

Restaurants Seizing the Opportunity to Expand

DINING: Operators Take Advantage of Turnkey Deals

■ By MARIEL CONCEPCION

Many restaurants are giving up their leases and shuttering their doors because of COVID-19.

But, for every location that closes, it appears a new one is opening, as operators are seizing the opportunity to lease turnkey spaces and expand their operations despite the pandemic.

“We have been seeing closures of restaurants at an increased pace since April – the majority of these closures are of restaurants that were already troubled prior to the pandemic. The other closures are from concepts who could not adapt and quickly change their business model to survive and ran out of capital,” said **Mike Spilky**, president of **Location Matters Inc.**, a commercial real estate brokerage based in University Town Center.

“On the other hand, those concepts thriving pre-pandemic are coming out in full force to seek out location opportunities that would have not existed just six months ago. The most in demand location opportunities are closed former restaurants with remaining usable infrastructure, furniture and equipment left behind, which can save a new owner a



Location Matters Inc.
President
Mike Spilky

significant upfront investment.”

2,000 Square Feet or Smaller

The pandemic is not affecting all restaurants equally, said Spilky.

Larger format restaurants are seeing the most challenges during this time, especially spaces over 2,500 square feet with a lack of outdoor space, casual dining restaurants, buffet restaurants and those that relied on a crowded bar. Those restaurants with great locations regardless of the latter, he said, have been seeing a better return to pre-pandemic sales.

Spilky said he is seeing most demand for 2,000 square feet spaces or smaller. Those in great locations are going as fast as they come into the market, he said. The inherent ‘deal’ is the opportunity to take over a location that otherwise would either not be available, Spilky said, or would have a larger upfront investment pre-pandemic.

So far this year, he said he’s finalized about 12 of these transactions.

Mom-and-Pop Shops

Mike Conger is principal at **Commercial Asset Advisors**, a full-service commercial real estate brokerage firm in Kearny mesa. He said he’s been most surprised by the demand and how quickly newly

vacant properties are being snagged by restaurant operators, particularly by smaller mom-and-pop shops.

“Five years prior to COVID, finding a built-out restaurant that was vacant and up for lease was very difficult in San Diego,” he said, adding that he mostly focuses on suburban areas like La Mesa, Spring Valley and Chula Vista. “It can take \$100 to \$200 per square foot to build out a restaurant and can take up to six months just to get a permit. Post-COVID, there was this anticipation that all these restaurants were going to close and there would be tons of vacancy. But, as we started to market those locations, we have seen a lot more interest than people have anticipated. These are mostly from quick service restaurants that can handle delivery and take-out and are set up a lot better for this climate.”

Brian Jenkins, principal at **Commercial Asset Advisors**, said although landlords are motivated to get new tenants in vacant spaces, it is a misconception that they are offering lower lease rates across the board. He said there are a couple of factors that are taken into consideration, including location, how long the space has been vacant, who was at the location

prior and the success of the future operator, among others.

Since COVID-19, Jenkins said **Commercial Asset Advisors** has done three deals in which one operator closed and another took over the lease. He said one of those leases was 25% less than the prior renter’s, while another was up by 7% when compared to that of the previous lessee.

“Every landlord’s tolerance for vacancy is different,” he said. ■



Commercial Asset Advisors
Principal
Mike Conger



Commercial Asset Advisors
Principal
Brian Jenkins

Location Matters Inc.

FOUNDED: 2008
CEO: Mike Spilky
HEADQUARTERS: University Town Center
BUSINESS: commercial real estate brokerage firm.
REVENUE: About \$1M in commission year-over-year
EMPLOYEES: five
WEBSITE: www.locationmatters.com
NOTABLE: company has seen high demand in North County coastal.

Commercial Asset Advisors

FOUNDED: 2018
PRINCIPALS: Mike Conger, Brian Jenkins
HEADQUARTERS: Kearny Mesa
BUSINESS: full service commercial real estate brokerage firm.
EMPLOYEES: eight
WEBSITE: www.caacre.com
NOTABLE: completes about 140 transactions a year on average.

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