

Pa. Restaurant Liquor License Prices Coming Back to Earth

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The dizzying highs of in-demand restaurant liquor license sale prices seem to be regressing back to the mean in certain counties of central Pennsylvania and across the state in the last few months.

That has brought potential restaurateurs who have delayed opening their own bars or restaurants back into the game, as banks have once again been open to lending money to buy a Pennsylvania restaurant liquor license.

For the last few years, buying a restaurant liquor license - or "R" classification - had priced most buyers, other than the big chain stores, out of the market, with bidding prices reaching a half-million dollars or more. That came after R license prices sat around \$100,000 in high-demand areas at the start of the 2010s.

But when Pennsylvania Liquor Control Board in the last few years allowed grocery and convenience stores to sell beer and wine, it opened up a bidding war from corporate behemoths like Weis, Giant, Sheetz and others to gobble up any R license that was available - or could become available suddenly at the right price. At the time, the R license and E (eating place) license were the only licenses available to grocery stores in Pennsylvania.

The prices got so high in certain in-demand, central-Pennsylvania counties like Cumberland, York and Lancaster that in some cases, the sale prices of the R licenses went higher than \$500,000. They reached so high, in fact, that some longtime restaurant and bar owners decided to sell their license and close their business, using the liquor license proceeds as a retirement fund of sorts. This was especially true of establishments that may have run afoul of Pennsylvania Liquor Control Board regulations in the past, and who could have been in danger of losing their license without compensation if enforcement proceedings were brought against them by Liquor Control Enforcement or if the PLCB Bureau of Licensing refused to renew the license because of their conduct.

Financial institutions saw this unsustainable price rise and decided to be much choosier when it came to loaning money specifically to buy a restaurant license since they saw the value diminishing when the extreme bull market ended. That brought about a climate where not only would the small business owner have trouble competing with corporations for licenses on price, but also if they choose to compete, it would have to be with cash funding.

As normally happens, the market for R licenses has at least begun to correct itself, if not fully corrected itself already through two tried-and-true American business principles - supply and demand and ingenuity.

Grocery and convenience stores have identified their priority stores to sell beer and wine, and have already

bought licenses for those stores. While they likely will buy more, it won't be nearly as many or as fast.

Restaurateurs also have started to zig when others were zagging. Potential bar and restaurant owners that normally would have tried to buy an R license instead have opted for BYOB licenses. Some have gone in a completely different direction and decided to pursue a much-cheaper "manufacturing" liquor license, which allows the licensee to manufacture wine, malt beverages or spirits and to sell food and their products at their main location and additional board-approved locations. The craft beer boom that has seen dozens of brew pubs open in central Pennsylvania has helped create a new market of people experimenting with beer manufacturing. It's even prompted some local colleges to offer beer-brewing classes, such as Harrisburg Area Community College's "[Brewing Science Certificate Program](#)," to fill the local need for brewers. Having a larger talent pool to hire from has allowed potential restaurants to open under a manufacturing liquor license, hire a head brewer from this growing talent pool and purchase equipment for brewing while still not reaching the former cost of the restaurant liquor license.

We've noticed these and other factors have combined to bring the prices of R liquor licenses down in certain counties of Pennsylvania, dropping particularly in high-demand markets where available restaurant liquor licenses have historically been scarcer. We expect the price to dip further in 2020, making it likely to be the most tranquil year for buying a liquor license since the middle of the decade.

If you have any questions on liquor license purchase or exchange, [please contact me](#) or reach out to anyone in our [Hospitality Industry Group](#).

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