

6 Facts to Know Before Investing in a Restaurant

January 17, 2025



[Excerpted from the article published by U.S. News and World Report](#)

The restaurant industry is in expansion territory, according to the National Restaurant Association's latest statistics. In November, the Restaurant Performance Indicator (RPI), which tracks the health of the U.S. restaurant industry, stood at its highest since July 2023. Restaurant operators also have a positive outlook on the

months ahead, according to the association's Expectation Index.

This all cooks up good news for investors with a restaurant appetite.

"In addition, the higher-interest-rate environment has increased (restaurants') costs to service their debt, making operators prefer more than ever to raise outside equity from investors instead of borrowing, if possible," says [Greg Wank](#), food and beverage practice leader at Anchin.



This coupled with the Federal Reserve's rate hikes mean "investors may see more opportunities and can possibly demand a better valuation on their investment," he says.

So, the time may be ripe for investing in a restaurant – but not without doing your homework first.

Restaurants that rely on office workers as their customers may face reduced traffic now that hybrid work has become increasingly common, Wank says. "It has forced many to reduce their headcounts and their menus while looking for new revenue streams with a heavy focus on catering and on breakfast which are usually at higher margins," he says.

If you plan to invest in such a restaurant, be sure to factor in this new norm when evaluating revenue and customer traffic projections, he says.

You should review how much money it takes to occupy and maintain a space, including rent, insurance, common area maintenance and taxes. The industry standard says this should be no more than 8% of sales. Although, it may be higher than 10% in New York City, where occupancy costs "are all over the place with some areas down and others up," Wank says.

