

Food Carts as Retail Real Estate

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Recent articles in the Portland Tribune, Oregon Business, New Urban News, New York Times, Los Angeles Times and others have highlighted the growing iconic status of Portland's food carts. Authors have highlighted the variety of creative gourmet offerings, charming personality of cart owners, micro-business opportunities for budding entrepreneurs and immigrants and the general recognition that the food cart phenomenon is part of what makes Portland quirky, fun and livable. For some, like my sister who insists on taking out of town guests to the Hawthorne food cart pod for a breakfast burrito from El Brasero, it is a tourist destination, as well as a place she can go with her dog in tow. For others, like downtown office workers or students at PSU, it is a quick and convenient way to get lunch, and an excuse to soak up the sun for a few minutes on one of those rare sunny days in Portland.

Other carts, like the Grilled Cheese Grill on NE 11th and Alberta, stay open until 2:30 am on Fridays and Saturdays, filling a niche for late-night cravings. It is especially popular with the creative class and provides Portlanders with a year-round urban outdoor food adventure and the opportunity to sample so many different culinary delights, at such reasonable prices, as can only be found at festivals or special celebrations. Menu prices generally range from \$1.75 for a single taco, to \$8-\$10 for more generous portions or gourmet ingredients, but the average meal costs about \$6.00. Thai and Mexican cuisines are the most prevalent, but there are also Czech, Korean, Peruvian and Japanese food carts as well as vegan,

vegetarian and other healthful offerings. The success of food carts raises intriguing questions about the economics of food carts and how this trend affects the retail real estate market.

Some restaurants complain that the carts, especially stationary carts, which are supposed to be mobile, have an unfair advantage. They pay lower rents, do not pay for systems development charges or follow building codes. Many do not provide restrooms or hand-washing stations, or even a place to sit and eat their food, although that trend seems to be changing. Some people see them as potential-food-poison-inducing shantytowns.

