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# CONTROLLING RESTAURANT OCCUPANCY COSTS

## 6 TIPS FOR OVERCOMING RISING RENT AND MAXIMIZING MARGINS

Skyrocketing rents across the U.S. are hitting independent restaurant owners particularly hard, squeezing already-tight margins and pushing occupancy costs to 10% and beyond. Without the deep pockets of a corporate chain to fall back on, 1 in 4 independent businesses say rising rent is their top challenge.



### WHY RESTAURANT RENTS KEEP RISING

**Commercial Real Estate Prices Rising Nationwide:** Post-recession economic growth means people and companies are investing in commercial real estate again, up real estate prices everywhere.

**Urban Boom Increases Demand:** Continued urban growth across the U.S. is driving demand for restaurant space in the “urban core.”

**Dwindling Supply of Small Spaces:** Urban redevelopment is replacing small restaurant spaces with larger, more expensive spaces to better attract corporate chains.

**Fast-Casual Amps Up Demand for Small Spaces:** Rapid growth of corporate fast-casual chains is driving up demand (and rent) for the small spaces typically occupied by independent restaurants.

**Challenging Financing Environment:** Banks and other lenders favor the stability of corporate chains. Independent restaurants get stuck with higher rates—if they can secure financing at all.

### FOCUS ON UTILITIES – REDUCE OCCUPANCY COSTS TO OFFSET RISING RENT

To fight rising rents, savvy restaurant operators are zeroing in on reducing utility costs—using less water and energy—as a high-return strategy. Most restaurants have tremendous room for cost-cutting improvements, and these big-impact changes are surprisingly easy to make.



UTILITIES ACCOUNT FOR  
**5%**  
OF OPERATIONAL EXPENSES  
in the typical restaurant.<sup>3</sup>



WATER USE HITS RESTAURANTS'  
**BOTTOM LINES**  
in three ways: water costs, water heating costs and sewer costs.

FOR THE TYPICAL  
RESTAURANT

**\$1**

REDUCTION IN  
ENERGY COST

HAS THE SAME IMPACT AS

**\$12.50**

INCREASE IN SALES.<sup>4</sup>



RESTAURANTS USE

**5-7x**

**MORE ENERGY**  
per square foot than  
other commercial  
spaces—as well as  
substantially more water.<sup>2</sup>

## LEAN ON PARTNERS FOR COST-SAVING GUIDANCE

Managing a busy restaurant leaves little time for evaluating energy efficiency. But leading vendors can offer valuable expertise in helping you identify ways to save energy and water—from your kitchen operations, to your warewashing practices, to your facility cleaning products.

Visit [Cleanwithkeystone.com](http://Cleanwithkeystone.com) for more surprising cost-saving tips.

# 6 TIPS FOR REDUCING UTILITY COSTS

## 1 EFFICIENT KITCHEN APPLIANCES: THEY'RE WORTH IT

Replacing old equipment with energy-efficient appliances can bring annual energy savings of up to 70%.<sup>5</sup> More efficient steam cookers, ice machines and dishmachine bring significant water savings on top of reducing energy use.

**Energy-efficient appliances can drive 70% annual energy-cost reduction.**

## 2 THE DISHMACHINE IS A GREAT PLACE TO START

Commercial dishmachines are typically one of the most costly appliances. Replacing an old dishmachine with an ENERGY STAR-certified dishmachine typically reduces energy and water usage by 40%.<sup>6</sup> This adds up to annual savings of over \$1000.<sup>7</sup>

**An ENERGY STAR-certified dish machine can contribute \$1,000 in annual savings.**

## 3 RINSE AWAY OTHER WAREWASHING COSTS

Proper dish soaking significantly reduces warewashing water usage. A low-flow pre-rinse sprayer can save nearly \$500 in water and energy costs annually.<sup>8</sup> High-performance dishmachine chemicals help you get a perfect clean the first time—so you don't end up running a load twice just to get off tough gunk. Finally, never run a half-empty dishmachine—you're paying the full cost of water, soap and energy for a less-than-full load.

## 4 CREATE A LOW-FLOW "LOO"

Besides warewashing, restrooms are the second biggest water user. Certified low-flow faucets and toilets help restaurants avoid flushing excess money down the drain. Installing these low-flow fixtures will save a restaurant between 20-40% on water usage.<sup>9</sup>

## 5 SWAP LIGHTBULBS FOR ENLIGHTENED SAVINGS

Lighting accounts for 13% of the typical restaurant's total energy usage.<sup>10</sup> Switching to energy-efficient light bulbs and fixtures can reduce energy consumption by 75%.<sup>11</sup> That's about \$34 per bulb.<sup>12</sup> Just swapping out your exit signs with LED lighting can save \$22 annually.<sup>13</sup>

**Energy-efficient lighting can cut lighting costs by 75%.**

## 6 PROTECT YOUR INVESTMENT IN YOUR SPACE

Whether you upgrade or not, appliances are major investments – and a major source of cost. Proper equipment cleaning keeps it running efficiently and avoids breakdown and repair costs. Proper cleaning of all back-of-the-house spaces – degreasing floors, cleaning range hoods, using the right cleaning products – minimizes wear and tear on kitchen equipment.

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