

# FOODSERVICE NEWS

Volume 29 • Issue 4

The News and Information Source for Restaurants and the Foodservice Industry

May 2018

[www.foodserviceneeds.net](http://www.foodserviceneeds.net)

## Hai Hai

Hola Arepa's sibling is off to a busy start with long wait times and a tropical vibe



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**T**HE TEAM BEHIND HOLA AREPA has switched gears and opened a South-Asian restaurant in the up-and-becoming trendy Northeast Minneapolis. Hai Hai is in a fairly underdeveloped area at 21st and University, which would normally give rise to lower rents and a need to be a destination. And judging by the long lines to get in, finding Hai Hai isn't a problem. Getting a seat at the table right away is more likely the scenario.

The restaurant has approximately 90 seats in the dining room and 20 seats at the bar. In addition, there seems to be the potential for 70 or so seats in the lower-level secluded patio. The times I've seen the patio it's been covered in snow, making it hard to picture, but as we know, Minnesotans love patio dining. Upstairs is another patio similar to ones in Uptown, but whether it will be called into service is still up in the air. At first glance, the restaurant doesn't seem terribly distinct, but inside it's a busy, tropical maze, which includes a similar vivid turquoise theme to Hola Arepa.

Christina Nguyen, the chef who owns the restaurant with her husband, was reluctant to provide detailed financing information, but was helpful in discussing certain key aspects of the restaurant. When I asked her why they decided to go to this area in Northeast

Minneapolis, she said she thought it was an up-and-coming area that was a great spot to do something clever. They bought the building and as they did the renovation, the media was helpful in keeping it in the spotlight. She said they had experienced some management changes but they feel like they're moving forward in a strong manner. While she wouldn't specifically verify, I had some pretty good indications as to expected revenue and investment. That being said, the menu is compelling, divided among snacks, vegetable plates and some with assembly required items. Tap beers are \$5.50, and are mostly Minnesota beers, while bottled beer is \$6. Cocktails and house wines ring in at \$9.

Nguyen, who started her cooking career with a food truck, is a 2018 James Beard semi-finalist for regional chef, so the food is inventive and solid. The menu is on wooden boards with rubber bands, which gives the feeling of getting a bargain. Food is arranged in categories that make it likely that guests will be ordering two or three items per person. I think they've got the ability with the drinks to raise the prices. The décor is in some ways minimalist and in some ways cluttered, with lots of curious items—it almost looks like you're in a jungle.

Let's look at the various aspects of this restaurant and what we think business-wise.

### Revenue

Given that on a Wednesday night there's likely an hour wait and on weekends I've heard as much as a two-and-a-half hour wait, they're going to fill this up and they're going to do



an enviable number of table turns. I would estimate the check average is probably in the mid-\$20s to \$30 range, with most people having an adult beverage. Because of the tropical feel, I would guess customers are treating it as a night out, with multiple drinks, so it could be an even higher check average. Hai Hai is closed on Mondays, but if they do two-plus table turns on weekdays and three-plus table turns on weekends, they have the potential for \$3 million in revenue. I asked Nguyen and she wouldn't say that was their pro forma number (but she also wouldn't deny it). When the patio opens in the summer—or maybe even spring—it is going to generate a lot of profitable bar sales. For the size of the restaurant, this is great.

**Rating:** 3.5 out of 4 stars.

### Food Cost

Nguyen said the food costs were in line with what they projected, which in my mind is always about 30 percent. The menu is high grains and low protein, therefore food costs should be almost like an Italian restaurant with pasta—

probably in the high 20s. Hai Hai's costs may not be there now, because they're still experimenting with the menu. The alcohol to food mix is probably 30 percent/70 percent, which lowers the overall cost.

**Rating:** 3.5 out of 4 stars.

#### **Labor Costs**

While Nguyen wouldn't verify labor costs, I got the feeling they were struggling a bit to get it under control. It looks to me like there are too many people trying to service the tables—there are servers, runners, two people at the front of the house to keep order, and at times three people. I've counted four bartenders on my visits. I didn't get a look at the back of the house, but with the kind of food they're doing and the chopping necessary, I have to believe labor is going to be a real struggle. The service has been quality when I've visited, but I would think in terms of labor costs, they've got to be in the lower to mid-30s. That figure may come down somewhat, but because of the inefficient seating (long and narrow aisles

and a need to squeeze around the bar) and food delivered as it's prepared, not all at once, more table touches are required. In addition, there will be a need for more staff once the patios open.

**Rating:** 2.5 out of 4 stars.

#### **Return on Investment and Capital Improvements**


Without Nguyen's verification, it's hard to know what the investment level is. I have heard various speculations on the costs, and most of them are high, since they bought the building. Let's put the downstairs area at about 4,500 square feet, plus the patio. Plus there's a second floor that's not currently being used for restaurant seating. So if it's at least \$300 per square foot, the cost is getting up there. If you allocated the investment to just a restaurant, it's got to be around \$2 million which, with the kind of volume they're doing, should give them a pretty good rate of return. If they have to absorb full cost of the building into the profitability for the restaurant without any other outside income, it may

be somewhat problematic. But I look at the return based on what the actual restaurant is and assume the real estate ownership would have a different return. Currently, the upstairs is being used for their offices.

**Rating:** 3.5 out of 4 stars.

#### **Overall Rating**

**Rating:** 3 out of 4 stars.

From a business standpoint, this is a hit. It reminds me of Revival and what Revival was able to do in a much smaller space. I don't necessarily think the volume is going to stay at its current high. It is a little farther out until development catches up—but when there's snow on the ground, it's a welcoming tropical retreat and when it's warm outside, there's that secluded patio. 

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