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Grand Openings in Grim Times

From Jean-Georges to Thomas Keller, some contrarian chefs are opening lavish new restaurants. Will they get burned?

By KATY McLAUGHLIN

TWO WEEKS ago, Ed Doherty opened a \$12 million, 20,000-square-foot steakhouse in a converted bank building in Philadelphia. It serves dry-aged rib eye, Kobe beef and \$1,500 sniflers of Black Pearl cognac.

"People say, 'What are you nuts, to open a 400-seat restaurant in the middle of the greatest financial crisis

since the Great Depression?'" Mr. Doherty says.

Despite the drumbeat of job cuts, stock market losses and government bailouts, a surprising number of lavish and ambitious restaurants are opening around the country in the next few months. Wolfgang Puck's company is spending \$6.2 million on a new Los Angeles eatery, opening in April. Thomas Keller, of the French Laundry and Per Se fame, is opening a 10,000-square-

foot, Beverly Hills branch of his Bouchon bistro in late 2009. In September, New York restaurateur Terrance Brennan plans to open two restaurants for about \$6 million in Bellevue, Wash., and Jean-Georges Vongerichten is behind four restaurants opening in hotels around the world this year.

First-timers are also jumping into the restaurant business. Richard Schaefer, former chairman of the New York Mercantile Exchange, which was sold to CME Group in August, is starting a new career as a restaurant owner. His project, Harbour, an upscale seafood restaurant in Manhattan's Soho neighborhood, has cost \$3 million and is scheduled to open in early March.

These restaurants are opening in

one of the worst environments in years, raising questions about how they will attract the critical mass of patrons needed to keep them in business. People dining out are gravitating toward places like McDonald's, which reported U.S. same-store sales in January up 5.4% compared to last year, and Chili's, which had its biggest sales day ever this Valentine's Day. Fine-dining sales are expected to drop 12% to 15% this year, according to Technomic, a Chicago restaurant industry consultant. Even some well-established restaurants are reporting big drops in sales—Ruth's Chris steakhouses saw an 18.5% decline in company-owned same-store sales in the fourth quarter last year—as consumers stay home more and spend less when they do go out.

Newly Opened

In a tough atmosphere for high-end dining, some restaurateurs are bucking the prevailing mood. Below, five recently opened restaurants, most of which have recession-adjusted menus.



THE LIBERTINE, New York

Opened: September, 2008

Recession Special: Immediately after opening, chef-owner Todd English created a new menu with prices 20% lower than the original.

Comment: The restaurant, in the heart of Manhattan's financial district, opened less than two weeks before Lehman Brothers filed for bankruptcy.



DRAGO CENTRO, Los Angeles

Opened: November, 2008

Recession Special: Owner Celestino Drago rewrote the menu before opening, cutting most entrée prices to less than \$32.

Comment: A recent positive review in the Los Angeles Times said the restaurant was nearly empty. Mr. Drago says it is usually full.



MARKET, Atlanta

Opened: November, 2008

Recession Special: The menu offers a wide range of prices, from Maine lobster for \$38 to chicken, skate and burgers for \$16 or less.

Comment: Jean-Georges Vongerichten plans to open four new restaurants in hotels around the world this year.



SENSING, Boston

Opened: January, 2009

Recession Special: Dishes aren't cheap: A duck entrée is \$35; lamb is \$42. The restaurant says a popular item is a \$25 "snacking plate" featuring oysters, foie gras crème brûlée and a cheese sushi roll.

Comment: Consulting chef Guy Martin, who has a Sensing restaurant in Paris, is also chef at the historic Paris restaurant Le Grand Véfour.



UNION TRUST STEAKHOUSE, Philadelphia

Opened: February, 2009

Recession special: Co-owner Ed Doherty says that the "appetizer station" lets diners spend incrementally on charcuterie or raw oysters and wine by the glass.

Comment: The restaurant offers Black Pearl cognac at \$1,500 for a 1.5-ounce pour. So far, no one has ordered it.

