

# RESTAURANT



# INSIDER

"NEWS YOU CAN USE"

NEWSLETTER...SPRING 2014



## THE GOOD THE BAD AND THE UGLY

In politics today there is a great deal of discussion on the erosion of the middle class. It is said that we are turning into a nation of "haves" and "have-nots" with the disparity growing larger year after year. In fact, statistics show that the share of this nation's wealth owned by the top one percent grew from 34.6% to 37.1% just since 2008 alone. Truly astounding, and some would say appalling, numbers; however, we will not enter into that philosophical debate here.

What we will do is continue with the theory of "haves" and "have-nots" as it has never been more prevalent in the restaurant industry than it is today, especially as it pertains to real estate. Everyone old enough to be reading this newsletter has heard about the Three Golden Rules of Real Estate... location... location... LOCATION! Although this phrase has been seen in print as early as 1926, it has never been more applicable than it is today. As much as the restaurant industry has changed over the years, and it has changed a great deal, this "golden rule" has even more impact to the potential success of a restaurant than it has at any time in the past 20+ years.

The advent of computerization and standardized use of technology, not only for restaurants and bars, but in shopping centers and by landlords as well, along with the proliferation of multi-unit

*Continued inside*



Looking for a Sports Bar? We've got four (4) awesome choices available, all located in different areas of the Valley. All are open, operating, fully-equipped and beautifully built-out in varying styles, themes and decors ranging in size from 4,000 to 6,000 square feet and in price from \$175,000 to \$350,000. Grab yours now! #1842, #1871, #1876 and #1879



RESTAURANT REAL ESTATE - a freestanding, fully equipped building located in a densely populated North Phoenix neighborhood with a population of over 260,000 in the 5-mile trade radius. Located at 32nd Street & Thunderbird Road just off the 51 Freeway with over 30,000 cars traveling these cross streets daily, this is an excellent opportunity to OWN restaurant real estate in a strong location at a GREAT price! \$625,000. #1880

Food Court location currently serving Mexican fare in Scottsdale Fashion Square, the largest shopping mall in Arizona, and all of the American Southwest, with approximately 2 million square feet of retail space. It is among the 30 largest malls in the country and more importantly, one of the TOP 10 most profitable with sales of over \$740 per square foot, more than 2x the national average. WILL NOT LAST! Only \$45,000 #1864



Beautifully done full-service steakhouse restaurant with a Series #6 (bar) liquor license. Located in a Queen Creek neighborhood shopping center adjacent to Gateway Airport with many other successful tenants that benefit from 25,000+ cars per day traveling on its cross streets and a target market of over 125,000 in the trade radius. This unique facility has a large fully-equipped kitchen capable of producing any style of menu and a fabulous dining room with rich warm furnishings and décor. Huge potential for the right operator! \$280,000 #1863



# RESTAURANT INSIDER

## The Good, The Bad & The Ugly Continued

restaurants, has provided a great deal of data that allows for the comparison of locations. Based upon the examination of this data, it is clear that choosing the correct location for your business is the single greatest factor in determining its success. Many of you may say, "Well of course, we knew that selecting the location was important." You would then be surprised to hear that in many transactions the location was not the determining factor, or even a top priority.

Many other factors seem to cloud the restaurateur's judgment. Things like rent rate, visibility, convenience, parking and building configuration are some of the known aspects that influence the decision on where to locate their business. Wait, aren't these location based factors that should be taken into consideration? NO! First and foremost, choosing where your business should be located is all about defining the food and/or beverage concept, determining the ideal target market for those goods and services and based upon solid research, locating the business where it has the highest probable opportunity for success because there is a sufficiently dense clientele base available to support it. Once this process is complete, and ONLY then, should all of the other numerous issues receive due consideration and be factored into the equation.

Why is this methodology important? Let's start with the most basic example, rent. While the business model for your restaurant concept does play a role in determining a range of affordability, the difference between success and failure is rarely the rent rate. In almost every instance it is the revenue rate. For example, if you choose a location with a \$5,000 per month rent and generate \$10,000 per week in revenue, odds are that this location will not be profitable; rent in this instance would be 12.5% of revenue. If instead you choose to pay \$6,000 (20% more) and the better location generated \$15,000 per week, rent as a percentage of sales would be reduced to 10%, thereby significantly increasing the opportunity for profitability. Rent must be considered as a portion of revenue, not just a dollar amount per square foot to be paid as overhead. If the revenue is available, expenses can be taken care of with ample profit dollars left over. If sufficient revenue is not being produced, there is no way to be profitable; the fixed costs will consume every dollar of sales generated, and then some.

KNOW your business! Clearly define the offering, seek out the target market for that offering and find a suitable location in that target-rich environment. It's the best possible recipe for success!

~ The Restaurant Brokers

## Commodity Prices Surge!

Bacon ▲25.7%	Federal forecasters estimate retail food prices will rise as much as 3.5% this year, the biggest annual increase in three years, as a drought in parts of the U.S. and other producing regions drives up prices for many agricultural goods.
Cheese ▲40.8%	The Bureau of Labor Statistics on Tuesday reported that food prices gained 0.4% in February from the previous month, the biggest increase since September 2011, as prices rose for meat, poultry, fish, dairy and eggs.
Butter ▲18.0%	Much of the rise in the food cost comes from higher meat and dairy prices, due in part to tight cattle supplies after years of drought in states such as Texas and California and rising milk demand from fast-growing Asian countries. But prices also are higher for fruits, vegetables, sugar and beverages, according to government data. In futures markets, coffee prices have soared so far this year more than 70%, hogs are up 42% on disease concerns and cocoa has climbed 12% on rising demand, particularly from emerging markets.
Chicken Breast ▲9.0%	The U.S. Department of Agriculture estimated last month that retail food prices will rise between 2.5% and 3.5% this year, up from 1.4% last year. The inflation comes despite sharp decreases over the past year in the prices of grains, including corn, after a big U.S. harvest. In other years—notably 2008—surging grain prices were a key contributor to higher food costs.
Coffee ▲29.1%	Food prices have gained 2.8%, on average, for the past 10 years, outpacing the increase in prices for all goods, which rose 2.4%, according to the government. Overall consumer prices are expected to rise 1.9% this year, according to economists surveyed by The Wall Street Journal.
Eggs ▲23.6%	
Ground Beef ▲17.0%	
Ham ▲53.6%	
NY Strip ▲24.6%	
Ribeye ▲11.1%	
Tilapia Fillet ▲26.7%	