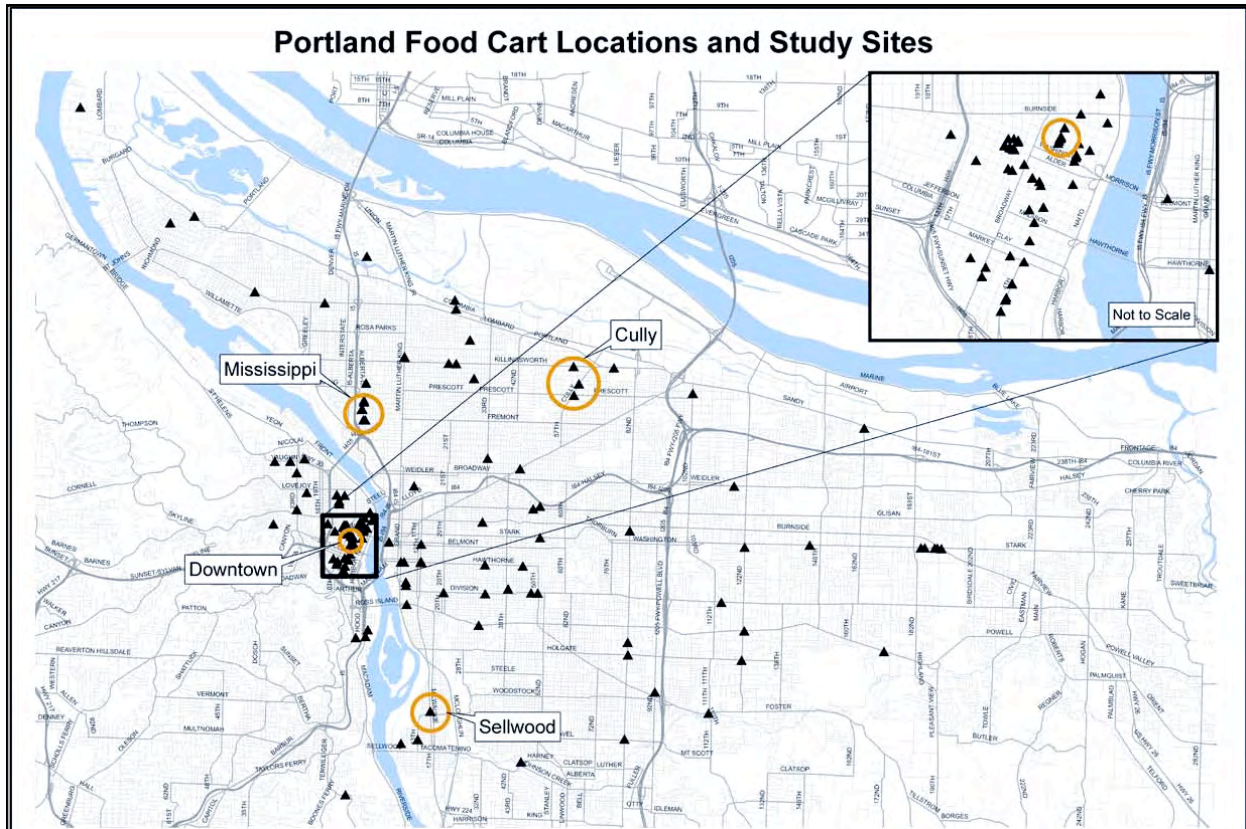


Why then, have budding chefs been attracted to food carts? Why do people follow them on social networking sites like Facebook and Twitter, and take visitors to see them? Property managers and real estate developers might ask whether food carts are unsightly, rogue street vendors or potential seeds of urban renewal in a way analogous to the role that artists have played in opening blighted neighborhoods to more upscale development.

Figure 1 Inspire, a new food cart on NE Alberta and 23rd



Figure 2. Food Cart locations from Food Cartology, a PSU planning workshop study conducted in 2008.



Source: PSU, "Food Cartology", 2008

Food Cart Economics

From an urban design perspective, food carts enrich the urban environment by increasing foot traffic, activating parking lots and streetscapes. There has been some comparison of the food cart movement to the beginnings of the microbrewery industry. However, food carts are not likely to become an export commodity the way local microbrews have. They do provide jobs and income largely to the local community, as opposed to sending profits to corporate chains, although Burgerville¹ has jumped onto the food cart fad recently with its Nomad food truck, and as the

Figure 3. Burgerville's "Nomad"



¹ <http://www.onpdx.com/food/burgervilles-new-food-cart-nomad/>

Oregonian stated, “Burgerville spent in excess of \$100,000 preparing the truck, considerably less than the \$1 million or more the privately held company says it typically has spent to open a new restaurant.”²

Especially during the recession, the surge in new food carts over the past two years has provided a way for those who may have otherwise been unemployed to start a business or at least earn some income. Even outside of a recession, they can provide flexible jobs and entrepreneurial opportunities for people who want to set their own hours and agenda, with start-up and operating costs that are not too daunting. Chefs can try out new products and get immediate feedback, as well as interact with customers, which is hard to do when they are stuck in a kitchen in the back of a restaurant. Food carts allow those on a budget to continue to eat out economically.

Oregon Business magazine³ reported that there are currently 461 mobile carts registered in Multnomah County. A PSU study from 2008, Food Cartology⁴, conducted a survey of food cart owners and patrons, which concludes that the average annual earnings of mobile food carts are between \$30,000 and \$50,000 per year versus \$10,000 to \$20,000 for push carts.

The size of food carts varies. Standard factory built carts measure 8 feet wide by 16 to 18 feet long. The company Vending Trucks⁵ from East Brunswick, NJ offers several repurposed trucks with new kitchens at prices ranging from \$42,000 to \$85,000. The “custom” tab on the website allows users to build their own trucks, choosing both a new or used truck and a variety of cooking equipment, such as a deep fryer, oven, griddle, steamer, sinks, refrigerators and sandwich preparation stations. Armenco Cater Truck Mfg⁶ in Sun Valley, CA, also has a website with several vending truck and pushcart options.

Some of the homemade carts seem to be smaller, measuring 8 feet by 10 to 12 feet long. Although the actual cart size may be smaller, each cart essentially occupies a parking space, or at least pays rent based on the footprint of a parking space. A few may occupy two spaces if they offer a covered seating or waiting area. A typical parking space measures between 8 feet to 10 feet wide and 18 to 20 feet long or 144 or 200 square feet (SF) of space. The following table gives some information critical to evaluating food carts as part of the retail real estate spectrum.

