

# RESTAURANT INSIDER

"NEWS YOU CAN USE"

NEWSLETTER... SPRING 2017



**LABOR PAINS**

Those of you reading this article have probably been around long enough to have heard the old saying "don't tell me about the labor pains, show me the baby." Well, with the passing of Proposition 206 this past November, and its implementation at the start of the year, this saying should have new meaning to restaurateurs in Arizona. Because in spite of the labor pains (significant wage increases), you are still going to have to show them the baby (profits) to continue operating a successful business.

The passing of Prop 206 means that restaurant operators will have to deal with a number of labor cost issues that can significantly impact their operations. Basically, the standard hourly minimum wage went from \$8.05 to \$10.00, an increase of 24.2%, and the tip-credit wage went from \$5.05 to \$7.00, an increase of over 38%. While these are the mandatory rules, there is also the issue of "upward pressure" to deal with. For example, if you hired an employee two years ago at \$8.00 per hour and gave them a 50¢ raise each year so they are currently earning \$9.00 per hour, there is virtually no chance that they will accept making the same \$10.00 per hour as the new person you just hired. Therefore, wage adjustments will be required throughout much of the staff in order to provide an equitable solution that fairly and adequately addresses the matter for all concerned.

*Continued inside*



**Three absolutely beautiful full-service restaurants with locations in Phoenix, Scottsdale and Peoria available.** Currently featuring wood-fired pizza, Italian specialties along with an array of wines, beers and cocktails, these units would require a name change, but the offering can remain the same or they can be converted to your restaurant concept. Purchase one or all! #1999, #2000 and #2052.



**A very profitable restaurant in a PRIME North Phoenix location** is now available. This a 5,200 SF freestanding building in an extremely active, high-traffic shopping center with great visibility, easy access and plenty of parking. This fantastic facility has an island bar, nice cocktail/lounge area, beautiful patio, private dining room, a serious kitchen with a huge cook's line, lots of storage, large walk-ins, a separate prep area and strong local demographics with over 65,000 cars per day through the cross streets and over 115,000 people in the three-mile trade radius. **Price reduced to \$375,000.** #2041

A real gem! This truly authentic **Mexican restaurant** has been providing fantastic food, drinks and service for 15 years. Located in a high-visibility freestanding building with its own parking lot **right on Scottsdale Road**, this fun and festive Cantina is not only known for its inspired Central Mexico cuisine, but also for its indoor/outdoor bar and hosting magnificent parties on their massive totally over-the-top outdoor patio. Everything is in place to carry on the tradition and take it to new heights or convert this ideal location into your concept. Only \$215,000. #2049



**It's a lifestyle!** This roadhouse style restaurant and bar with a Series 6 liquor license is perfectly positioned with great visibility on the main road in the **COOL Arizona High Country**. This business has developed a great reputation for locals and tourists traveling from Flagstaff and Phoenix or on the way to several Arizona attractions in the immediate area as well as hosting special events and charity functions. With two patios, a large bar, fully equipped kitchen, easy access and plenty of parking, this facility is ready for a new owner to step in and keep the tradition strong, and revenues and profits alive. \$395,000. #2027



An excellent fast-casual **Mediterranean restaurant** is available in the affluent Chandler/Ocotillo area. This business has PRIME POSITION with amazing visibility in this upscale center and is surrounded by numerous extremely successful businesses that provide tons of traffic. This 2,000 SF location currently generates in excess of \$550K in revenue and \$85K in profits annually, but is capable of even more based on the 40,000+ cars passing through the intersection on a daily basis and a high disposable income population of over 85,000 in a three-mile radius. \$135,000. #2038



# RESTAURANT INSIDER



## LABOR PAINS.. *Continued*

When taking all of these matters into consideration it is estimated that most restaurant operators, depending of the size, type, style and configuration of your business, are looking at a labor cost increase in the range of 2.5% to 5% of gross sales at a minimum. The bottom line is that if you currently make 10% profit per year, that number will drop to approximately 5% to 7.5% if no changes are made – a *significant* negative impact to profitability in the range of 25% to 50%.

