

Industry Index

A glance inside the facts and figures of Greater Baltimore's restaurant industry.



Maryland's restaurant industry employs more than 172,000 people.

8.6

Food and beverage sales, in billions of dollars, in Maryland in fiscal year 2010, the most recent data available.

'We've had to lower our expectations for what our tenants will bring.'

- Jamie Herbert
Weber Hudson Street Development Co.



This QR code links to the Maryland Restaurant Association's dining guide where visitors can search for restaurants or caterers listed by cuisine type or location.



JBL Real Estate's Jeremy Landsman is asking \$4,000 per month in rent for his recently purchased Canton bar.

Pricing it right

JIMMY DEBUTTS | STAFF

Jamie Herbert's pause tells it all. Herbert offers an exasperated "oh yeah," sighs and reveals market changes forced him to reduce the rental price of his Canton restaurant and bar 25 percent in the past few years. His property at the corner of Boston Street and Montford Avenue now lists for \$6,000 per month. During the boom years of the mid-2000s, its monthly rent was more than \$7,000.

That was before the recession hit. That was before the market became oversaturated with restaurants and bars for sale or rent and potential tenants with adequate financial backing became scarce.

Herbert's site has been home to Weber's on Boston, Red Fish and most recently Hollywood Burger Bistro. The 121-year-old property is currently vacant and Herbert, like many local landlords, has adjusted his leasing rates to reflect market conditions.

"Things are tougher," Herbert said. "We've had to lower our expectations for what our tenants will bring."

The recession and its aftermath have forced many local bar and restaurant landlords to rethink what they charge. With at least 10 Baltimore bars listed on real estate listing service bizbuysell.com fighting for tenants, landlords have to do more than just deposit their rent checks. The Camden Pub on West Pratt Street and Le-

An influx of bars on the market is helping drive monthly rental prices downward

on's in Mount Vernon are among the local bars on the market.

To sign and retain tenants, some landlords are cutting their rental rates and offering those terms in longer leases. Others are helping offset start-up or renovation costs. It is a matter of dual survival, with tenants seeking rental rates that allow them to be profitable in a slim-margin industry and landlords looking for stable income sources.

Rental assistance

Jeremy Landsman believes he's found the right formula. The owner of multiple Baltimore bars and restaurants bases his rental rates on how much revenue an individual bar generates.

Landsman, whose properties include Johnny Rad's Pizzeria Tavern on Eastern Avenue and McCabe's in Hampden, said local market prices don't figure into his

rental calculations. His rents are determined by the mortgage of each property and by working with potential tenants to ensure the price leaves room for profit.

His latest purchase, a vacant Canton bar at the corner of O'Donnell and South Conkling streets, is listed for \$4,000 per month or about \$10 per square foot. That's in the same range as some other local restaurants and bars including the vacant Brass Elephant restaurant in Mount Vernon. It is listed for \$9.44 per square foot.

Landsman said the biggest factor when determining rental rates is ensuring long-term occupancy at his properties.

"Without my building, they don't have a business, and without them, I don't have a profitable building," he said.

Landsman also works with his tenants to boost their chances of survival. For some, that might mean a few months free rent at the beginning of a lease to help a new bar get off the ground.

Landsman gave Dan McIntosh, a first-time restaurateur, the opportunity to operate McCabe's. He said his ownership team didn't have the required deposit Landsman usually seeks when leasing space. So instead of receiving money up front, the landlord agreed to waive the fee for a modest increase in rent.

McIntosh said lower rental rates might

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NEXT WEEK'S FOCUS

Banking, Finance & Insurance
Lists: Bankruptcies; Biggest layoffs

Most restaurateurs made their way from busboy to boss



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Marshall Weston targets Maryland's alcohol tax



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Bars: Some landlords aren't willing to lower rents for new bar owners

From Page 13

have been available, but Landsman's willingness to ease some of the up-front costs made it possible for him to take ownership of the Hampden establishment.