Figure 4. Estimated average size, rent and revenues of Food Carts

	Number of carts	Avg SF per Cart	Total SF	Yearly Rent per SF	Avg Monthly rent	Total Monthly Rent	Total Yearly Rent
High estimate	461	200	92,200	\$33.00	\$550	\$253,550	\$3,042,600
Low estimate	461	130	59,930	\$27.69	\$300	\$138,300	\$1,659,600
Pre- recession average	370	150	55,500	\$40.00	\$500	\$185,000	\$2,220,000

² “Burgerville goes mobile with food truck, July 21,2009, Oregonian http://www.oregonlive.com/news/index.ssf/2009/07/burgerville_goes_mobile_with_f.html

³ “Cash and Carry”, Lucy Burningham, Oregon Business, January, 2010.

⁴ “Food Cartology”, PSU, MURP planning workshop project. <http://www.pdx.edu/usp/master-urban-and-regional-planning-workshop-projects>

⁵ <http://vendingtrucks.com>

⁶ <http://www.cateringtruck.com/>

	Number of carts	Number of Jobs	Avg Annual Revenue	Total Annual Revenue	Annual Revenue per SF
High estimate	461	1,844	\$50,000	\$23,050,000	\$250.00
Low estimate	461	461	\$30,000	\$13,830,000	\$230.77
Pre- recession average	370	555	\$30,000	\$11,100,000	\$200.00

Source: PSU, “Food Cartology”, 2008, Oregon Business, “Cash and Carry”, January, 2010, and Portland Tribune, “Food cart heaven”, November, 2009.

By rough estimate, shown in Figure 4, the food cart industry captures between \$11 million and \$23 million dollars in revenues per year. The high estimate uses the high end of the range for square footage, monthly rent, number of jobs and average annual earnings to give a high estimate of total annual revenue, total number of jobs and annual sales per square foot. The low estimate uses the same number (461) of carts, with the low end of the range for average square footage, monthly rent, average annual revenues and number of jobs supported by the cart to give a low estimate of the yearly rent per SF, the total annual revenues and annual sales per SF. It also shows a pre-recession average based on 370 carts (the pre-recession, five-year average as reported by the Portland Tribune⁷), an average square footage of 150 square feet per cart and a low estimate of \$30,000 in annual earnings.

Based on this range of estimates, the food carts collectively occupy between 48,000 SF and 92,000 SF of retail space and pay between \$2 million and \$5 million per year in rent. Assuming that each cart provides at least one job and some may provide up to four jobs, the food cart industry employs somewhere between 370 and 1,844 people per year. Of course this assumes that they are stationary and pay rent at least some portion of the time. Some fully mobile carts may not pay rent. However, the majority of carts, especially those found in pods, are mostly stationary, and the Food Cartology report found that stationary carts reported higher revenues.

Food Cart Pods

Many of the food carts park in an area collectively known as a pod, which essentially functions like an outdoor food court, or marketplace. On SW 9th and Alder, there are currently 29 food carts wrapping around five faces of the two parking lot blocks, as shown in the following map. They function as one outdoor food court, providing patrons with a variety of food options and an opportunity for people to watch as they order. When viewed as one retail unit, with the sidewalk as common area, the collective space measures roughly 15,000 SF (measured on GoogleEarth), equaling approximately 500 SF per cart including the common area. The downtown pods mostly serve the lunch crowd. Although a few carts, like “bloop” on SW 3rd and Washington, serve breakfast. According to the comprehensive website guide <http://www.foodcartsporeland.com/> there are others located on SW 3rd near several bars and clubs that are open late night hours. Other pods, like Area 23 on NE 23rd and Alberta, the home of Inspire, a recently opened train car, capitalize on the social aspect of food carts. A sign above the entry notes that it is a community space. Another pod, Refuel Station North, on Greeley and Killinsworth, has been growing and recently added or is in the process of adding new carts, like Scoop, which sells organic handmade ice cream.

