

The Cost of Starting Up a Restaurant

Opening a restaurant isn't only logistically complicated, it can also be very costly. John Kunkel, who has opened 10 branches of the Mexican eatery Lime, explains the costs involved.

By [Gina Pace](#) | Nov 10, 2011

During his teens and 20s, John Kunkel worked in restaurants, learning the ropes of the service industry from the front-of-the-house. He also picked up on myriad intricacies of the business side of running a restaurant. By the time he was 29, Kunkel says he was ready to go out on his own.

"I was beating down every door for traditional financing, and then took out equity on my home, maxed out my credit cards, and was borrowing \$500 from everyone who said 'hello' to me," says Kunkel, whose first venture was a bakery on South Beach in Miami.

After a slow start (the bakery, Taste, opened two days after September 11, 2001), the small establishment found successful footing. But barely a year later, Kunkel was ready to move on. He saw a need for a value-driven place that South Beach residents could return to on a daily basis—and opened Lime. The healthy Mexican eatery had lines out the door from its first day in business—and has remained popular since.

Kunkel slowly opened 10 Lime locations throughout Florida, and last year inked a deal with Ruby Tuesdays that will open franchises throughout the Eastern United States starting this year. Meanwhile, Kunkel is planning for more company locations in Florida, as well as looking at development deals in Canada, Puerto Rico, and South America.

In his years in the business, Kunkel has seen that [start-up costs](#) can kill a restaurant's fate—sometimes before it even serves its first customer.

"[The construction](#) phase is one of the most daunting things for small business owners," he says. "I've seen many places that don't even make it to opening because they didn't anticipate all of the costs."

Kunkel shared what he's learned about start-up costs for a restaurant, in the years from scraping together funds for his first place to working with a franchise heavyweight:

Rent/operating costs:

- Security deposit (typically one month of rent at \$10,000 to \$12,000)
- First-month rent (\$10,000 to \$12,000)
- First-month utilities, including Internet and phone service (\$2,500)

One thing to keep in mind: If you decide to build and buy rather than rent, there can be governmental impact fees. Kunkel has found in Florida those can range anywhere from \$20,000 to \$120,000.

Location improvement costs:

- **Construction** of customized build out, including kitchen (\$250,000 to \$350,000)
- **Restaurant tables and furniture (\$40,000)**
- **Tableware, utensils, dishes, kitchen, and bar equipment (\$80,000)**
- Initial supply of food and beverages (\$8,000)

This estimate for initial food and beverage costs depends on what you serve and how you serve it, but Kunkel advises to keep this initial order as small as possible until you are cash-flow positive.

Miscellaneous opening expenses:

- Insurance (\$6,000)
- Permits and licenses (\$5,000 to \$6,000)
- Accounting costs (vary)
- Ordering and payment technology (\$20,000)

Marketing:

- Signage (\$15,000)
- Menus (\$1,500)
- Fliers/ads/coupons (\$5,000 to \$10,000)
- Business cards (\$70 for four people, if self-designed)

Advertising:

- Public relations services (\$6,000)
- Restaurant-opening event (\$15,000)

Kunkel has said that since the company has moved towards using social media that money spent on marketing and advertising has dropped. "We have a lot of direct communication with customers now, and social media is an amazing tool for small restaurants to get the word out that you are open and drive traffic," Kunkel said.

Grand total: \$450,000 to \$525,000