"I did the numbers based on what I thought I could do," McIntosh said. "It's a fair [deal]."

Updating two adjacent former row-homes has been Mark Bogosh's mission the past year. He is renovating Helen's Garden on Canton's O'Donnell Square and expects to open in February.

Bogosh said his landlord agreed to a long-term lease once he committed to putting his own money into the renovation project. While he wouldn't disclose his investment or rental rate, Bogosh said having an extended lease was critical to choosing the Canton site.

"If you put that much money into a property you'd want to be there for a while to protect your investment," he said.

Landlord resistance

As more bars are put up for sale — 31 entered the Maryland market in the third quarter of 2011, up from 21 from the same time in 2010 — the competition for a dwindling number of tenants with the financial backing to run a bar has intensified. While some landlords with vacant properties are adapting to the changing economic landscape, that's not the case for many with existing tenants who want to sell their business and liquor license.

That complicates things, particularly when the bar owner has a long-term lease signed five or six years ago when rents were notably higher. Many landlords are not always willing to let the current owner out of a lease and accept a lower rent from a new tenant.

Deals signed between 2005 and 2008

were made "when the world was great," said Michael Morris a Baltimore broker for Cana Development. Many of the landlords holding those leases are quite content to stick with those deals even as their current occupants struggle to break even.

That is souring many potential bar sales, Morris said. He said about half the deals he's worked on in recent months have collapsed after the owner found a qualified buyer but the landlord refused to renegotiate the lease.

"Landlords are crossing their arms and saying if you want to agree to these terms, great. If not, no deal," Morris said.



The former Hollywood Burger Bistro property in Canton is listed for \$6,000 per month. Its owner used to charge more than \$7,000 per month.

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Bar Story

The number of bars put on the market in Maryland jumped 48 percent between the third quarter of 2010 and the same time in 2011.

21

Number of bars in Maryland added to bizbuysell.com in the third quarter of 2010.

31

Number of bars in Maryland added to bizbuysell.com in the third quarter of 2011.

6

Percentage of Maryland properties added in the third quarter of 2010 that were bars.

9

Percentage of Maryland properties added in the third quarter of 2011 that were bars.

Source: bizbuysell.com

BALTIMORE BUSINESS JOURNAL

BIZ BUZZ AWARDS 2012

Best in Social Media

THE FINALISTS

The BBJ's inaugural Biz Buzz Awards will recognize Greater Baltimore's best in social media. The BBJ will award the companies, bloggers, vloggers and Tweeters who most successfully and creatively used their mediums to generate business and interest in their products. One person or company will win from the finalists listed below! Congratulations to all of the finalists and we'll see you at the party!

The winners will also be published in the BBJ's February 10, 2012 issue.

Mobile Web

- Hodes, Pessin & Katz P.A.
- Localist
- Mos Creative
- Parking Panda
- Visit Baltimore

Business App

- Charm City Circulator
- JobOn
- Ocean City
- Wagonheim Law
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QR Codes

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- McCormick & Co.
- National Aquarium
- Stevenson University
- Visit Baltimore

Business Twitter

- @myBGE
- @MDBiz - Maryland Department of Business & Economic Development
- @philippsseafood
- @thegypsytruck
- @underarmour

Blog

- Advance
- Carchex
- Groove Commerce
- Imagine LLC
- Micros Systems Inc.

Daily Deals

- American Visionary Museum
- Baltimore Zoo
- Blue Hill Tavern
- Café Gia
- Charm City Yoga

Vlogs

- Anne Arundel Medical Center
- Finding Definitions LLC
- Harford County Office of Tourism
- Old Westminster Winery
- Visit Baltimore

App Creator

- Alexander + Tom
- Emagine
- Localist
- Mindgrub Technologies
- Seabalt Solutions Inc.

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- Baltimore Coffee & Tea
- Groove Commerce
- National Aquarium
- Run for your lives
- Sláinte Irish pub

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