⁷ PortlandTribune, “Food cart heaven”, Nov 19, 2009. http://www.portlandtribune.com/news/story.php?story_id=125858279697922000

According to the Food Cartology report, food carts on the SW 4th and Stark St site rent from City Center Parking, owned by the Goodman Family. Rents are \$550 per month, which includes electricity, water, security and pest control. The cart owners are responsible for wastewater removal and trash disposal.

Figure 5. Food cart pod at SW 5th and Stark to Oak between 9th and 10th.



Figure 6. Food Cart Pod - SW Alder



I would argue that food carts generally do not compete with sit-down restaurants. They compete with lunch counters, fast-food restaurants, and small take-out places that offer few seating options. According to the Urban Land Institute (ULI)⁸ as shown in Figure 7, fast-food/carry-out restaurants in a regional shopping center, like Pioneer Place for example, occupy a median space size of 696 SF and report median sales of \$508.48 per SF for independent operators. The median rent per square foot for an independent operator is \$77.29 per SF per year, which increases to \$124.19 when considering that they pay a percentage of sales and are responsible for common area charges and property taxes. Even something smaller like a pretzel shop, which occupies a median size space of 588 SF, pays a median rent of \$66.15 per SF or \$91.51 median total charges per SF.

The level of rents and sales compared to more traditional retail spaces is informative. Based on estimates shown in Figure 4, the food carts in Portland pay between \$27 and \$40 per SF per year and post annual sales in the range of \$200 to \$250 per SF per year, or about half the sales per square foot as those a regional shopping center food court, but at a fraction of the operating expenses. The rents required by a regional shopping center make it hard for an independent startup to enter the market. Food carts offer an alternative. Not only are rents lower, but so also are capital costs, as Food Cartology estimated, pushcarts can be purchased for as low as \$2,000 up to \$30,000 for stationary mobile carts. As previously mentioned, an online search for carts yielded higher prices, between \$40,000 and \$80,000 for a ready-made cart. However those making their own may be able to do it for a lower price.

⁸ ULI, Dollars & Cents of Shopping Centers/The SCORE 2008

Figure 7. ULI Nationwide Tenant Information

	Median GLA (SF)	Median Sales/SF of GLA	Rate % rent	Median Total Rent per SF	Median Common area charges/SF	Median Property taxes	Median Total charges/ SF	Median Total Charges as % of sales
Regional shopping center								
Pretzel shop	588	\$628.35	8.00%	\$ 66.15	\$17.75	\$3.33	\$91.51	15.66%
Independent fast food/carryout	696	\$508.48	7.00%	\$ 77.29	\$31.36	\$8.34	\$124.19	24.88%
Neighborhood Shopping Center								
Other fast food/carryout	1,804	\$246.32	5.50%	17.29	\$2.07	\$1.54	\$21.18	8.95%
Independent fast food/carryout	1,512			18.56	\$2.23		\$23.18	
Coffee/tea shop		\$404.56					\$30.09	
Doughnut/muffin shop							\$31.60	

Source: ULI Dollars & Cents of Shopping Centers/The SCORE 2008

Food carts seem to flourish in the proximity of other carts that make them function as a unit, rather than a single entity. They have a shared common area where people wait for orders and sometimes find a place to sit and eat. They can help draw customers to other nearby retailers. Competition for patrons increases the variety and controls the repetition of similar carts. Just go to the one with the longest line, if you want the local vote indicating which cart is best. While most food cart pods have formed by happenstance, we may be entering a new phase of intentionally created pods, which tend to offer something more, a sense of community, almost like a shared outdoor kitchen and dining room.

Another advantage in locating together is a greater sense of reliability. If a group of food carts is able to survive in one location, the consumer can conclude, with some rational basis, that the carts meet a certain level of quality, market acceptance and oversight.

One problem with food carts, from a consumer point of view, is a lack of posted hours and a tendency to not always open during the posted hours. I have wanted to visit El Gallo, a new food cart in my neighborhood on SE Woodstock, but it has always been closed when I have made an effort to go there and there are no posted hours, so I do not know when to return. I rarely see hours posted on food carts, although FoodCartsPortland⁹ lists carts by hours of operation. I imagine the reason is that operators like maintaining flexible schedules. Locating in a pod, near other carts may be a way to keep from disappointing customers, who would have other options.

