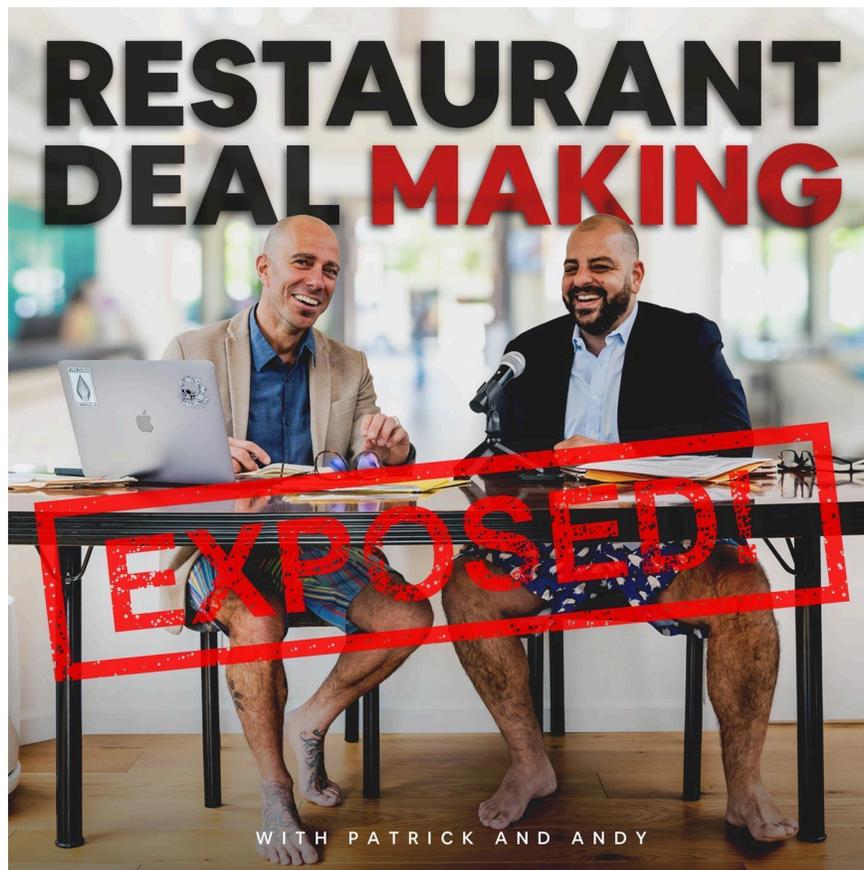


Ep #46: The Top 3 Things for Restaurant Buyers and Sellers To Prepare for in 2026



Full Episode Transcript

With Your Hosts

Patrick Totah and Andy Mirabell

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Welcome to *Restaurant Deal Making EXPOSED!*, the only show that equips you with everything you need to know about restaurant transactions. In this show, we tell you all about how to make the sale or purchase of your restaurant not just possible, but successful. Now, here are your hosts, ex-restaurateurs, and seasoned brokers, Patrick Totah and Andy Mirabell.

Andy Mirabell: Thank you for joining us again for another episode of *Restaurant Deal Making EXPOSED!* I'm Andy, I'm here with Patrick, and today we are going to be discussing the top three things for buyers and sellers to prepare for in 2026.

Now that we are well on our way into 2026, Patrick and I wanted to highlight a few topics that may be helpful to restaurant buyers and sellers during 2026. 2025 was a turbulent year, and that turbulence doesn't just disappear because we're in a new year. There are factors that will carry over from last year that will affect the value of businesses and affect the sale process. Likewise, we see factors that may be changing for the better and should have a positive impact on the F&B industry and sales. Today, Patrick and I will highlight the top three things buyers and sellers can expect in 2026. So take it away, Patrick. Why don't you start us off?

Patrick Totah: Yeah, thanks. I think I see it a lot, actually, in the news. I see it on Instagram, this whole theory that baby boomers in the next 10 years are going to be selling off their businesses, and there's going to be this large transfer of small businesses because the baby boomers want to retire, obviously.

Andy: Didn't that already start? I mean, this is already in process, correct?

Patrick: I think it is already in process, and I also think there's a little bit of truth to the idea that some of it was delayed because of the pandemic. So like, if you were going to sell your business in 2020 or 21 or 22, now that's all shifted by five years, probably because either you need to recover...

Andy: Pay off your debts.

Patrick: Yeah.