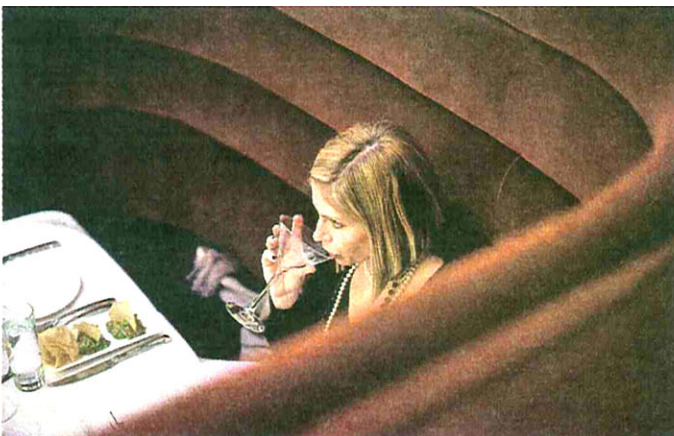
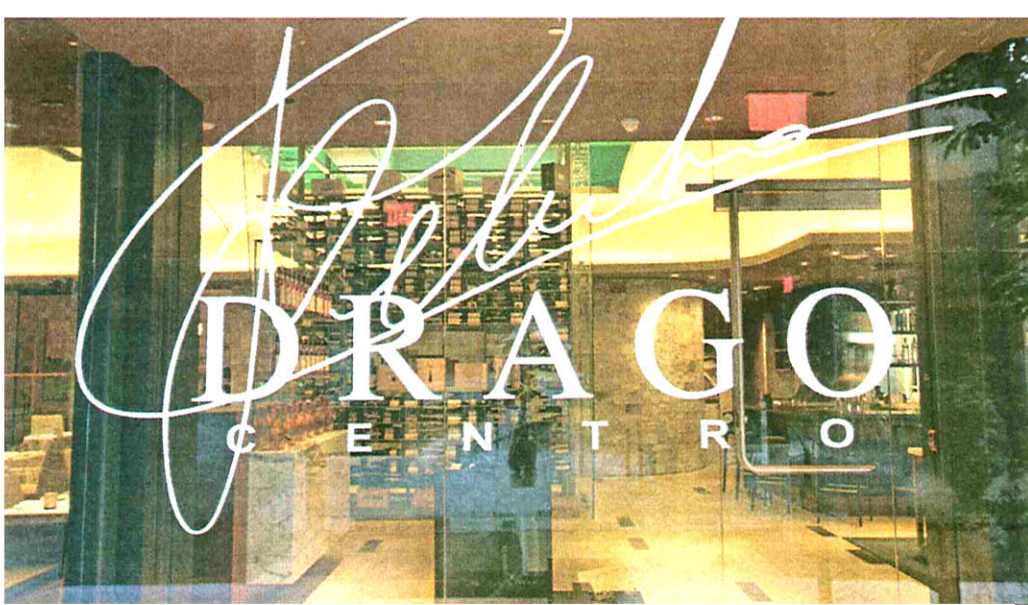
restaurants were signed before the crisis hit. Mr. Schaeffer, for example, signed a long-term lease more than a year ago, he says. Some restaurateurs say the recession actually represents opportunity for them. Real-estate developers, looking to attract tenants in a difficult market, are offering generous incentives to celebrity chefs who open restaurants on their properties. The deflation in commercial rents, construction prices, some labor and other costs has spurred some restaurateurs who have spent the last few years waiting for the right moment to pounce.

John Besh, a restaurateur with four New Orleans-area eateries, says he could have walked away from a plan for a \$2 million restaurant after the stock market began plunging this fall. But he opted to move forward with *Domenica*, which is slated to open in June in the new luxury Roosevelt hotel in New Orleans. Mr. Besh says construction for *Domenica* cost him 40% less per square foot than a renovation he did on another restaurant two years ago.

Mr. Brennan has opened only one other restaurant since opening Manhattan's upscale *Picholine* in 1993, but plans to open three new places this year. "I'm bullish," says he says. For the last two years, Mr. Brennan says he has wanted to launch a concept called the *Artisanal Table*—a casual wine bar serving pizza and tapas—but found rents in Manhattan too expensive. Now, finding restaurant-space rents down in Manhattan by 20% to 30%, Mr. Brennan says he has an accepted offer on a lease in the Chelsea neighborhood; if all goes well, he should open a \$1 million unit of *Artisanal Table* there in June, he says.

