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Restaurant Sales Found Their Footing Late in 2025



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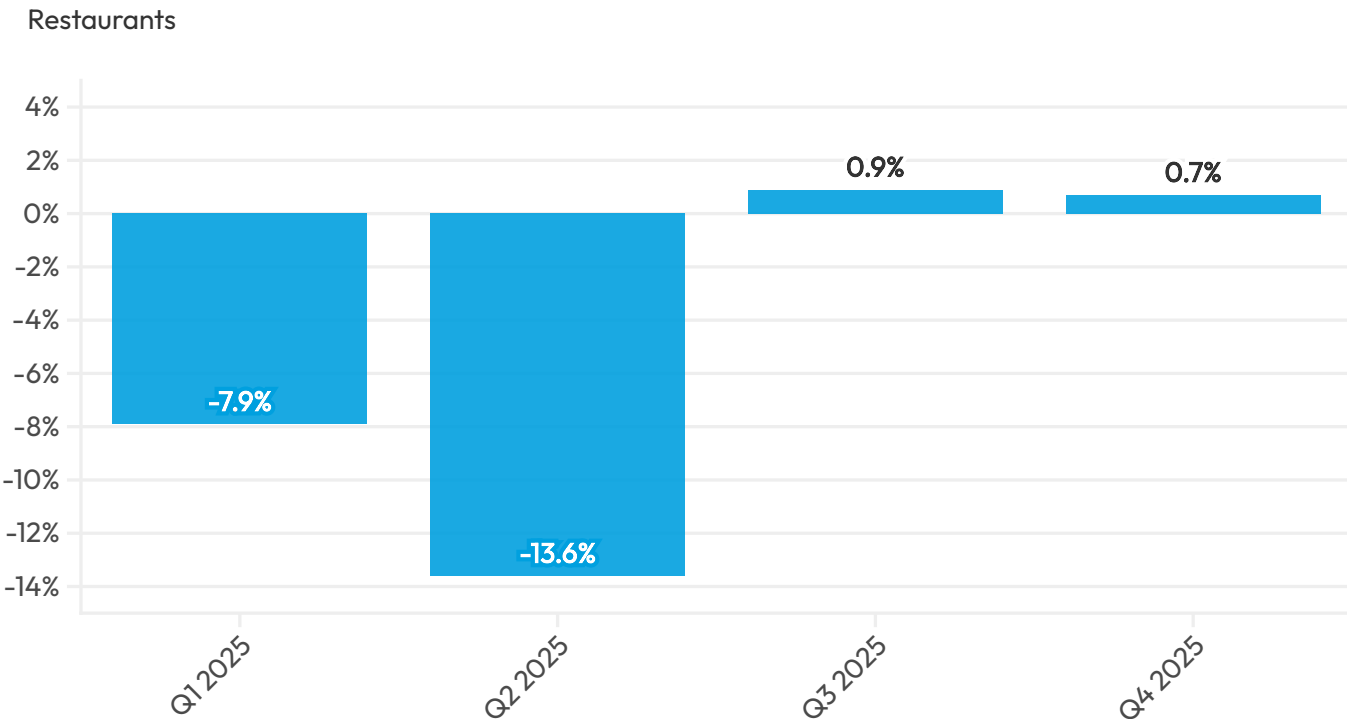
Robin Gagnon, CEO and Co-Founder of [We Sell Restaurants](#)

Transactions Rebound 8% in Second Half Following Sharp Q1 and Q2 Declines

The U.S. restaurant sales market delivered a tale of two halves in 2025, with transaction volume stabilizing decisively after a turbulent start to the year. The first half struggled with

sharp volume declines of 7.9% in Q1 and 13.6% in Q2, totaling just 1,209 deals. But the second half reversed course: Q3 and Q4 posted consecutive positive quarters, combining for 1,307 transactions, an 8% increase over the first half's volume. This brought stabilization, coupled with median revenue surging 12.0% and median sale prices rising 0.9% for the full year. The second half's performance suggests the market has absorbed 2024's corrections and entered a period of sustainable, if modest, growth.