When clustered together, the food carts generate foot traffic that can be beneficial to surrounding retailers, as consumers want retailers to be near other retailers and on-street activity. As the PSU Food Cartology survey revealed, 94% of neighboring businesses other than restaurants have a positive, or very positive, impression of food carts, and 58% of the surrounding businesses at the downtown SW 5th and Oak site reported that the presence of food carts increased foot traffic on the streets, implying that sales increased as a result of food cart presence.

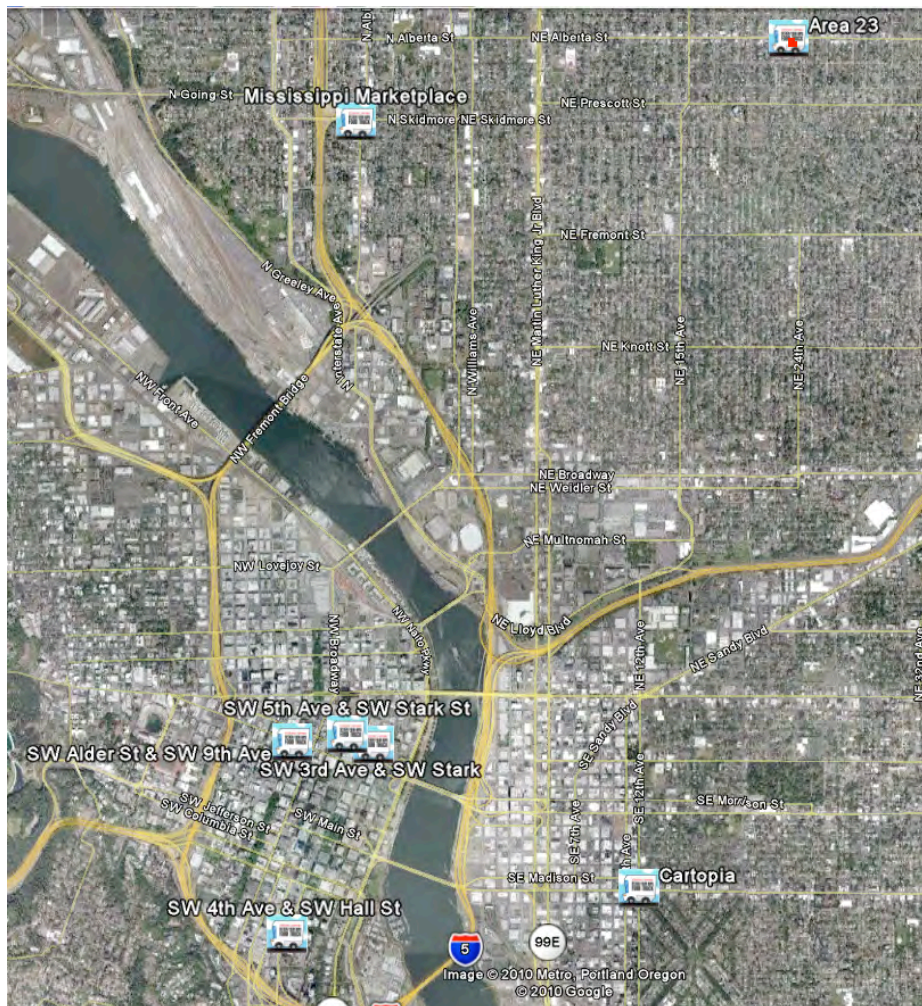
⁹ <http://www.foodcartsporeland.com/>

Figure 8. Select Food Cart Pods

Location of Select Pods	Number of carts	Approximate Total SF shared by pods	Avg SF per Cart including common area
SW Alder from 9th to 10th	29	14,850	512
SW 5th from Oak to Stark	22	10,500	477
SW 4th from Hall to College	15	7,600	507
Sw 3rd from Stark to Washington	13	7,500	577
SE 12th and Hawthorne	7	8,655	1,236
NE 23rd and Alberta, Area 23	4	5,600	1,400
4237 N Mississippi, Mississippi Marketplace	10	4,500	450