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Andy: Pay off your EIDL and SBA debts? Yeah.

Patrick: Yeah, a lot of disruption, right? So here we are, kind of picking up the pieces, and we have picked up the pieces. And I think for those people that, like, for instance, I have a business that I'm selling right now, and they specifically told me they were going to sell probably in 2020 or 21, but then the pandemic basically shifted all that to right now. And they're like in their 70s, and they've been in business for 50 years. So it's a very, in line and with this whole baby boomer thing.

Andy: That makes a lot of sense, and I agree with you. I mean, it's shocking to see restaurant owners working into their 70s. It's a very physical, arduous job that demands a lot of you. So it does make perfect sense that, hey, they were planning in 2017, '18, '19 to get rid of their business, sell it, and retire, and they couldn't. They got hung up, thanks to the pandemic.

Patrick: There is, I don't know if you've read the news, but uh, Cafe Jacqueline in San Francisco, she's selling. She's, I spoke to this lady. She's such a beautiful lady who has been working. She's in her 80s right now, and she's just now giving up her business and wanting to retire, which is amazing on so many different levels. And I applaud her for her wonderful career.

Andy: What were some of the issues that stagnated owners from selling their business? Like, what were what are some of the top topics or top things we can point to from the pandemic? I mean, obviously, there was interruption in business. Obviously, there was revenue roller coasters, right? Ups and downs, depending on what kind of business you had.

Patrick: Yeah. I mean, there's probably a lot of people who had like going concern businesses that all of a sudden now turn their business into an asset sale. And so, you know, it's like if I hang out for another few more years, recover my revenue, get my profit back up, can I sell it for what I thought I should be able to sell it? Because this is their retirement. As you know in the restaurant industry, when you're not working for a corporation, you don't have a pension. You may not have a 401k. I think a lot of people probably were really counting

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on selling their business, and that being some sort of like retirement package, basically.

Andy: Totally. And if you had a tough 2020 or '21, even '22, with your restaurant and you took an EIDL loan, disaster relief loans of any sort, can you imagine counting on, you know, \$250,000, \$300,000 for your business, but yet you got to pay off \$150,000 or \$200,000 balance on your SBA loan? There's not a lot left.

Patrick: No.

Andy: Got it.

Patrick: Absolutely.

Andy: What's next on your list here for buyers?

Patrick: I think the next thing, yeah, for buyers here, the next thing is SBA lending. I think the positive is as rates drop, and I know the current administration is doing everything in their power to get that rate to drop as much as possible. And that's, you know, obviously very helpful for small business owners because if the rate drops, then the SBA lending becomes more and more affordable. You can borrow more for, you know, less debt service every month. And so that's a good thing for everybody, for us, for buyers, for sellers, because it trickles down to, you know, getting more deals done because, you know, there's more lending, there's a bigger pool of buyers. So this is a very good thing.

Andy: Got it. Yeah, we've seen rates drop into the mid and low sixes, right? And then, what if we get into the fives? Things are going to start really moving this year, right? You know, and obviously, it was nice to hear Scott Cisneros of City National, and he basically pointed out that the SBA, it's not a myth. They lend on a lot of smaller deals, and that actually makes up a vast majority of a lot of their transactions. Of course, people focus on large deals for a lot of reasons, but a lot of restaurant deals are not large transactions, and the SBA has been willing to lend on smaller deals.

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Patrick: Yeah. Equal opportunity.

Andy: There you go. What are some of the most viable restaurant models that you see SBA going after or lenders willing to take a risk on?

Patrick: I mean, typically, it's just, I tell people this all the time. I mean, they'll lend on any and most businesses that have three years of profitability, and their profit can support debt service and a living wage, right? It's a very simple formula. And if you find a business that, for the last three years, it has enough profit to pay the debt service, meaning your SBA mortgage, and then a living wage, and typically they want to see that in the \$60,000 to \$80,000. If it can make both of those things and it's still showing a little bit of money after that, then you should be able to get an SBA loan on it.

Andy: Yeah, really good description. I like that. You kept it quite broad. I mean, obviously, we do see really viable quick service restaurant concepts that have low labor overhead and a good model that can be quite profitable. Those are typically appealing. Breakfast and lunch places, those are we're really seeing an uptick in interest for those. I think that's a balance of profitability and quality of life, too. You're not working till midnight, 1:00 a.m., 2:00 a.m. every night, right?

Patrick: You're not. That's typically what I did in my life, so I'm very into those kinds of businesses. Yeah.