Restaurant Sales: 2025 Quarterly Year-over-Year Transaction Change



Source: [BizBuySell Insight Report](#) • Transaction Data, 2025 by Quarter



For the full year, transaction volume declined 5.2% to 2,516 deals from 2024's 2,653. This is based on data drawn from [BizBuySell's Quarterly Insight Report](#), the most comprehensive dataset available for the U.S. small business marketplace.

Overall, the composition of deals that closed in 2025 continued the story of divergent paths. Median revenue surged 12.0% to \$675,788 on closed transactions while median cash flow rose just 1.8% to \$115,252, and median sale prices held essentially flat at \$215,000 (+0.9%). Deal closings not only increased but accelerated in Q3 and Q4 as restaurant [deals closed faster](#) in the second half of the year. Median days on market declined from 191 in first and second quarter down to 168 in Q3 and 180 in Q4.

Meanwhile, average cash flow multiples held at 2.3 across the year, demonstrating price cuts were not driving second half transactions and supporting buyer confidence in future earnings. Revenue multiples compressed slightly to 0.40x as revenue surged 12% on sold transactions, triple the [National Restaurant Association's 4% industry average](#). This dynamic reveals which businesses were able to attract buyers: high-revenue performers outpacing the industry closed deals, but sellers could not command premiums for that growth.

This market environment created opportunities for specialized brokerages. [We Sell Restaurants](#) grew transactions 27.6% in 2025, a countercyclical performance suggesting that expertise in the space, solid presentation of operational fundamentals, and realistic pricing drive results even in a contracting market.

Regional patterns reinforced the broader trends: the Mountain states posted explosive 42.6% price gains alongside exceptional cash flow growth, while the Midwest and Northeast both grew volume modestly. The Pacific region struggled with declining volume and cash flow compression.

Full-Year 2025: Volume Increase but Margin Compression

Despite the 5.2% annual volume decline, the restaurants that sold were substantially larger. Median revenue surged 12.0% for the full year to \$675,788, then accelerated further in Q4 to reach \$733,109, the highest quarterly reading in nine years of tracking data. Meanwhile, median sale prices of \$215,000 barely budged from 2024's \$213,050, a 0.9% uptick that essentially represents flat pricing. Median asking prices dipped 1.0% to \$247,500.

Median [cash flow](#) rose a modest 1.8% to \$115,252, building on three consecutive years of gains. However, with revenue growth (12.0%) significantly outpacing cash flow growth (1.8%), margins clearly compressed as operators struggled to convert higher sales into proportional profits. In short, outperforming the industry's revenue trends helped transactions reach the closing table, but did not significantly lift [selling prices](#).

Explaining the Change: Market Influences

The shift between the two halves of the year must be viewed in alignment with broader economic pressures affecting the restaurant industry. Inflation, higher borrowing costs, and uncertainty around labor availability tied to immigration policy all continued to reshape operating margins and buyer behavior.

Inflation

Inflation normalization may have played a role in market dynamics. According to Bureau of Labor Statistics data, [food away from home inflation](#) finally stabilized near historical averages at 3.6% in 2024 and 4.1% in 2025, after peaking at 8.3% in 2022 and 5.2% in 2023. Since restaurants sell based on trailing twelve-month financials, businesses hitting the market in 2025 presented 2024 books reflecting normalized 3.6% cost increases rather than the 8.3% chaos buyers faced when underwriting 2022-2023 financials. This predictability may have rebuilt confidence: margins became more reliable, pricing power was proven sustainable, and revenue growth no longer masked eroding profitability.

