market. Each month in 2009 we will go to the best

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Mike Meliker, Jim McGinnis, Joe Spinelli

minds of the business as we examine the buying, selling and managing restaurants today.

Looking ahead, In February we will talk to Jerry Blumenthal from Business and Commercial Ventures for his take on the market. **Foodservice Monthly** will also feature a look inside Big Steak Management to learn how Steve de Castro's successful Ruth's Chris Steakhouses are working to give customers what they want ... and can afford.

Veteran real estate dealmaker Bill Miller will take our readers through real estate 101 ... finding the right location,

negotiating the deal and the basics of understanding the lease. This month he will outline the series that will continue as a regular column in Foodservice Monthly. Bill penned a similar column for me at Restaurant Digest and I've been trying for six years to bring his knowledge to our readers.

Restaurant Brokers and Developers only do food deals ... it is their only business. Right away, Joe Spinelli tells me, "I've got more development projects in the works than in any recent time." He goes on to explain that there are people who have capital that are looking

for opportunities to get into the restaurant business." Mike Meliker says, "The phone is ringing."

McGinnis explained that for the first time in recent memory, "Landlords are calling and asking what do you have." In the current economy, tight money for restaurant investment is not largely different than any other time. Spinelli said that for the first time in recent memory, landlords are willing to take on a restaurant by making improvements on buildings to convert them for a restaurant build out.

Spinelli and McGinnis point to the

fast-casual and sports bars as the key areas of interest in the market. People are still eating out, but are more likely to be spending less in less formal eateries. They think the best deals are to buy an existing restaurant. The deal is sweetened if the owner is able to finance at least part of the deal for the right buyer.

Meliker, Spinelli and McGinnis were unanimous in their upbeat take on opportunities in the marketplace. Spinelli concluded with his assessment, "The entrepreneurial spirit is still alive." There are deals to be made for the right buyers and sellers.

Introducing Bill Miller

Lessons in Hospitality Real Estate

by William Miller

As we launch into the new year, 2009 will prove to be a unique challenge for the foodservice industry. Notwithstanding our economic woes, the Mid-Atlantic and DC Metropolitan area in particular are economically steady and are likely to recover ahead of the national economy. We have a solid base on which to do business even with a soft economy. That doesn't mean that things aren't rough in our market, yet they could be worse.

If you have been looking for a great site in the DC Metropolitan area, you know historically it has been a real challenge because of our robust economy and now notable food scene. Good sites at any price have been hard to come by and the best ones are often very expensive and typically have several people negotiating for them. Now is a good time, if your business and bank account warrant it, to be looking for a new site. Inventory is better but still modest.

The real benefit of our current market comes in less competition for available sites and ultimately a better deal. The goal would be to strike a "today" deal receiving the benefits of a poor economy, and then open your operation as the economy recovers. Previously occupied restaurants can offer a great opportunity as renovation costs are typically much lower than building from scratch, yet so far there have been relatively few restaurant closures, which shows strength of our market. On a new site, one of the benefits is the length of time to open (around 12 months from the start) in which time the economic storm may have blown over. The process will still not be easy, there are no fire sales yet, and there may never be any.

In the coming months, I am embarking on a series of articles that will

walk you through the steps involved with successfully consummating a restaurant deal, which, if you are looking now will help to leverage this market's opportunities.

These articles will touch on all phases of the deal from concepting and preparing initial marketing information to how to negotiate specific deal points and finalize a lease. I will hope to impart the wisdom I have gained from brokering restaurant deals for over 20 years for great chefs like Bob Kinkead and Ris Lacoste, and national tenants like Gordon Biersch and BLT Steak among many others.

My background also includes a degree in Restaurant Management from Penn State's Hospitality School, as well as several years of management, teaching and consulting experience. We will cover in great detail the "three legs" of a successful restaurant deal: concept, operations and finances, which are to a deal like food, atmosphere and service are to a successful restaurant.

Concept is the first leg of a successful restaurant deal. Clearly, the concept needs to make sense in the market and specifically, the site. For example, a formal destination restaurant is probably not well suited to a busy casual shopping/entertainment district. Operations is the second leg, a great concept that is poorly executed ... need I say more. Financing is the third leg. A good concept, even well run, without proper funding is a problem.

The goal, by going step by step through the process of preparing to go to the market, site selection, negotiating and signing the lease, is to give a little perspective and structure to opening a restaurant. If these insights can prevent a problem or two and/or create a benefit, often it's the small things that tilt the scales from failure to success. The devil is always in the details.