OK, so what do we do about it? The restaurant business, like pretty much every other business, operates on margin. The first step to increased margins is to increase gross profit, this is difference between what you pay when you buy it and what you get when you sell it. For restaurant operators this is more commonly known as *cost of goods sold*. There are two ways to impact cost of goods sold: 1. Charge more for the products you are selling; 2. Spend less for the product and charge the same amount. We recommend using both strategies in a somewhat blended fashion.

First, let's acknowledge that you are offering some products where spending less is not an option; for example, a bottle of beer. Since you serve it in the exact same manner in which you buy it, the only option here is to increase the price, which, by the way, the beer companies manage to do every year without fail. However, far more items fall into the other category where you can make adjustments on both sides of the cost. Let's take a grilled chicken sandwich for example: If you are currently using an 8-ounce breast and charging \$8.95 for this item, a slight reduction to the size of the chicken breast to 7-ounce coupled with an increase in the price \$9.95 will create a margin increase of 10-12%.

If your restaurant is like most, it will take a margin increase of 6-12% across the board just to offset the labor cost increase implemented by Prop 206. This does not take into account things like the utility cost increases from Southwest Gas and APS/SRP or the fluctuations you may face in commodity prices for produce, meat, dairy or other items during different times of the year.

Before we get too "gloom and doom" on the topic of increased labor costs and negative impact they will have on your business, just remember that there is always a way to make the adjustments necessary to have a successful and profitable business no matter what the labor costs are. Case in point, the minimum wage in Australia is currently \$17.70 per hour and they do not have a tip-credit wage for the service employees. Many of the more skilled employees, especially in the kitchen, make significantly more than the minimum and the restaurant industry is flourishing there. The operators have budgeted for these costs and the products, portions and prices are positioned in such a way as to allow for them to thrive.

Bottom line, it's time to make the adjustments necessary to be successful. Take a serious look at the portions you are serving and your pricing structure. Redo your menus to change those portions and prices accordingly. If you know your products, portions and costs, you can analyze your menu offering and take action to ensure success. It will be the difference between just surviving and actually having a prosperous and profitable 2017! ~ *The Restaurant Brokers*

# SOLD

Rainbow Cactus was sold to Todd Hallis and converted to **Tavern on the Creek**.

Marshall's Fine Dining sold to North Mountain Grille, LLC and converted to **North Mountain Grille**.

The Grind sold to RHJM Concepts and converted to **Crujiente Tacos**.

The Former Red Revolver in Scottsdale sold to 33rd Degree LLC and was converted to **Ellure Lounge**.

**Sushi Ken** in Ahwatukee was sold to KIM & YUN LLC and will remain the same.

Binkley's in Cave Creek sold to Obed De La Cruz and will be converted to **BurritoHolics** and **Calakmul Restaurant**.

Bink's Kitchen & Bar in Scottsdale sold to Savory Concepts LLC and was converted to **Char Kitchen & Bar**.

**Waffle Crush** Trucks were sold to Crushin It Cuisine LLC and will remain the same.

**Acacia Cafe** was sold to Macran LLC, the owners of Base Pizzeria, and will remain the same.

Jack's Place in Old Town was sold to La Locanda LLC and was converted to **La Locanda Ristorante Italiano**.