Consumer Price Index: Food Away From Home

Food Away from Home CPI



Source: [Bureau of Labor Statistics](#) • CPI 2025 Year in Review



Cost of Capital

Capital discipline and lending guardrails may have influenced the timing change observed in the data. The [Federal Reserve held interest rates](#) flat through late Q3, finally cutting rates in September and again in December by a quarter point each time.

This rate structure fundamentally changed SBA loan economics. Typical lending at Prime plus 2.5% equated to roughly 10% SBA rates during Q1 and Q2 2025. A \$200,000 [SBA loan](#) at 10% requires approximately \$31,700 in annual debt service compared to \$27,900 at 7%, a more normalized rate. That represents a \$3,800 annual increase. With lenders requiring 1.25x to 1.5x debt service coverage, restaurants needed \$39,600 to \$47,500 in cash flow to qualify at 10% rates versus \$34,900 to \$41,900 at 7%.

This math creates a financing floor. A restaurant generating \$40,000 in cash flow could qualify in lower rate periods but would face rejection at 10% under standard 1.25x [DSCR requirements](#), while concepts producing \$47,500 or more could still secure financing even in a high-rate environment. By December 2025, rates had fallen to 9.25% (Prime plus 2.5% with Prime at 6.75%), reducing annual debt service to \$30,600 and lowering the financing floor to \$38,200 to \$45,900 in required cash flow.

This financing dynamic helps explain Q3's turnaround: the September rate cut lowered the financing floor just enough to allow marginal deals that couldn't close in Q1-Q2 to finally reach the table. Q4's continued growth (+0.7%) is even more remarkable given that a government shutdown from October 1 to November 12, 2025, froze SBA lending for six weeks.

The fact that Q4 still posted year-over-year gains despite losing nearly half the quarter to a lending blackout suggests underlying buyer demand had strengthened considerably by year-end.

Immigration

Immigration policy uncertainty may have compounded first-half headwinds, creating workforce planning challenges impacting buyer decision-making early in the year. Federal immigration enforcement operations beginning in January 2025 targeted worksites including restaurants and hospitality operations. [Restaurant Business Online](#) reported in February 2025 that up to 70% of restaurant workers in major cities like New York, Chicago, and Los Angeles are foreign-born, with an estimated 40% not legally authorized to work.

In mid-June, the administration [briefly paused immigration enforcement](#) at restaurants and hotels, then reversed course within days, declaring worksite operations would massively expand. The associated uncertainty may have made it difficult for buyers to confidently predict labor availability in the first half of the year.

Late in the year, the market appears to have adjusted to a new normal, a smaller but stabilized immigrant workforce, potentially allowing buyers to price labor risk into their models and proceed with transactions. The second-half recovery may reflect not a resolution of the immigration issue, but an adaptation to a post-enforcement reality where buyers understood their future staffing model with greater predictability.

Macroeconomic Trends: GDP and Stock Market

Other macroeconomic trends may have improved buyer confidence by year-end to close transactions. The Real Gross Domestic Product (GDP Growth), the most popular indicator of the nation's overall economic health, outperformed expectations by growing to 4.4% in third quarter. The [Federal Reserve Bank of Atlanta's GDPNow](#) model is forecasting real GDP growth for the fourth quarter of 2025 to come in around 5.4 percent, (annualized) in its last published estimate for the year. The Bureau of Economic Analysis has not yet released its final number.

Real GDP Percent Change from Prior Quarter

GDP 2025 Change Rate



Source: [Bureau of Economic Analysis](#) • (Q1 - Q3), ESTIMATE Q4 GDPNow Modeling



Stock Market

Adding to second half confidence over first half volatility was the performance of the stock market. After a strong start in early 2025, markets experienced significant volatility, with the S&P 500 falling roughly 19% from its February peak to an April 8th low. A rapid, full recovery occurred by late June 2025 and market sentiment improved, allowing the S&P 500 to finish the first half at a record high with a modest 6% gain YTD.

The second half of the year saw steadier, more sustained growth, with the S&P 500 ending the year with total gains around 16%–17%.