Source: Measurements taken from Google Earth, based on personal observations and count of the carts. March, 2010

Figure 9. Select Food Cart Pod Locations



Mississippi Marketplace is an intentional food cart pod, anchored by the German beer pub, Prost. As Roger Goldenray, developer of Mississippi Marketplace, said in the Oregon Business article, he intentionally chose a mix of carts that would “be in symbiotic relationships”, much in the way that a regional mall might choose food vendors for a food court. The website¹⁰ is advertising food cart sites measuring 8 feet by 16 feet, plus an area for seating, for \$495 per month including electric and water hook-ups, although the 10 spaces advertised are currently filled.

Food carts are expected to provide seating for four to eight people, besides the additional seating provided by the developer in a covered common area in the middle of the carts. Capturing the community space mentality, “vendors will be asked to use recyclable serving containers, utilize local food sources where possible, recycle trash and compost or donate left-over food to Food Bank programs”. Trash service is pro-rated and shared among the vendors. A covered seating area in the middle of the space lends itself to social interaction. The marketplace also has over 20 artisan, craft or farmer booth spaces, either 8 feet 8 feet or 10 feet by 10 feet available for rent on a daily or monthly basis, none of which were in operation when I visited. Daily rates are \$20 or \$25 per day, based on a model in which the users provide and set up their own tents.

Figure 10. Mississippi Marketplace and Area 23



Is the Food Cart Bubble about to Burst?

Is Portland about to experience the bursting of the food cart bubble? The downtown market seems to be saturated. The factors for success seem to be a walkable environment, a high concentration of office workers, a trendy yet gritty area with a strong sense of community, or an area with a vibrant nightlife. The PSU Food Cartology survey notes that 65% of customers indicated that they walk to food carts.

Where will the next food cart pod be? The Lloyd Center has a high presence of office workers and a fairly walkable neighborhood, with ample surface parking lots. It remains to be seen if the owners of

¹⁰ <http://www.missmarketplace.com/2009/06/17/hello-world/>

those lots are willing to sign leases with food cart owners, and if they can get a critical mass to generate enough pedestrian traffic to make it successful. Kruse Way also has a high concentration of office workers, but lacks the density or sidewalks to make it walkable, and may be too well manicured to allow food carts. The FoPo (or Foster-Powell triangle) is in the early stages of becoming an attractive neighborhood for the creative class, but may not quite have the density to support a pod, although it does get a substantial amount of drive-by traffic that could provide extra patronage.

Developing Entrepreneurs

Food carts allow local independent entrepreneurs to enter the market when they otherwise might be priced out by the cost and commitment required of brick and mortar leases. In a very real sense, the very entrepreneurial nature of food carts stimulates both foot traffic and retail marketplace regeneration around them. It is something that one commonly sees in other countries, part of what makes travelling to them fun, because it makes for a more active and engaging urban environment.

What would happen if the corner of SE 12th and Hawthorne were to be developed, displacing the food carts there? Neighborhood patrons would lament the loss of the food carts as people have become passionate about their favorite food carts. By embracing the food cart movement, developers and property managers can activate a vacant lot or an underutilized parking lot in areas that may not yet be ripe for development, but have enough surrounding population to support the carts. They can provide a way for budding restaurant owners to develop a following that could be later incorporated as a restaurant tenant in a new development.

A food court could be a brick and mortar alternative to a food cart pod, occupying ground floor retail space in a mixed-use building. However, an indoor court would lose the gritty, ephemeral adventure of the food carts and probably could not compete with low entry price of a cart, which would eliminate the possibility of luring independent entrepreneurs. Small food vendor nooks tucked into the outside of buildings such as the Elephants Deli on SW 5th Avenue can be profitable and help generate foot traffic and street activity in the certain locations.

Developers should also note the low capital costs of food cart pods as well as the potential to increase the desirability of the tenant mix by rewarding those food carts that reach higher sales levels with longer leases, while canceling those of food carts which do not achieve minimum sales levels, as well as earn a percentage rent by helping to make the pod successful. Such practices, common among retail center developers, reinforce market selection as consumers vote with their dollars.



Figure 11. Elephants Deli on SW 5th Ave