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Monday, June 08, 2009

A growing number of Albuquerque eateries sit empty, pinched between increased costs and the recession

By [Rivkela Brodsky](#)

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It's survival of the fittest in the Albuquerque restaurant scene, and the toll has been rising judging by the growing number of empty sites.

So says Brett Hills, a "restaurant specialist" with Maestas & Ward.

Anyone who gets around town has noticed the missing: Whisque Mesquite Grill & Bar at 4201 Montano Road NW; the Hometown Buffet at 9261 Coors NW; Copeland's at 10051 Coors NW; Tony Roma's at 10015 Coors NW; the T.G.I. Friday's on the north side of Winrock's parking lot; Marie Callender's Restaurant at 5220 Eubank Blvd. NE; Carrow's Restaurant at 650 Juan Tabo NE; Thai Basil at 5201 Fourth St.; Harlow's Jazz Club at 3523 Central NE; Applebee's at



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6308 4th Street NW; Falls Steak & Seafood at 3771 N.M. Highway 528; the former China Star (most recently Golden Bowl Super Buffet) at Juan Tabo and Lomas NE — just to name a few.

Hills and business partner David Fite told the Journal that a Maestas & Ward listing reveals 67 available restaurant spaces marketwide in Albuquerque as of April. That number was 59 in March and 41 in January. Some of those restaurants are still operating, but are available for sale or lease.

And Hills says, there are more empty restaurants out there.

"There's definitely been an increase in available restaurant space," Hills said, adding he didn't have specific figures for last year. "In this type of environment, strong restaurants and marketers will continue to excel. Restaurant owners that are absent and not providing quality will continue to go by the wayside."

A listing provided by Grubb & Ellis showed 32 listings for spaces 10,000 square feet or smaller across the market. That number was 24 just a month earlier. The listings were for spaces formally used as a restaurant or bar.

Ken Schaefer, director of brokerage operations at Grubb & Ellis, said at least 20 of those spaces became available since the beginning of the year. Last year, he said that number was more like 10 or 12.

"Even last year, I can remember when restaurant space was hard to come by," he said. "Or finding a space with equipment."

Economic pressure

Hills says the spike is "economically driven."

Carol Wight, CEO of the New Mexico Restaurant Association, agrees.

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"Restaurants are going out of business. There's a lot of pressure on business right now," she said.

The association represents over 1,100 restaurant locations across the state and accounts for more than \$2 billion in sales annually.

Eateries faced increased costs because of minimum wage and food prices increases as well as higher energy costs, Wight said. Restaurants, she said, did not increase menu prices.

"They took some big hits and I noticed members weren't raising prices when they needed to," she said.

Payroll was another cost restaurant owners struggled to maintain.

Wight and her association led an unsuccessful fight against a higher minimum wage in New Mexico, even after a number of business organizations and companies signed on to Gov. Bill Richardson's push for higher wages. The association argued that a higher minimum wage would hurt the restaurant industry the worst.

"We predicted this," Wight said. "We told people if you raise the minimum wage than everything goes up exponentially. It just has to. A person can't stay in business and not raise prices."

The minimum wage increases went into effect in January 2007. The minimum wage is currently \$7.50 an hour.

"To the average guy out there, it's like a dollar or two dollar increase. For my members, they have lots of employees. It's very labor intensive. You have to multiply that two dollar increase over 40 hours a week over 100 employees," Wight said. "It really does effect a lot of restaurants because we are so labor intensive."

Lee Reynis, director of the Bureau of Business and Economic Research at the University of New Mexico, said there have been employment declines in the lodging and food service industry over the past year.

"We know a lot of that is happening at restaurants," she said.

On average, 65,173 were employed in the food services and drinking places industry at an average 2,935 establishments across the state in the third quarter of 2008, the most current information available, according to LASER or Labor Analysis, Statistics & Economic Research numbers from the New Mexico Department of Workforce Solutions.

Average employment in the industry was 66,806 in the third quarter of 2007

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at an average 2,911 establishments.

More than 1,600 lost jobs

That's a loss of 1,633 jobs over the year.

In Albuquerque, average employment in the industry was 30,493 at 1,241 establishments in the third quarter of 2008. The third quarter of 2007 shows employment at 31,280 at 1,200 establishments.

"Clearly there is job loss in Albuquerque as well," Reynis said.

Julian Wright, who owned Whisque Mesquite Grill and Bar, employed 75 people at the restaurant when it closed in January.

"Sometimes people think about restaurants as only owners," he said. "But it's also the workers losing their jobs."

Wright, who also owns a restaurant in Phoenix, said he closed Whisque because of economic reasons.

"I think it's probably the same there (Albuquerque) as it is anywhere," he said. "There's less disposable income. People are spending less."

However, he said, Albuquerque's economy is in much better shape.

"In Phoenix, restaurants are dropping like flies, probably ten to one to Albuquerque," Wright said, adding that there are more restaurants in Phoenix, and part of that is because it costs less to get a liquor license in Phoenix. He said a liquor license in Albuquerque cost him \$300,000. In Phoenix, it's \$3,000. Wight said a full liquor license in New Mexico costs at least \$100,000, if not more. There are a limited number and are considered the property of the owner, not of the state, meaning a liquor license is expensive to purchase and is an a asset to any business that owns one. In some cases, she said, a business may find it more profitable to sell their license than continue operating.

A beer and wine license costs around \$2,500, she said, but restaurants with a full liquor license tend to be more successful.

She said the expense and difficulty in purchasing a full liquor license makes it harder for businesses to open.

"A lot of restaurants open and close before they even get their liquor license ... we're making it impossible for people to succeed," she said.

Recovery in sight?

Hills said the Albuquerque market is doing better than other economies.

"I'd rather be a restaurant owner in Albuquerque than in Las Vegas, Arizona, Florida and Michigan, just to name a few," he said. "I also believe that people are sticking closer to home. A lot of people vacation in Santa Fe and Taos or are staying at the Tamaya and treating themselves to a nice meal instead of going to Europe."

Hills said he has ten new concepts looking to come into the Albuquerque market and the trend now is to take over existing restaurant spaces.

"I think by the end of the year, we will hit an equilibrium," he said. "The most sought after spaces will no longer be vacant."

As an example, the Bennigan's at San Mateo and Academy is coming to life

once again after sitting empty since last July.

Wight said it will take some time before more restaurants open up — at least through the end of the year owners will be more cautious about opening up an eatery.

"I think it will take a while before people feel comfortable about going into a restaurant concept," she said.

Retail trends

Retail vacancies in Albuquerque are at its highest level since 2002, reaching 11.3 percent in the first quarter, according to a report by Maestas & Ward. The national average is 9.5 percent.

In the third quarter of 2008, the local vacancy rate was at 7.9 percent. It grew to 9.4 percent in the fourth quarter of 2008.

Schaefer said closures of retailers like Circuit City, Wild Oats, Zangara Dodge and Enchantment RV account for a big portion of vacancies.

Former retail space is "the majority of space on the market," he said.

He said even though the rate is high, it will help remaining retailers.

"I think it's actually a good thing because the weaker hands are being shaken out," he said. He said many retailers are using this economic time to remodel spaces or looking at new spaces previously out of price range.

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