CBRE: Guidelines to Reopen Restaurants and the Economy Safely with Social Responsibly

The restaurant industry's revival will require collaboration, communication and compromise not more bureaucratic regulations from local government.

COVID-19 has hit the $2.5 trillion food & beverage industry harder than any other sector of the economy, with restaurants accounting for 60% of the 16.8 million jobs lost between March 19 and April 9. The National Restaurant Association estimates the industry lost more than $50 billion in sales in April as a result of closures.

A new **report** from CBRE estimated that most such establishments will re-open at 50% of capacity and will need special help from landlords to become operational.

There is growing concern about permanent closures due to the loss of sales, mounting debt and the uncertainty of loan issuance and forgiveness under the Paycheck Protection Program.

Landlords will need to plan for vacancies, as many local, chef-driven concepts aren't likely to return at all, according to CBRE. A

survey conducted by the James Beard Foundation on April 16 revealed that 28% of small and independent restaurant owners don’t believe they can survive another month of closure. Furthermore, only one out of five are confident they can sustain their businesses until normal operations resume.

“The food & beverage industry will re-open cautiously as a more sterilized, controlled environment to ease consumers’ concerns about spending time in public places,” said Meghann Martindale, global head of retail research for CBRE.

“Owners will have to explore new avenues for revenue to cope with this interim seating reduction, and, we may see new lease structures to help restaurants stabilize,” Martindale said.

National restaurant operators, meanwhile, are likely to move more cautiously into re-opening, waiting two to four weeks after the easing of restrictions to gauge consumer patterns and make the proper changes.

To get some of their premier tenants back in business, landlords will have to be willing to provide added assistance to food and beverage tenants, the report advised. Rent restructurings, lease modifications, and permissions to make concept changes and menu modifications are areas they’ll be asked to consider.

Landlords must prepare for some restaurants not reopening. Those that do reopen in this pre-vaccination environment will face significant economic and operational challenges, exposing landlords to a potential second wave of fallout if sales do not adequately rebound and operators are unable to remain solvent. Beyond rent deferrals during closures, restaurant operators are seeking longer-term landlord assistance. As they work diligently to recover sales and generate supplemental revenue to help stabilize their businesses, restaurants are seeking restructuring of rents, modification of leases and permission to shift uses (i.e., changing menus or establishing a market component). Landlords can also support restaurants by providing additional marketing resources, infrastructure for curbside pickup, eating areas outside, space for the storage of more takeout containers, cleaning supplies, tables and seating during reduced capacities.

Food & beverage has been a capital-intensive anchor segment of the retail sector. Deal structures will further evolve into partnerships between restaurants and landlords for long-term stabilization. Creative new lease structures and management agreements are being struck for ongoing capitalization and operation of key tenants as occupancy thresholds are being reset.

Properly executed, these plans will demonstrate social responsibility to reopen safely and help ease any reluctance by consumers to dine out.

See **CBRE’s full report here**