

WHY RESTAURANTS ARE NECESSARY

High demand from retail landlords allows restaurants to ‘have it their way.’

By Rebecca Waters of Wheeler/Brand

The dining experience is still what brings family and friends together, and this experience—quality time together — is what drives consumers to a restaurant destination of choice. As the economy continues to recover and consumers are eating out more, supply is increasing to meet demand, occupying more and more retail space. Throughout the Southeast, restaurant occupancy has increased significantly within the past five years.

Restaurants are a critical element to the growing live/work/play concept that is shaping large developments in both suburban and urban settings. Consumers flock to destinations where they can take advantage of a variety of services and also shop, work or work out. Residents are increasingly opting for homes in multifamily communities where they can walk to services and entertainment. The centers that offer a variety of dining options alongside these amenities see more crowds and enjoy more lucrative sales.

Restaurants continue to be the most desirable tenant for many landlords in both suburban and urban destinations



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despite their high-risk nature. The traffic driven by dining destinations is extremely valuable for the center as a whole and, therefore, outweighs the potential for failure. National chain tenants pose less risk than start-ups; however, many local restaurant operators are smart and successful with more innovative and unique concepts. In fact, independent restaurant sales and chain restaurant sales are becoming more and more balanced. In 2014, chains swallowed only 52.9 percent of the market share.

Restaurants that balance the merchandise mix and add diversity to concepts within the center are more attractive to landlords. While critical mass or clusters of restaurants are attractive

components to a tenant line-up, consideration of the overall market is vital. Oversaturation of a particular food category must be avoided to ensure restaurant success; the consumer can only eat so many burgers and pizzas.

In recent years, restaurants across the board, spanning from chef-driven concepts and fast casual eateries, to fast food joints and drive-in only, have generated creative concepts and tailored their offerings to meet the ever-changing demand of consumers. With the overall consumer experience upon entry to exit, healthier menu options and personal food creations, restaurants are connecting with their customers and building brands in hopes of brand loyalty.

Have It My Way

While consumers are driving the demand for restaurants, they are specifically seeking those where they can have it their way. Perhaps Burger King was on to something so many years ago with its “have it your way” jingle.

Over the past decade, the gourmet burger craze has taken that idea one step further to offer a better than “fast food” burger made with high-quality ingredients along with unique and out-of-the box accompaniments. Topping choice, bread choice, meat choice — your way is what matters. The demand for a better burger experience has also driven expansion in the typical burger menu to include craft beers and extensive wine selections (think Zinburger, Bocado Burger and Flip Burger).

As well, the next chapter of the “have it your way” is emerging today in the pizza category. Pizza is getting the same facelift with better ingredients — even better than what’s described by Papa John’s slogan of “Better ingredients. Better pizza,” and an improved customer experience with personalized pizzas, not just personalized pizzas.

Gone are the days of the “put it all on there and pick off what you don’t like” family dining experience. Uncle Maddio’s and Your Pie have paved the way for the “have it your way” pizza and sparked a craze with exponential growth potential.

Thriving Concepts

Whether it is because consumers can now have pizza their way, or Americans are pining back to our immigrant roots, the gourmet pizza concept is clearly making its mark in Atlanta. Stores that have recently expanded or are seeking their first Atlanta location include Blaze Pizza, Antico, Verasano, Double Zero, Pie Five and Pieology. Nearly a dozen new pizza concepts,

including Pieology and Blaze Pizza, have opened in the Atlanta market just in the last year.

Other thriving concepts include gourmet ice cream, which currently seems to be licking the recently popular cupcake craze within the sweets category. In the Atlanta market alone, consumers can experience so much more than your chocolate, vanilla and strawberry variety. Flavors such as strawberry-rosewater and coconut-jalapeno can be found at the popular Morelli’s. Other gourmet ice cream shops include High Road Craft, Kilwins, SunO Dessert, Jake’s and Sarah Jean’s Ice Cream. Many of these now have multiple locations throughout metro Atlanta.

Throughout the nation, the old-school diner is making a strong comeback, also with a more gourmet flair. Still drawing late night customers from bars and clubs, the 24/7 and “anything goes” attitude is moving from breakfast, burgers and blue plate specials to incorporate a variety of menus, such as sushi, seafood and Mexican-inspired fare. Many diners are opening in markets such as New York City, Seattle and Austin after successful runs of “street food” sales. So instead of hurting restaurant real estate, restaurants born on wheels are becoming so popular that they are evolving and growing into brick and mortar diners as a result.

Terms of the Deal

Today, restaurants now realize the valuable role they play in a retail center’s tenant mix. As significant traffic drivers, these dining destinations are fetching more concessions and favorable lease terms from landlords:

- An increase in tenant improvement dollars works to secure the next notable chef-inspired restaurant.
- Deal structures with lower, upfront rents enable restaurants to turn profit more quickly and ensure their success. Many times, once profit is turned, percentage rent goes into effect, awarding landlords rent based on profits. Restaurants with an alcohol menu typically turn profits at a faster pace.

Ultimately, restaurants are valuable to most retail centers rounding out the merchandise mix with an amenity that drives traffic and increases sales for all tenants. What was once just a “friends and family” (thank you MCI) experience is often transformed into an entertainment encounter as outdoor spaces are enjoyed, sidewalks are strolled along and patrons linger throughout the common areas. The more consumers enjoy, stroll and linger, the more sales potential is inherent within the center. ■

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