NEARLY ALL the planned restaurants share a common denominator: less expensive, more casual menus offering a range of choices at different price points. The Wolfgang Puck Bar & Grill will serve pizza, in addition to more expensive menu items. Mr. Doherty's Union Trust Steakhouse in Philadelphia has a large "appetizer station" serving oysters for \$2 and \$3 and wines by the glass starting at \$9.50. Mr. Vongerichten's *Market* in Atlanta, which cost about \$3 million to open, has a few pricey entrées—Maine lobster with Sriracha citrus emulsion goes for \$38—but chicken, skate and burger entrées are \$16 or less.

For restaurants that have just opened, building a business can be an uphill battle. *Sensing*, a restaurant by Parisian



Drago Centro, above, opened in Los Angeles in November. Left, a diner at Union Trust Steakhouse. Bottom left, *Sensing* in Boston.

chef Guy Martin in the Fairmont Battery Wharf Hotel in Boston, which opened in mid-January, charges \$17 for a classic martini and \$42 for lamb loin in a peanut crust. General manager Matthew Sterne says that business is slow Sunday through Tuesday, though it picks up the rest of the week.

"In this economic climate, it takes a little bit longer to build your clientele," he adds.

Los Angeles restaurateur Celestino Drago poured \$6.8 million into *Drago Centro*, a sleek Italian in downtown Los Angeles that opened in late November. The Los Angeles Times published a positive review earlier this month, but noted that it was nearly empty at dinner. Mr. Drago says the restaurant is typically quite full. Before opening the restaurant, he says, he scrapped plans to charge \$36 to \$38 for entrées and cut prices to below \$32.

In some cases, real-estate developers are helping to spur the new openings with incentives for chefs. In September, Mr. Brennan plans to open two restaurants at the *Shops at the Bravern*, a shopping mall under construction in Bellevue, Wash., a suburb 10 miles east of Seattle. He has received what he describes as a "good amount" of tenant allowance from the mall's developer—upfront cash that offsets some of the costs of opening—as well as a rental agreement that includes a share of profits, which helps the restaurateur share risk with the landlord. Neither Mr. Brennan nor the developer would disclose the size of the tenant allowance.

The hard-hit luxury hotel industry is increasingly turning to

celebrity chefs to open restaurants on their properties. In November, Mr. Vongerichten opened *Market* in the W Buckhead in Atlanta and, in January, *Market by Jean-Georges* at the Shangri-La hotel in Vancouver. He's planning more restaurants for hotels in Doha, Qatar, and Mexico City this year.

Restaurateurs say the key to survival in this economy is cutting costs. Mr. Kaplan of Wolfgang Puck Fine Dining Group says his company is negotiating vigorously with all its vendors. The company saved about 10% on construction on the LA Live restaurant because, during construction this fall, a number of subcontractors charged less than previously expected. The company is also negotiating to save 10% to 15% on items such as plates, glasses, uniforms and business liability and health insurance. Chefs also say their food costs—which have risen steeply over the past two years—are now ticking down slightly, as the price of gas has dropped.

Last year, many restaurant food distributors began adding "fuel surcharges" to bills to cover their high gas costs. Now many restaurateurs are asking suppliers to take those charges off of bills. Pete Sittnick, managing partner in San Francisco's *Epic Roasthouse* and *Waterbar*, a \$12 million pair of restaurants that opened a year ago, says he has been successful in removing such charges—roughly \$20 to \$30 a day, five days a week—from about 20% of his food deliveries.

Some chefs are trying crowd-

pleasing gambits. At *Harbour* in New York, executive chef and partner Joe Isidori, who earned a star in the 2009 Michelin guide while cooking at *DJT* in Las Vegas, will cook Sunday brunch—a meal many top chefs consider beneath them—and will make things like fried catfish sandwiches for take-out lunches.

"I'm a Michelin-star chef willing to put my business hat on and do take out," he says.