Overall, each of these forces worked together to slow transaction momentum in the first half of the year and support acceleration in the second. Early in 2025, buyers were navigating unstable cost structures, restrictive financing conditions, and uncertainty around labor availability, which raised risk and limited deal viability. As inflation eases while revenue rises, restaurant margins improve. This, coupled with interest rate declines, makes financing more attainable. At the same time, labor conditions stabilized into a new baseline, and broader economic confidence improved through GDP growth and stronger equity markets. Buyers were able to reenter the market with greater clarity. The second half of the year was not driven by a sudden improvement in restaurant fundamentals, but by increased predictability. That stability allowed buyers to price risk more accurately, lenders to approve a wider range of transactions, and more deals to reach the closing table despite continued margin pressure.

Regional Deep Dive: Correlation with Labor Costs

While the second half showed recovery, regional performance diverged sharply by area of the country in 2025. Labor cost differentials may have contributed to these variations, creating structural advantages for restaurants operating in low-wage markets while producing headwinds for high-wage states.

Labor represents the second largest controllable expense for restaurants, behind cost of goods sold. Minimum wage disparities between regions translate directly to cost structure differences. The table below uses the minimum wage by state reported by the [Department of Labor Data](#) and the geography in the BizBuySell reporting to calculate the average minimum wage by region.

Region	States	Number of States	Average Minimum Wage (Jan 2026)	Notes on Key Variations
Midwest	IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD, WI	12	\$10.77	Mix of federal (\$7.25) states and higher ones (e.g., IL/MO/NE at \$15.00, MI at \$13.73).
Mountain	AZ, CO, ID, MT, NM, NV, UT, WY	8	\$10.60	High in AZ/CO (~\$15.15–15.16), low in ID/UT/WY (\$7.25 or less).
Northeast	CT, MA, ME, NH, NJ, NY, PA, RI, VT	9	\$13.88	Generally high, with CT (\$16.94), NY (~\$17.00), NJ (\$15.92), RI (\$16.00); NH/PA at federal (\$7.25).
Pacific	AK, CA, HI, OR, WA	5	\$15.62	Consistently high: WA (\$17.13), CA (\$16.90), HI (\$16.00), OR (\$15.05), AK (\$13.00).
South	AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV	17	\$9.82	Mostly federal (\$7.25) states; higher in DC (\$17.95), DE/MD (\$15.00), FL (\$14.00), VA (\$12.77).

Source: [Department of Labor Minimum Wage by State](#)

How does this fit into the restaurant model and subsequently restaurant sales? A restaurant in Washington paying \$17.13 hourly carries roughly \$10 more per labor hour than a comparable concept in a federal minimum wage state, translating to over \$200,000 annually in additional costs for a 10-employee operation working 40-hour weeks.

The table below shows the average minimum wage by state along with the reported cash flow change and price change from the prior year in sold restaurants. The data demonstrates a strong inverse correlation between labor costs and cash flow performance.

Region	Avg Min Wage	Cash Flow Change	Price Change
South	\$9.82	+2.5%	+1.8%
Mountain	\$10.60	+43.2%	+42.6%
Midwest	\$10.77	+18.0%	-3.7%
Northeast	\$13.88	-7.1%	-0.9%
Pacific	\$15.62	-6.9%	-1.9%

Note: Regions sorted by average minimum wage (low to high) with BizBuySell cash flow and price change data

The correlation is striking: the Pacific suffered a 6.9% cash flow decline, and the Northeast posted a 7.1% drop, while the South gained 2.5%, the Midwest surged 18.0%, and the Mountain region exploded 43.2%. Labor costs alone do not determine profitability, factors like rent, concept type, competition, and management quality all matter. Still, the strong inverse relationship between regional wage levels and cash flow performance is difficult to ignore.

