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## **Closed Red Lobsters: What could happen next**



Image: Orlando Business Journal

Red Lobster is celebrating its Lobster & Shrimp Summerfest for a few more weeks.

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By **Trevor Fraser** – Staff Writer, Orlando Business Journal

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As dozens of **Red Lobster restaurant locations shutter** in Central Florida and around the country, the question becomes: What happens to all that real estate?

“The real estate is spectacular,” said David Gabbai, executive vice president of retail services at Colliers International in Orlando, who is not involved with Red Lobster.

Eight Red Lobster locations in Orange, Osceola, Lake and Volusia counties closed abruptly May 13, in many cases leaving custom-built prototype restaurants sitting on prime commercial lots.

**Bloomberg reported** on April 16 that **Red Lobster is considering filing Chapter 11** bankruptcy protection. Meanwhile, an April 25 **CNBC report** states the iconic restaurant chain is seeking a buyer. Red Lobster hasn’t confirmed either report.

**Red Lobster's recently hired CEO, Jonathan Tibus**, has developed a **reputation in the restaurant industry as a turnaround strategist**. His resume includes work with several firms owning restaurant chains – like Quizno’s, **Krystal** and Chevy's Fresh Mex – as they **moved through the bankruptcy and reorganization process**.



Records show that all the closed Red Lobster locations are leases with property owners. The Red Lobster at 3552 E. Colonial Drive in Orlando, for example, is managed by Illinois-based NAI Hiffman on a master ground lease owned by the city of Orlando and the Greater Orlando Aviation Authority. Representatives for Hiffman were not immediately available for comment.

Red Lobster did not respond to a request for comment for this story in time for publication.

Gabbai said most other businesses that would want to lease the space probably would think about tearing down the buildings. “Historically, that was easy to do because the cost to remodel was almost as expensive as rebuilding.”

However, with **construction costs still stubbornly high**, Gabbai predicts some buyers might think about remodeling, provided the building is sound.

Sandi Bargfrede, a broker with Altamonte Springs-based Acre Commercial Real Estate who also isn't involved with Red Lobster, said plenty of restaurant concepts would love these locations. “I have clients I definitely would show it to. The problem with those is that they're so specialized ... they're definitely going to have to be retrofitted.”



Sandi Bargfrede

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The ideal team should be “young and entrepreneurial,” Gabbai said. “They then can do a complete remodel and make it their own.”

But, he admitted, “At this time, the gene pool of end users starts to drop.”

A few pieces of equipment inside the restaurant might be valuable to new restaurants, notably the hood system and the grease traps. “Those are expensive to replace,” Gabbai said. Several Orlando-area locations already have listed equipment for auction with [liquidator TagEx Brands](#).

Well-maintained parking lots are also assets, but if new owners must bring them up to code in a remodel, modern codes might require more greenery or draining, which could shrink the number of parking spaces available. “It now has to be downsized into a different type of restaurant,” Gabbai said.

But all that value depends on proper maintenance. “A lot of these things may be in disrepair because they’ve been taking from Peter to pay Paul,” Gabbai said.

Inflation has hit the restaurant industry especially hard, Gabbai said. “Restaurant builds are starting to go into a negative spiral, and the returns for the restaurants are going in a negative spiral, too. There’s only so much you can raise prices and keep your customer base when your costs are through the roof.”

Gabbai said some companies may be lured into grabbing the real estate and holding it until conditions for restaurants improve. “Maybe you won’t make money the first couple of years, but the economy is not always going to be in the toilet. The likelihood that you could come back and do very well in these locations is very high.”

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*Staff Writer Sarah Kinbar contributed to this article.*

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