

# Location, Location, Location...

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Everyone has heard the expression: "Location, Location, Location". A restaurant's site selection is as crucial to its success as great food and service. However, many restaurants that open in "great locations", fail because they don't adjust their business model to the particularities of that location.

Choosing a location involves more than picking a place and signing a lease. Your location selection will influence many parts of your business plans and operations.

It is highly recommended to work with a licensed real estate broker who knows your local market as well as an attorney who specializes in real estate. They will best be able to guide you to appropriate properties, and to negotiate the best possible deal on your behalf; be patient as this process takes time. If you already have a certain location in mind, you shouldn't become too attached until you know it meets your needs.

Before you create a business plan, write a menu, or dash off to the bank to apply for a loan, here are 4 essential elements of a location to consider:

**Population Base/ Demographics/ Foot Traffic** – There needs to be enough people who live or work in, or pass through, the area on a regular basis to keep your restaurant busy. The population base and the different types of traffic will dictate some of your operating procedures. For example, if you are in a thriving downtown commercial area, you might only open for breakfast and lunch but close for dinner, as there is not enough foot traffic to stay open. Your location, and its demographics, may influence your menu design, as well. To analyze the population base of a particular area fully, you can commission a site study. A reputable local real estate broker or the local chamber of commerce can also provide some of this basic information.

**Financial Realities** – Rent is usually your largest fixed expense, and you will probably have significant capital investment to prepare the space to be operational, therefore your business plan must account for covering and recuperating these expenses. In building your business plan, you will have to budget several scenarios to determine how many guests you will have to serve, at a specific check average to be profitable at a given rent; you will also need to determine if the plan is sustainable over time, to meet your financial obligations.

Buying real estate might be cheaper in the long run than renting space in major markets where rent is high. By purchasing real estate you might be able to: create a rental income stream; realize large tax deductions on your property taxes; and take deductions for your mortgage interest payments. Purchasing works well for those with investors or large capital reserves that are not needed to run the day-to-day business operations. Consult with your attorney and accountant.

**Accessibility** – There is a reason that major restaurant chains are often located near main intersections or highway and freeway exits. Most successful restaurants, whether in urban or suburban areas, are easy to find. Your restaurant should be street-facing and not tucked away in a building or set back.

How your customers get to you is also a consideration. A parking lot, easy public or street parking, and nearby public transit all improve accessibility; alternately you might offer valet service. The bottom line is that your customers need to be able to find you and should be able to get to you - make it easy for them!

**Operational Restrictions** – A space that does not immediately accommodate or restricts your operational needs is not a bad space, it may in fact be a very good space; it just changes your operational and financial plans. A few examples of restrictions on property that can affect the capital investment or the targeted cash flow of your business: Many office buildings do not allow cooking in the attached retail spaces, as they do not want smells permeating the building; if they do allow it, you may have to build out proper ventilation. Ensure the space is ADA compliant, and meets local public safety codes; if it is not, you will have to alter the space to adhere to regulations. The zoning of a location is vital; some municipalities may limit sidewalk or outside seating and may not issue liquor licenses if you are located near a school or house of worship.

Additionally, many leases contain conditions, covenants and restrictions (CC&R's) issued by the landlord. Know what these are before signing a lease, as these CC&R's can affect your business just as much as public zoning regulations and can cost you precious capital.

Do your due diligence. By understanding each of these elements, and how they may affect your business plan, you can better choose the right location for your new restaurant.

4Q can provide restaurant site selection brokerage and consulting services to help you find a location that meets your every need.



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**Noelle E. Ifshin, President, 4Q Consulting, LLC**

**244 5<sup>th</sup> Avenue, Suite 1430, NY, NY 10001**