Mountain: Low Labor Costs Correlate with Explosive Growth

The Mountain¹ states delivered 2025's most explosive gains, with median sale prices soaring 42.6% to \$230,000 from \$161,250. This wasn't speculative. Median revenue surged 32.2% to \$747,016, and median cash flow rocketed 43.2% to \$125,616, validating the price premium. Median asking prices jumped 60.4% to \$292,000, yet buyers closed at reasonable 87% sale-to-ask ratios.

The region's \$10.60 average minimum wage, among the nation's lowest, correlates with exceptional cash flow performance. A restaurant paying \$10.60 hourly in Idaho or Wyoming enjoys \$6-7 per labor hour savings versus California or Washington competitors, roughly \$200,000 annually for a 10-employee operation. While other factors certainly influence profitability, the 43.2% cash flow surge in the lowest-wage region suggests labor costs play a meaningful role. Buyers appear to have recognized this cost structure advantage and paid premiums for concepts positioned in favorable labor markets.

The catch: volume collapsed 12.9% to 210 deals, the steepest regional decline. This pattern, stronger businesses fetching higher prices while marginal concepts struggle to sell, reflects a highly selective buyer market. Well-located, operationally sound restaurants with strong fundamentals command premium pricing, but weaker performers face difficulty closing deals at any price.

The Mountain region exemplifies the shift observed nationally: fewer deals, far stronger fundamentals among those that closed, and buyers willing to pay premiums for proven performers in favorable cost structures. For sellers in these markets, demonstrating consistent profitability and scalable systems appears to be the path to maximizing valuations.

Midwest: Competitive Labor Costs Correlate with Volume and Cash Flow Growth

The Midwest² bucked national trends with 4.7% volume growth to 266 deals, the only major region posting gains. Yet median sale prices slipped 3.7% to \$227,184 and asking prices fell 4.3% to \$256,250. Median revenue spiked 19.9% to \$720,246, and cash flow climbed 18.0% to \$113,498.

The region's \$10.77 average minimum wage, competitive with the Mountain states and well below coastal markets, correlates with strong cash flow performance. The 18.0% cash flow surge, second only to the Mountain region, suggests favorable labor economics may have contributed to margin expansion. Rather than chase top-line valuations, buyers appear to have targeted profitable concepts with reliable cash flows, accepting lower headline prices in exchange for bankable earnings. Average cash flow multiples expanded to 2.7x, reflecting the buyer's willingness to pay for performance.

South: Moderate Labor Costs Support Steady Growth

The South³ remained the heavyweight with 1,084 deals, despite a 5.5% decline from 2024's 1,147. Median sale prices inched up 1.8% to \$203,500, while revenue rose a healthy 9.6% to \$650,146. Cash flow edged 2.5% higher to \$111,208.

The South's moderate labor costs, averaging \$9.82 per hour with most states at the federal \$7.25 minimum, correlate with steady cash flow growth. Unlike the Pacific and Northeast, where high wage pressures coincided with cash flow declines, Southern operators posted modest but consistent profitability gains. The 2.5% cash flow increase, while not explosive, demonstrates sustainable performance in a favorable cost environment. Median asking prices dipped 1.5% to \$234,750, suggesting sellers priced realistically to accelerate closings.

Northeast: High Labor Costs Correlate with Profitability Decline

The Northeast⁴ posted 5.0% volume growth to 423 deals, yet median sale prices fell 0.9% to \$267,500. Even more concerning, median revenue dropped 2.4% to \$850,000, and cash flow plunged 7.1% to \$146,460, the steepest profitability decline nationally.

The region's \$13.88 average minimum wage, the second highest nationally, correlates strongly with this cash flow collapse. High labor costs may have compressed margins to

unsustainable levels, though other factors, including intense competition, high occupancy costs, and consumer spending patterns, likely contributed. Median asking prices dropped 9.7% to \$299,000, signaling distressed pricing, yet buyers remained selective, evidenced by cash flow multiples compressing to 2.1x. Volume growth despite profitability collapse suggests owners exited marginal concepts before losses mounted further.

