# Should You Buy a Restaurant? A Realistic Assessment

By BVC Research Team | January 2026 | 11 min read

Restaurant acquisitions are the most romanticized and most dangerous category in small business M&A.; Everyone has fantasized about owning a restaurant, but the industry's thin margins, high failure rates, and operational intensity mean this category demands exceptional due diligence and realistic expectations.

## The Honest Truth About Restaurant Economics

The restaurant industry operates on razor-thin margins. A well-run restaurant generates 5-10% net profit margins, compared to 15-25% for service businesses. This means there's almost no room for error, and even small operational missteps can turn a profitable restaurant into a money-losing one.

| Metric | Industry Average |
| --- | --- |
| Food Cost | 28-35% of revenue |
| Labor Cost | 25-35% of revenue |
| Occupancy Cost | 6-10% of revenue |
| Other Operating | 15-20% of revenue |
| Net Profit Margin | 5-10% of revenue |

## What Makes a Restaurant Worth Buying

- **Location with a long-term lease:** The lease is often worth more than the business itself. Secure a 10+ year lease with favorable terms.
- **Liquor license:** In many jurisdictions, liquor licenses are limited and can be worth $50K-$500K alone.

- **Established brand and reputation:** A restaurant with consistent 4.5+ star reviews and loyal regulars has a moat.
- **Stable, trained staff:** Finding and training restaurant staff is the industry's biggest challenge. An existing team is hugely valuable.
- **Multiple revenue streams:** Dine-in, takeout, delivery, catering, and events create resilience.

> **KEY INSIGHT:** Never buy a restaurant that requires a dramatic concept change to succeed. If the current concept isn't working, a new owner with the same menu, location, and staff is unlikely to produce different results. Buy what's already working and optimize it.

## Restaurant Valuation Multiples

Restaurants typically sell for 2.0x-3.5x SDE, with the lower end for quick-service and the higher end for established full-service restaurants with strong brands. Asset values (kitchen equipment, furniture, liquor license) form a meaningful floor.

## Restaurant-Specific Due Diligence

- Health inspection history (request the last 3 years of inspection reports)
- POS system data verification (reconcile reported sales with actual register data)
- Lease terms and landlord relationship (the landlord can make or break your restaurant)
- Employee turnover rates and staffing challenges
- Delivery platform agreements and commission rates (DoorDash, UberEats take 15-30%)
- Seasonal revenue patterns (summer vs. winter, weekday vs. weekend)

## The AI Opportunity in Restaurants

Restaurants are ripe for AI modernization. Predictive ordering systems that reduce food waste by 15-25%, AI-powered dynamic pricing and menu engineering, automated inventory management linked to POS data, AI reservation and waitlist management, and automated social media and review response can each contribute to meaningful margin improvement in an industry where every percentage point matters.

## Ready to analyze your next deal?

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