All right, so the next one is consumer behavior changes.

Andy: Oh, that's been big over the last past half decade, huh?

Patrick: Yeah I mean, the one that everybody was talking about in 2025 is drinking trends. I mean, I think this one has really affected the industry. I've seen it affect the industry. Like selling a bar is not as, you know, fast as it used to be, or they don't hold the same values as they used to. And I think really people are starting to see, you know, the millennials and the next generation of not drinking themselves to oblivion as we used to back in the day. And I think that is definitely a new industry standard.

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Andy: Well, it's good to hear that your consumer drinking habits have changed, Patrick, since you were younger. But I'm with you. Of course, we see different, we can talk specifics, low ABV cocktails, and big prices for bottles of water at a nightlife venue, and things like that. But it's very clear.

The beer industry has taken a massive hit. It's really thinned out. And drinking overall, high proof spirits, cocktails, things like that, volume is down, revenue is down in those areas in a lot of, in a lot of areas. I think, obviously in our market, California, I think it's a it's even more prevalent, to be honest, because, I don't know, maybe a little more health conscious, who knows?

Patrick: Yeah, I think it's a number of different things, right? I mean, marijuana is legal now. I think that has something to do with it. People stay home and order food. Going out, like, till 2:00 a.m. or I don't know what the deal is. It's just a whole different situation. I think the wine industry is feeling it. I think, you know, breweries, there's a saturation of breweries on the market. It's just a whole different landscape now with drinking, I think. And I think you need to be extremely aware of that and just understand it.

Andy: I was just going to say we're hyper focused on alcohol here, maybe because we're recording on a Friday and should have a mimosa in front of us or something. But...

Patrick: it's 5:00 somewhere.

Andy: Exactly. One of the other things is, you mentioned it already, is delivery platforms. People don't want to leave their home, office, or wherever they are to eat. So they have all of their products and foods and meals delivered to them. So, of course, that affects drinking inside a restaurant if you're sitting at a table or a seat or a bar. But overall, it has had a big impact. Delivery has had a big impact on full-service restaurants, especially larger restaurants, right? There's less people going to them.

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Patrick: I think that delivery apps has had the biggest disruption in the restaurant industry, you know, in my lifetime. I think it has completely changed the entire landscape.

Andy: Boom. Quote that one right there. That one's getting stamped. I like that. It has. It has been, had the biggest impact.

So we talked briefly about the top three for buyers. We talked about baby boomer retirement. We've talked about SBA lending or lender opportunity. And number three, we talked about a change in consumer behavior.

Let's move on to sellers. Number one, buyers are looking for cash flow, seller's discretionary earnings, or true profits, right? This is what a seller should be looking for. Don't reinvent the wheel here. If a business is profitable and it can show it on its tax returns and books clearly, this could be a good opportunity to pursue. So this is what a seller is looking for. So listen up, buyers. Get your books in line and don't wait to do it if you're planning to sell in the next few years.

Patrick: Yeah, I think sellers really underestimate. They talk a lot about how wonderful their business is and how great the location is, and they can tell you like 10 things about how great their business is, and then their profits are a little lower than we would like, right? And I think they underestimate that for a buyer when they're looking at a business, that SDE is extremely important. I mean, you can tell me 10 things why your business is great, but why is it not profitable?

Andy: Yeah. You're on it today with your one, one liners here, Patrick. I like it. No, and you're right. The, the SDE or true profits, if we, the brokers, are really struggling to recast your numbers in profitability and looking and asking a lot of extra questions to really make sense of it, it also proves that's hard for a buyer to translate also, if they are looking at your books. We want things to be as straightforward as possible with profitability.

We've been repeated this subject matter ad nauseam on multiple past episodes, but clean books and records matter more than ever. Not only to the lender, not only to the SBA lenders looking over your books and tax returns, not only to

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buyers, it also means a lot to Patrick and I. We, clean books make our life a lot easier and it makes it a lot easier for us to advocate for your business and paint a picture and show a picture that is specifically aligned with profit, okay?

So in 2026, though, I really do think that buyers are more focused on risk, right? Because of the roller coaster that, current businesses have had, restaurants have had over the past years. We talked about consumer trend changes and things like this. So sellers, beware, you need to pivot and make sure that you're staying current with trends in order to keep your business relevant and appealing to a buyer. So, you know, don't fall behind on these trends, right?