The Northeast's challenges may be compounded by outbound migration. According to [United Van Lines' 49th Annual Movers Study](#), the Northeast led the nation in losing residents. New Jersey led outbound migration at 62%, New York followed at 58%, and Massachusetts ranked seventh nationally for departures. Fewer residents mean fewer restaurant customers. This finding both limits the count of inbound buyers relocating to the state seeking businesses and simultaneously placing pressure on sellers that are exiting.

Pacific: Highest Labor Costs Correlate with Steepest Declines

The Pacific⁵ states suffered the second-steepest volume decline at 12.0%, with sold listings falling to 533 from 606. Median sale prices dipped 1.9% to \$205,000, and asking prices dropped 11.2% to \$219,500, the sharpest discount nationally. Revenue managed a 5.2% gain to \$633,000, but cash flow tumbled 6.9% to \$99,150.

The Pacific's \$15.62 average minimum wage, with Washington at \$17.13 and California at \$16.90, is the nation's highest and correlates with severe cash flow declines. The 6.9% cash flow drop, second-worst nationally, suggests that even revenue-growing concepts struggled to convert top-line gains into bottom-line profits. Sellers unable to demonstrate sufficient cash flow faced brutal pricing pressure, as evidenced by the 11.2% asking price collapse.

Residents continue to leave some Pacific states, according to United Van Lines' 49th Annual Movers Study. California alone saw a 58% outbound rate, the third-worst nationally.

California enacted a \$20 per hour minimum wage for fast-food restaurants in April of 2024. An article penned by this author in [QSR Magazine](#) predicted that, "California may have inadvertently created its own 'Doom Loop for Restaurants' in response to that wage hike and warned, "...expect fewer restaurants to open and existing ones to struggle for survival in the current business environment." Sales in the Pacific appear to bear out that scenario with fewer transactions, sharpest discounts on pricing and lowest cash flow across the nation.

Market Implications for 2026

The second-half stabilization crystallizes three trends reshaping restaurant sales.

1. Market Stabilization: The sharp first-half decline bottomed in Q2, with the second half posting consecutive quarters of positive growth. This suggests the market absorbed significant volatility and buyer confidence returned to more sustainable levels by year-end.

2. Regional Divergence: The Mountain region's 42.6% price surge contrasts sharply with Pacific weakness, requiring sellers to tailor strategies to local dynamics. National averages obscure these disparities. For example, a \$230,000 median in the Mountain region tells a fundamentally different story than the Pacific's \$205,000.

3. Revenues Are Rising but Margin Pressure Persists: The 12% annual revenue surge but relatively flat cash flow demonstrates that restaurants have not yet translated volume gains to earnings.

2026 Outlook: Building on Second-Half Momentum

The stabilization in the second half of the year positions 2026 for continued improvement. While 2025 finished down 5.2 percent overall, activity in Q3 and Q4 moved from decline to near-flat performance, signaling a shift in market momentum. If that trend continues, even at modest single-digit growth rates, annual transactions could approach 2,700 deals. That would mark the strongest performance since the pandemic, though still below the pre-2020 highs of over 3,000 annual transactions.

Another factor that could help drive growth include [Baby Boomer retirements](#) increasing supply, as operators who delayed exits during recent years of uncertainty finally sell. Interest rate cuts, while modest, reduce SBA loan costs enough to potentially expand the buyer pool at the margin. Operational efficiency improvements, including technology adoption and labor optimization, may also boost profitability in high-cost markets, making more concepts attractive to buyers.

Risks remain. If margin compression accelerates or consumer spending weakens, the second-half recovery could stall. Labor availability constraints persist in some markets and if the Federal Reserve rate cuts are paused, financing constraints could slow transactions.