Nello's in Tempe was sold to Desert Pizza, LLC and was converted into **Happy Joe's Pizza & Ice Cream**

**Peppersauce Cafe** in Phoenix was sold to Sargon Shlita and will remain the same.

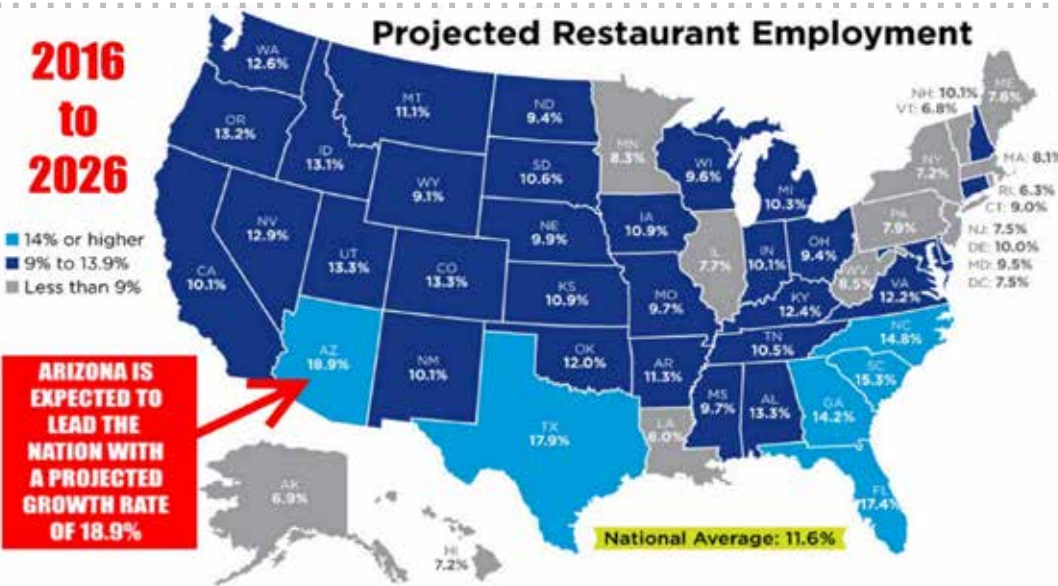
**Slices Pizza** in Tempe Marketplace was sold to Pizza el Pezzo Tempe LLC adding this unit as their second Slices location.

SmokeHaus on Scottsdale Road was sold to Ed Archuleta and converted to **Rack**.

Napoleon Bakery in Glendale was sold to My Gal Sal LLC and converted to **My Gal Sal Bakery & Catering**.

Stingray Sushi in Chandler was sold to Lucky Fins Chandler LLC and will be converted to **Smokin Fins Seafood Grill**.

Macros Edge in Scottsdale was sold to Tammie Coe and will become the commissary for **Tammie Coe Cakes**.



RESTAURANT INSIDER



More Hot Properties

Extremely unique breakfast, lunch and specialty chocolate shop in the West Valley now available. Known, and LOVED, for their delicious pastries, exquisite chocolate creations, imported specialty goods and out-of-this-world coffee concoctions, this cute little shop offers a menu and atmosphere with a decidedly British flair that cannot be found elsewhere in the Phoenix metro marketplace. Located at a high traffic intersection with over 60,000 cars per day and in proximity to numerous medical professional offices and ASU West, this business is ripe with opportunity for the right operator. \$95,000. #2047



**This is the BIG TIME!** A high-volume, high-profile restaurant and bar in the West Valley. This business is for experienced operators with the resources to acquire and manage a large scale operation that generated \$3.95M of revenue and over \$900K of profits in the past year. This kind of mega food, beverage and entertainment operation is something that rarely becomes available in the Phoenix metro marketplace. If you are a qualified operator, jump on it now... it won't be around long! \$1,750,000 #2050

**ABSOLUTELY FANTASTIC ASU LOCATION!** Hard to match this spot for attributes...just off the ASU campus, on the Light Rail, visible, easily accessible parking and great patio that can be seen from the street. Currently operating as a Mediterranean style restaurant with a complete kitchen capable of delivering any menu and it has a Series #12 liquor license already in place. \$125,000. #2046.



