

REAL ESTATE

From Starbucks to Shake Shack, Drive-Through Lane Competition Heats Up

More companies look for properties that will allow them to serve customers in their cars



Checkers, a chain known for double drive-throughs, is devoting one of its lanes at many of its locations to mobile ordering.

ILLUSTRATION: CHECKERS RENDERING

By [Kate King](#) [Follow](#)

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Demand for the humble drive-through lane is booming, as coffee makers, chicken joints and other fast-food operators vie for limited supply.

Interest in drive-through real estate was growing even before Covid-19, but it exploded last year when total sales volume for restaurants, pharmacy and bank properties hit a record \$12 billion, according to data firm CoStar Group Inc. That represents a 43% increase from 2019 and a doubling in sales from 2012.

Coffee and fast-food customers gravitated to drive-throughs in the early months of the pandemic, when dining rooms were closed and fear of infection kept people in their cars.

As time went on, many realized they enjoyed the convenience of drive-throughs, especially now that mobile ordering reduces wait time and the need to yell into a speaker to place your order, said R.J. Hottovy, head of analytical research at data-analytics company Placer.ai.

The migration from cities to the suburbs has also boosted drive-through business, Mr. Hottovy said. And these properties offer companies the opportunity to cut costs in terms of square footage and staffing, he said.

Dutch Bros Inc., an Oregon-based company that sells coffee and energy drinks, exemplifies the advantages of serving customers in their cars, Mr. Hottovy said. Visits to the chain's locations, which are almost exclusively drive-through, were up more than 50% last year compared with before the pandemic, according to Placer.ai data.

The company went public in September and is expanding rapidly, according to Chief Executive Joth Ricci. Dutch Bros had 538 locations at the end of last year, more than 150 of which opened during the pandemic. The company plans to add 125 more this year.



Dutch Bros added more than 150 new locations during the pandemic, including Modesto, Calif.

PHOTO: MARTY BICEK/ZUMA PRESS

Dutch Bros experimented with cafe seating in the early 1990s but decided that the drive-through model best positioned them to grow, said Brian Maxwell, chief operating officer. It operates mainly in rural and suburban areas, where demand leans toward drive-through, and staffing was easier without a dining room.

The company needs about 950 square feet for its building and 25,000 to 30,000 square feet for its drive-through lanes. This small format has allowed it to open locations on

postage-stamp properties, Mr. Maxwell said, including excess parking spaces of gas stations or small-box retailers.

Competition for car-friendly real estate is up significantly since the start of the pandemic as existing operators such as Dutch Bros expand. Other companies, including Starbucks Corp. , are developing more drive-through properties.

Companies that were previously dine-in only have opened drive-throughs for the first time in recent years, including Shake Shack Inc., which has opened three drive-through locations in the past three months.



Checkers is rolling out voice-activated systems that use artificial intelligence to take orders.

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Chipotle Mexican Grill Inc. opened its first drive-through, which it calls Chipotlane, in 2018 and now has 355 in operation across the U.S., according to a company spokesman. Of the 78 new Chipotle restaurants that opened last quarter, 86% included drive-throughs.

Brian Katz, chief executive of the retail brokerage Katz & Associates, said one property he recently represented on Long Island, N.Y., leased for 20% higher than its original asking price after four different franchise operators from the same fast-food chicken brand got locked in a bidding war.

“Every day was a new offer,” said Mr. Katz.

The scramble for drive-throughs is driving prices up nationwide, according to CoStar data. The average property sold for \$392 a square foot last quarter, about 7% higher than during the same period two years earlier.

Finding drive-through real estate can be challenging, especially in densely built areas, because the properties need to have enough space to accommodate long lines of cars, said Russel Helbling, managing director in Katz & Associates' New York office.

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Mr. Helbling said he often looks at bank branches when searching for potential drive-through sites because these buildings are small and the properties were designed to accommodate drive-throughs. Bank properties are increasingly available as mobile banking reduces the need for branches.

As more companies get in the drive-through game, industry veterans are innovating. The Checkers and Rally's burger joints, known for their double drive-throughs, are devoting one of their lanes at many locations to e-commerce, so third-party delivery drivers and customers who use mobile ordering can get their food faster.

“Every piece of data we see suggests that people have developed that love for the ease and convenience of delivery, order ahead and drive-through in general,” Checkers Drive-In Restaurants Inc. Chief Executive Frances Allen said.

The company is also rolling out voice-activated systems that use artificial intelligence to take customers' orders. Ms. Allen said the technology includes upselling features and is able to understand a range of accents and colloquialisms, although a manager with a headset is always ready to step in if the computer doesn't get the order right.

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