But the underlying fundamentals, stabilizing volume, larger businesses closing transactions, efficient pricing, suggest the market found its footing by year-end. [Eric Gagnon](#) of We Sell Restaurants says, "Sellers who prepare early with [clean books](#) and documented processes may capitalize on returning buyer confidence. At the same time, Buyers who act decisively on strong listings may secure assets before competition intensifies further."

The Bottom Line

The restaurant sales market closed 2025 on a positive note after a rocky start. The first half's sharp declines gave way to second-half stabilization, with consecutive quarters of year-over-year growth and 8% higher deal volume in the last two quarters combined. While full-year transactions slipped 5.2%, the businesses changing hands were substantially larger with median revenues up 12%, though cash flow growth of just 1.8% suggests margins were compressed. Pricing held essentially flat at +0.9%, and deals moved 9% faster in the second half. 2025 wasn't a restaurant market in retreat; it was a market maturing with significant macro influences at play.

Definitions of Geography References

¹ **Mountain states:** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

² **Midwest states:** Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

³ **South states:** Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, plus DC

⁴ **Northeast states:** Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

⁵ **Pacific states:** Alaska, California, Hawaii, Oregon, Washington

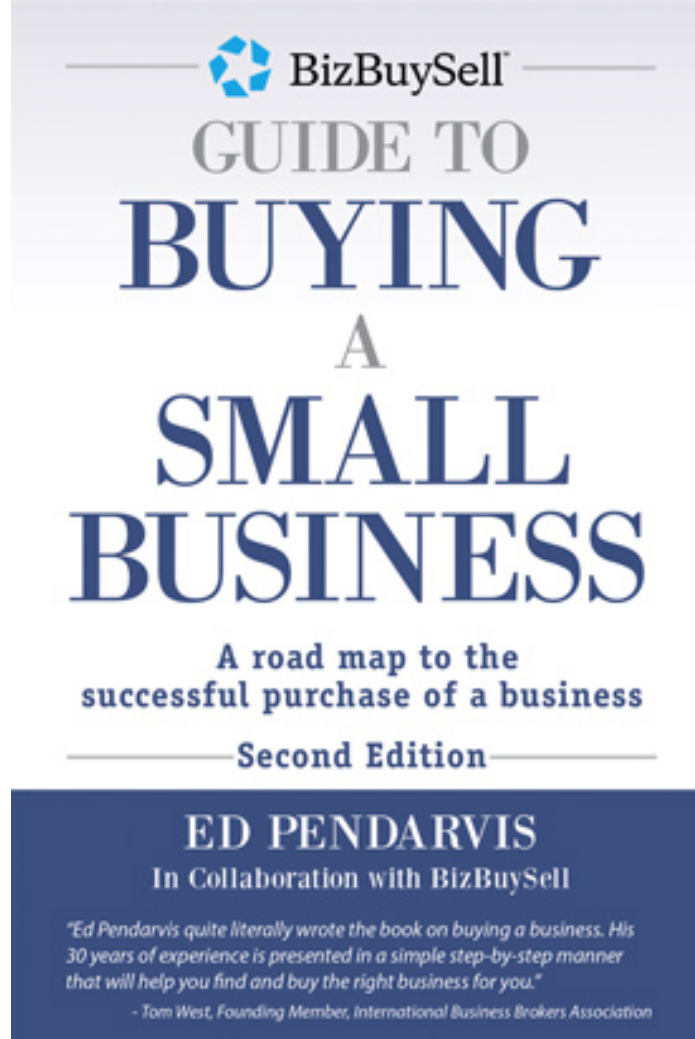
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[Robin Gagnon](#), CEO and Co-Founder of [We Sell Restaurants](#), the nation's largest restaurant brokerage firm and the only business broker franchise specializing in restaurant sales. Robin is a writer and speaker and her expert articles appear online and in print across the country. In 2012, she co-authored Appetite for Acquisition, an award winning book on buying restaurants.

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