**Fantastic facility and location for the right operator** - this spot has it all! Currently offering Mediterranean cuisine, this space has all the makings for a high-volume location of almost any style of restaurant concept- high traffic, high visibility, parking, two patios, under market lease rate, a large well-appointed kitchen with great neighborhood demographics and a motivated owner who has priced this newly remodeled space to sell fast. \$175,000. #2043

**Premium restaurant and bar facility available in the East Valley.** This is a fabulous build-out with over-the-top curb appeal, a fantastic patio, indoor-outdoor bar, great visibility and ample parking. Known for their excellent food, craft beer selection, outdoor dining and live music on the weekends, this place is a casual neighborhood hangout and food, beverage and entertainment destination for the surrounding communities. The location features excellent demographics with a population of over 265,000 in the 5-mile trade radius and over 40,000 cars per day traveling the cross streets. This is a large-scale business that demands a qualified operator. ~~\$475,000~~. #2009 **DRASTICALLY REDUCED to \$195K OBO!**

This **ROCK SOLID business** serves a delicious product and has a 14-year history of success and profitability. Known for their wood fired pizza, Italian specialties and superb selection of Europe wines, this cozy and casual East Valley neighborhood destination is the perfect spot to enjoy wonderful food with friends. A great business with strong profitability makes this an excellent fit for a chef/operator or a husband and wife team. \$225,000. #2053



**QUOTE:** "Be who you are and say what you feel, because those who mind don't matter and those who matter don't mind." ~ Dr. Seuss



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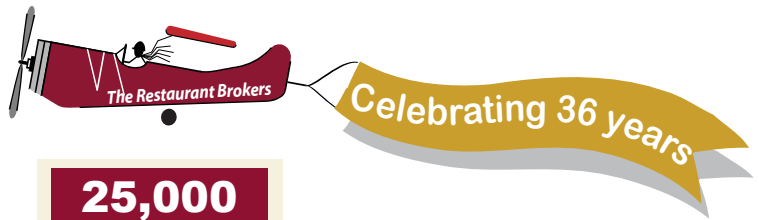
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# By the numbers



**Larry Edelstein**  
1931-2017

**86**

The number of years in an extraordinary life lived by an amazing individual... a husband, father, grandfather, Korean War Veteran and Holocaust Survivor. We miss you! RIP  
~ Family & Friends

**800**

The number of dollars in MILLIONS that the Cactus League, Spring Training Baseball, generates annually for the Arizona economy.  
~ ABC 15 News

**25,000**

The current market value in dollars for a Maricopa County Series 7 (beer and wine) license. Need to buy or sell one? Ask us...  
~ The Restaurant Brokers

**70**

The percentage of olive oil being sold in America that is NOT actually pure olive oil.  
~ Mercola Health

**100**

The potential number of cows whose meat may be incorporated into the fast food hamburger that you ate today. Yum, yum!  
~ Fun Food Facts



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## Even More Hot Properties



Excellent high-visibility **Mill Avenue location** featuring fresh salads, healthy sandwiches and a dazzling array of juices, smoothies and coffees now available. Beautifully designed, this fast-casual restaurant features an excellent decor package with a very modern yet comfortable environment that makes a great presentation to its customers. Continue with the current business model or convert it to your concept. \$195,000. #2048

**Old World Italy in Maricopa!** This beautiful Italian restaurant brings home "a taste of the old country" – featuring pasta, piccata and parmigiana entrées along with great pizza and hero sandwiches. Located in the end-cap of a strip center with strong visibility and plenty of parking, this facility offers a full bar, spacious open dining room, fully equipped kitchen and beautiful outdoor patio. The business trends show strong revenue growth and significant profitability in the past year. Perfect for a husband and wife team or chef-operator with a passion for Italian cooking! \$215,000. #1983

**JOKE:** When the waitress in a New York City restaurant brought him the soup du jour, the Englishman was a bit dismayed. "Good heavens," he said, "What is this?" "Why, it's bean soup," she replied. "I don't care what it has been," he sputtered. "What is it now?"