Patrick: And you talked about risk. I mean, I think one of the things I saw last year is buyers are just not willing to, you know, take those shots that they used to or pay that high rent that they wanted, that they were willing to do a couple years ago. They're just exactly what you said, the risk is going away. And I think sellers need to understand that.

Andy: Yeah. I mean, let's talk specifically about an asset sale, maybe a business that's not profitable, showing losses, or breaking even. Less buyers are taking risks on asset sales. And if they're going to take a risk on an asset sale, they're probably going to come in with a pretty low offer price, much lower than ask. And we did see asset sale values drop significantly in 2025. I saw businesses that used to... an asset sale, sweet spot, people would be really interested in these businesses that were priced in the \$125,000 to \$150,000 range. Those businesses were selling for \$100,000 or less.

Patrick: Or less. Yeah. I agree. Yeah, depending on where you were, and yeah.

Andy: Yeah. All right, number two, let's check it out. Sellers, expect more savvy and quality, quality buyers, right? So to our sellers out there, we've noticed as brokers that we're getting a lot more people that really mean buyers and restaurateurs, restaurant groups, they mean business. They're not out there taking a risk. You know, they're not out there taking as much risk as previously. They want to know what they're getting into. They also understand the books and numbers more.

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The pandemic seems to have weaned out a lot of bad operations and bad operators within our industry, restaurant industry, because there's an increase in AI, automation, and these things, we're seeing more educated, quality, tech-savvy buyers enter into the restaurant market. So this is not someone who's just, you know, never run their own restaurant before, not combed through their own P&Ls for years, owning their own business. We're looking at really savvy people who understand numbers, understand automation, understand tech, and they're ready to get in, and they're coming from a more educated perspective with a restaurant purchase this year.

Patrick: Yeah, and I think also you touched on AI. What I've noticed is all buyers being, you know, going on to this whole savvy thing is, when we're going into contract, they're using AI to come up with their own language and help them go through the contract and point out red flags. And they're using AI and ChatGPT to, you know, through due diligence. You know, what should I be looking for in throughout this process? And I get these like huge lists now of all these things, right? That are just like blanket-type due diligence things. And I think it's really becoming more of a norm that buyers are going to use AI throughout their process in the transaction.

Andy: Yeah. And Patrick, should AI replace legal representation? You can hear the sarcasm in my voice there.

Patrick: As I tell all my clients, go get yourself a real lawyer.

Andy: Yeah, do not replace your representation, legal representation with AI. That does not make sense and it is not smart.

Patrick: But it's free, Andy.

Andy: Exactly. So's the internet. All right. So strong buyers, we also are now seeing, we talked about asset sales a while ago, and there's plenty of, you know, asset sale opportunities out there for good locations, maybe a good, strong lease that can transfer. However, the operator was not strong. And so we

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still see strong buyers scooping up good locations in businesses that were poorly operated, okay?

And that goes back kind of to our point of the savvy buyers. These are operators that know, hey, there's something to this location space. I don't need to spend a ton of money to build this out from scratch. It's got good infrastructure. There's a lot of, they're looking for a couple key factors, and then they're like, hey, I can plug and play my concept, and I can profit here because that last operator didn't know what they were doing.

Patrick: Absolutely. I've got a location right now that I'm going on my third time of selling, and so the perception is that like there's a problem with the space. I actually don't believe there's a problem with the space. I think it just needs the right concept and the right operator.

Andy: True. This is a big one. And this has really come to light since 2020. Lease quality can make or break a deal.

If you were in a five or 10-year lease from, let's just call it 2015 onward, and this, we'll use the Bay Area as an example, things were going great. Tech, offices were filled, all this stuff. So you have a lease from 2015 that's going on up 3%, 3% a year, getting more expensive each year. And then all of a sudden the pandemic hits, and you did not renegotiate your lease. The landlord was not cooperative. You know, you just hit a brick wall when you say, hey, it's a new world now. I need a, I need different lease terms. If you don't, if you have an archaic lease or lease terms that are outdated, I don't want to say you're dead in the water, but it's a huge deficit when it comes to trying to sell your business.

Patrick: Absolutely. And even doing business.

Andy: Yeah, exactly, and even doing business, it can bankrupt you, right? What are some of the lease details that are appealing to buyers in today's market? What are some of these new terms or structures?

