

# THE BOSTON RESTAURANT GROUP, INC.

# RESTAURANTS:

## INDUSTRY UPDATE 2015

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](http://www.bostonrestaurantgroup.com)

### INDUSTRY BENCHMARKS

While every restaurant is unique, the following percentages can serve as a frame of reference if adjustments are made for the specific concept:

#### COST OF GOODS

• Food	28% to 32%
• Liquor (Spirits)	18% to 20%
• Bottled Beer	24% to 28%
• Draft Beer	15% to 18%
• Wine	35% to 45%
• Paper	1% to 4%

#### PAYROLL & BENEFITS

• Full Service	30% to 35%
• Limited Service	25% to 30%

#### OCCUPANCY COSTS

• Rent & Taxes	8% (FS) 10% (LS)
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Source: *Restaurant Start-Up & Growth* 2007 & 2013

### REVENUE PROJECTIONS 2015

Source: *National Restaurant Association*

Full Service	\$219.7B	+2.9%
Limited Service	\$201.1B	+4.3%
Coffee/Bakery	\$32.8B	+5.2%
Other	\$255.6B	
<b>Total</b>	<b>\$709.2B</b>	<b>+3.8%</b>

### DANNY MEYER

"A restaurant's style of doing business must be in harmony with its location."

Source: *Setting the Table* by Danny Meyer

### RESTAURANT DEVELOPMENT

"Most new restaurant development these days is of the fast casual variety - deli, bakery café, pizza and sandwich shop - located primarily in existing strip centers, malls and mixed use developments. Hence restaurant real estate is primarily leased, rather than owned."

Source: *Restaurant Finance Monitor* October 2013

### CHIPOTLE'S METRICS

Average Cost to Open	\$800,000
Average Unit Volume	\$2,100,000
Average Size Unit	2,500 sf
Average Sales psf	\$840
Average EBITDA	26.3%

### RESTAURANT SPACE

A current rule of thumb states that from 30 percent to 33 percent of the total space should be dedicated to the "back of the house" - kitchen, rest rooms, storage, office, walk-ins, etc.

Source: *Restaurant Start-up & Growth*, Nov. 2014

### POPULATION SEGMENTATION

Source: *Time Magazine*

Generation Z	61M	0-15
Millennials	85M	16-34
Generation X	64M	35-49
Boomers	72M	50-69
Silent Generation	23M	70-84
Greatest Generation	6M	85+

### INDEPENDENTS VS. CHAINS

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

Source: *Restaurant Start-up & Growth* January 2014

### CATEGORY KILLERS (AUV)

<b>SANDWICHES</b>	
Panera	\$2,527,000
McDonalds	\$2,522,000
Chipotle	\$2,147,000
<b>CASUAL DINING</b>	
Cheesecake	\$10,247,000
Houston's	\$8,988,000
Yard House	\$8,458,000

Source: *NRN* June 2014

### CUSTOMER SERVICE

Good service can save a bad meal; however, a good meal cannot save bad service

Source: *Tim Sullivan, NRN* July 2013

### MARKET RENT

Ten years ago base rent in excess of \$30 psf NNN was pushing the envelope. Today \$40 to \$50 psf NNN seems to be the norm.

### VALUATION APPROACHES

#### Top Line Value

"Sales are a much better indication of value than bottom line numbers."

Source: *Business Reference Guide* 2014

### OPENING A RESTAURANT

To be on the safe side:

- Discount sales projections by 15% - 20%
- Increase cost projections by 15% - 20%
- Target sales at 2.5 - 3.0 times the investment
- Target total occupancy costs at 8% of sales
- Target EBITDA at 10% to 12% of sales

### MARKET SHARE / SALES

Source: *NRN.com* June 30, 2014

Burger	32.7%
Casual Dining	16.7%
Beverage/Snack	9.3%
Sandwich	8.6%
Pizza	7.5%
Chicken	7.2%
Mexican	5.7%
Other	12.3%
	<b>100.0%</b>

### DEVELOPMENT TRENDS

Of the 50 fastest growing restaurant chains in America, the trend has shifted from just opening more units to opening fewer units, but with a higher volume per unit.

Source: *Restaurant Business*, July 2014

### RENOVATION SCHEDULE

"Most restaurant chains look to freshen up the design or décor every five to seven years".

Source: *Restaurant Start-up & Growth* Dec. 2013

### RESTAURANT VALUATIONS

While every business needs to be considered on an individual basis, depending upon the terms of the lease and the condition of the improvements, restaurant businesses are currently valued at a multiple of from 20% to 40% of sales.

### SEGMENT MARKET SHARE

Source: *Nation's Restaurant News* 08/11/14

Breakfast	21%	+2%
Snack/Coffee	24%	+2%
Lunch	34%	-1%
Dinner	32%	-2%

### FULL SERVICE VS. QUICK SERVE

While the Baby Boomer generation fueled the growth of casual dining and full service restaurants, the Millennials prefer the fast casual segment: Panera, Chipotle, Shake Shack, etc.

- The service is faster - can order on-line
- The meal is less expensive
- The ingredients are of better quality
- The customer can customize the order

### LOCATION

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



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