## BUSINESS Valuation Services



**your business**

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- Refinancing?
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### More Hot Properties



FABULOUS Freestanding Restaurant Building that is absolutely PERFECT for a local chef-driven food concept. This facility has a cozy bar, open dining room, well-designed kitchen, wraparound patio and ample parking. The 2,600 SF building sits on a 1/3 of an acre hard corner lot and has great visibility to the 20,000+ cars per day that drive past it daily in this densely populated neighborhood. Land, building, FF&E, the works... only \$525,000! #1866

Awesome location right in the center of the Mill Avenue Entertainment District with access to the massive Arizona State University student population. This longtime nightlife destination already has a Series #6 (bar) liquor license in place. Continue with the current entertainment concept or change to something new. Hard to go wrong with over 75,000 students a block away and a residential population of over 300,000 in the trade radius! \$225,000. #1869



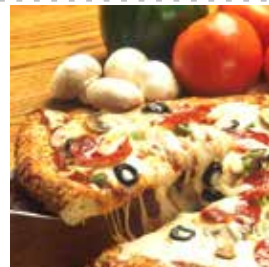
Old Town Bar & Restaurant with a Series #6 (Bar) liquor license. An extremely RARE OPPORTUNITY to grab a premium location right in the middle of the Scottsdale nightlife district. Beautiful facility with an outstanding bar, big comfy booths, full kitchen, mezzanine office space and a patio that shows well to the passing crowds. A CAN'T MISS spot for the right operator! #1873. \$250,000

Magnificent restaurant serving modern American cuisine with French influences. It has an established reputation for upscale ambiance and unrivaled food. Upon entering, guests are welcomed by an inviting bar, striking dining room décor and a spacious climate controlled patio with a fireplace and unobstructed views of breathtaking sunsets. Located in the center of the burgeoning West Valley, next to the baseball spring training field and a developing mega mall. This is the kind of restaurant you've always dreamed of - reputation, location and unlimited growth potential supported by strong sales and consistent profits. Opportunity is knocking at the door for the right buyer. CALL US NOW. \$575,000. #1882



Beautifully done traditional diner style breakfast and lunch restaurant that's currently serving dinner as well. Located on the end-cap of a contemporary strip center with great visibility, easy access and plenty of parking for the 80,000 cars that drive right past it every day, this immaculate facility screams nostalgic family restaurant with its huge open floor plan, large comfortable booths, "old school" lunch counter and fully equipped kitchen capable of delivering almost any menu. Operate the business as is or convert it to your food concept. Either way, you can have a blast with this one! \$125,000. #1836

Lifestyle \$\$\$ maker! A ROCK SOLID business in the beautiful mountain community of Payson, AZ. A favorite of locals, tourists and visitors located in a very active shopping center with ample parking and great visibility. Recently remodeled, this facility is in excellent condition from front to back. Offering a great menu served by an enthusiastic well-trained staff make this a FUN place to own. Sales trends have steadily increased with strong profitability and all indications are that this will continue as ASU has committed to opening a campus just ¼ mile away. \$275,000 #1841



#### JOKE:

A man visiting a graveyard saw a tombstone that read: "Here lies John Smith, a lawyer and an honest man." "How about that!" he exclaimed. "They've got three people buried in one grave."

#### QUOTE:

"Your customer doesn't care how much you know until they know how much you care." ~ Damon Richards

### PROTECT YOUR HARD WORK WITH THE RIGHT Commercial Property Insurance



#### Who We Service

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# By the numbers



**345**

the number of squirts from a cow's udder, on average, that it takes to yield one gallon of milk.

~ *Of Food Great & Small*

**67.5**

the percentage of alcohol by volume of the world's strongest beer, Snake Venom, crafted by Scottish brewery Brewmeister

~ *Beer Facts*

**19**

the number of cents out of every dollar you spend on food that actually goes toward the stuff you eat. The other 81% goes toward marketing, manufacturing and packaging.

~ *Eat This Not That*

**183,818**

the total number of square feet of bar and restaurant space currently available for sale and/or lease being offered by The Restaurant Brokers

~ *The Restaurant Brokers*

**110,273**

the number of jobs currently provided by the craft brewing industry in the U.S., including serving staff in brewpubs.

~ *Brewers Association*

**.7**

the percentage of the world's population that is drunk at any one time. 50 million people are drunk right now!

~ *FactSlides.com*



**Buy?  
Sell?  
Lease?**

## Restaurants and Bars are what we do... *It's ALL we do!*

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The Restaurant Source is a group of highly regarded Valley companies that cater to the special needs of the restaurant and hospitality industries. We have been in existence for over 30 years. Each member represents a different facet of the industry and can offer expertise, competitive pricing and referrals. The group comprises representatives of both locally and nationally based companies that can provide products and services for all types of restaurants, including those in the early

construction stages as well as the long-established. Many members are affiliated with other professional organizations as well, including the Arizona Restaurant and Hospitality Association and the National Restaurant Association. Whenever you call on our members, you have the confidence that comes from knowing you are working with the industry's best.



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