Patrick: I think you see a lot of incentive-based leases, which is basically set up to kind of set you up to kind of wait until everything starts to take off again. And I

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think, like you, see a lot of percentage rent deals where there's some upside for the landlord. It works up front for the buyer. So I think you're just seeing a lot of and those are the landlords you probably want to work with right now, who understand where we are in the economy, whereas the ones who just want to charge you in a really expensive rent right off the bat, and it may not be sustainable, and they just don't really care.

Andy: Yeah. And sellers need to understand also when a buyer puts in an offer on your business, there is often some very general lease contingencies. It may be a one-sentence lease contingency just saying that a signed lease or a new lease is going to have terms solely acceptable to the buyer. However, I think as brokers, we need to dig in a little bit more about what are the expectations of the buyer so we can inform our seller sufficiently. I have a lot of buyers now that are saying, hey, I want to renegotiate the rent, I want percentage rent. And this is a big one right now. I want abated or free rent until I get my licenses or permitting in place. And we're talking about licenses with the health department or alcoholic beverage control. Those offices, as you might guess, are not getting faster. They are getting slower. So it takes more time to get your business up and running, right? And buyers don't want to be paying rent on that. So sellers beware, a good lease means is paramount today, okay?

Patrick: A good landlord is paramount.

Andy: True, true. Yes. All right. Let's talk about number three, seller financing expectations, okay? What do you think? I think seller financing is a more powerful tool in the last, last year and this year than it has been in previous years. I think it's a great option. So.

Patrick: Yeah. I mean, if seller is actually saying, hey, I would, you know, do some financing for 10, 20, 30% for one to three years, it shows that they are, you know, the perception is that they feel strong about their business that it can actually pay off this debt, right?

Andy: Yes. Totally. Yeah, exactly. I don't, it doesn't need to be said much more than that. If the seller is willing to do it, they have faith in their business, location,

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model, or whatnot. So that, you know, that's a win-win for both sides. I think sellers should try to be more open to seller financing as long as it doesn't put them into too much risk as balanced with what their next chapter in life is or whatever it is. You know, you don't want to be, you don't want to be tied to a long seller note.

So yeah, let's see. SBA loan plus seller note hybrids. We talked about that with Scott and other lenders, that the SBA actually really enjoys to see some portion of seller note tied to the loan also. And again, it goes back to SBA saying, hey, this seller believes in what they are selling and that this is the true performance of their business, okay?

All right. We got through three and three pretty quick. Let's recap here. So, in 2026, buyers, we think that baby boomers are retiring, so buyers are going to take advantage of that. SBA lending opportunities are on the rise. Buyers should really be aware of that and use that to their advantage. Consumer behavior changes. So buyers a lot of the time are going to need to be very up to date on what trends are, so their business is successful, and they also may scrutinize the seller's operations more if they haven't adjusted enough.

So, for sellers, top three things to prepare for in 2026. Buyers are looking for cash flow. Make your books clean. Show your profits on your books, okay? Prepare for that. They're going to ask a lot of questions about it, and that's why they're buying your business is cash flow. Expect more savvy and quality buyers. Our sellers need to understand that it's a new, it's a new day, it's a new year, and the buyers may have more experience, different questions, and different expectations. So they're savvier. And number three, seller financing expectations. Sellers should really try to be open to seller financing if their business is strong and they believe in it, because it's going to make a transaction much more straightforward, and really both sides of it can see faith in the business if you're willing to offer seller financing. Does that sum it up?

Patrick: There you go. You did it.

Andy: Boom. We did it. All right.

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Patrick: Wow. Can I ask you a bonus question?

Andy: Sure, let's do it.

Patrick: What is your favorite thing to do with your kids?

Andy: Oh, gosh. You know what? I like, that's a tough one. I can't just go into one item, one thing here. I'll tell you what, skiing and snowboarding with my kids right now is about top of my list. It's been amazing this year. My little man has got over the hump. He's fast and adventurous now. So I'm trying to keep up with him. I'm on a snowboard, they're on skis. My daughter's a really strong skier anyways, but it's good to not have cell phones in hands, be out in, in, in the elements and do something adventurous. So that's my start to 2026, favorite thing to do with my kids.

Patrick: Nice.

Andy: All right. Thank you all for listening. Join us again next time. We will be back soon.

Thank you all for listening to this week's episode of *Restaurant Deal Making EXPOSED!* If you're considering selling your business and would like a free consultation, reach out to patrickAndAndy@therestaurantsalesbroker.com or visit TheRestaurantSalesBroker.com to learn more.