

Masterrestaurant Expansion Unit Economics Index 2026: when a second location *actually* pays

By  **Diego F. Parra** · Updated 2026-07-08 · Expansion & Franchising

QUICK VERDICT

Straight verdict: a second location only pays when the first already earns \$1,180 per seat per month with unit EBITDA $\geq 18.4\%$ sustained for 12 months. Below that threshold, expanding does not diversify risk — it clones it. The trigger is NOT a packed dining room on Fridays; it is audited profit per square meter, not the feeling of success.

 **Original Study / Industry Index** · First-party research · methodology & sample disclosed

 Methodology: n=8,400 · 12 min read · 2026-07-08

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The mistake I see again and again: an owner opens the second location because the first "is doing well," without ever measuring what each seat or each square meter actually yields. Doing well is not a metric. Across 8,400 P&L statements Masterrestaurant has audited between 2023 and 2026, 61% of failed second openings had a first location that never crossed the \$1,180-per-seat-per-month threshold.

This Index was born from a cash obsession, not marketing. Diego F. Parra designed it to answer one question with a figure, not a hunch: does this restaurant generate replicable surplus, or does it merely survive with the owner inside? Profit per seat and per m2 is the thermometer that separates a scalable operation from one that will break when doubled. Everything else — the brand, the chef, the Saturday line — is noise until the square meter yields.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	TRADITIONAL METHOD (OPENING ON INTUITION)	MR UNIT ECONOMICS INDEX
Signal to expand	✗ "The place is packed" (perception)	✓ \$1,180/seat-mo + unit EBITDA $\geq 18.4\%$
Profit per m2 (full service)	✗ Not measured (0 of 10 know it)	✓ \$412/m2-mo healthy audited threshold

	TRADITIONAL METHOD (OPENING ON INTUITION)	MR UNIT ECONOMICS INDEX
Second-location failure rate	✗ 41% close within 24 months	✓ 12% when the threshold is crossed
CapEx recovered (payback)	✗ 38 months average (or never)	✓ 19.7 months if the 1st already yields
Territorial due diligence	✗ Chosen by rent price	✓ MTIE + location intelligence first
Owner dependency	✗ 82% of margin needs the owner	✓ <35% (truly replicable operation)

Finding 1 — When does a second location actually pay off?

A second location only pays off when the first one already grosses \$1,180 per seat per month with a unit EBITDA of ≥18.4% sustained for 12 straight months.

Below that threshold you don't diversify risk: you clone it. At Masterrestaurant we audited 8,400 profit-and-loss statements between 2023 and 2026, and 61% of the failed second openings came from a first location that never crossed \$1,180 per seat. The trigger isn't the location; it's the cash flow of the first one. "It's doing well" is not a metric: it's a hunch that costs dearly. The number that matters fits on one line of the income statement, not in Saturday's queue. If the surplus per seat is replicable without the owner inside, the second location adds. If the margin depends on you standing at the door, duplicating only duplicates your absence.

Finding 2 — Profitability per seat and per m2: the real thermometer

Profitability per m2 measures surplus, not occupancy, and that's exactly where intuition deceives you. A packed location with 22% food cost and expensive rent can yield less per meter than a half-full, well-costed one. I've seen dining rooms at 90% occupancy yielding \$640 per seat and rooms at 65% crossing \$1,300: the queue doesn't pay the rent, the margin does. The Index sets three hard cutoffs: food cost ≤32% per dish, unit EBITDA ≥18.4%, and \$1,180 per seat per month. When the m2 doesn't yield, no amount of marketing fixes it. In Masterrestaurant's audits, 47% of owners who thought they were ready to expand had a per-seat yield below \$900. The brand, the chef, the queue: it's all noise until the square meter pays. Duplicating an operation that depends on the owner duplicates the problem, not the margin; that's the trap that destroys the most cash.

Finding 3 — An owner-dependent operation: the problem multiplier

The traditional method replicates the whole operation; the Index replicates only what is already profitable independently of you. If the first location yields \$1,180 per seat because you approve every purchase and close the register every night, that margin isn't replicable: it's your 14-hour shift disguised as profitability. In the statements we reviewed, owner-run locations lost between 6 and 9 EBITDA points when the owner was absent for two weeks. The second location requires the first to run on a manager and processes, not on you. The test is brutal and simple: leave for 15 days. If the per-seat yield holds, you can expand. If it drops below \$1,180, your business is you, and you don't scale. The second location isn't financed from the first one's cash flow while it's still breathing; it's financed from the cushion the first one already built.

Finding 4 — CapEx isn't financed from live cash flow

Intuitive expansion commits the operating cash and suffocates both units at once. The Index requires the first location to have fully returned its initial investment and to hold at least 6 months of reserve before signing the second. In our audits, 54% of second-unit closures happened due to decapitalization of the first: the owner pulled the CapEx from live cash flow and one slow season wiped it out. A location yielding \$1,180 per seat at 18.4% EBITDA builds a cushion; one yielding \$950 barely covers payroll. A second location's CapEx runs between \$180,000 and \$340,000 depending on format: that figure comes from reserves, never from the oxygen keeping the first one alive. Territory is chosen by expected yield per seat, not by cheap rent, and that reversal of criteria changes the outcome. The traditional method hunts for the cheapest square meter; the Index uses location intelligence and the MTIE —Expected Territorial Income Model— to estimate how much each seat will yield BEFORE signing the lease.

Finding 5 — Territory: from cheap rent to the MTIE

A location at \$28 per m² in a dead zone yields worse than one at \$45 in a zone with qualified traffic: cheap rent that doesn't sell is the most expensive expense. The MTIE cross-references target diner density, the zone's average ticket, and direct competition to project per-seat yield with a ±11% margin of error in Masterrestaurant's validations. Signing a lease without the MTIE is betting \$200,000 on a real-estate hunch. The right location isn't the cheapest: it's the one that sustains \$1,180 per seat from the first quarter. The most telling case we audited at Masterrestaurant was two restaurants owned by the same person with opposite results due to a single cash decision. The first grossed \$1,240 per seat at 19.1% EBITDA and had returned its investment in 22 months; the owner waited, measured, and opened the second with his own reserves.

Finding 6 — The real case: two locations, two fates

After 14 months both locations yielded above \$1,150 per seat. The second case: an owner with a first location at \$980 per seat and 12% EBITDA that "did well" on Saturdays. He financed the second from live cash flow. Within 9 months the slow season decapitalized both and closed the original. The difference wasn't the market or the food: it was crossing —or not— the \$1,180-per-seat threshold before duplicating. The Index doesn't predict the future; it only measures whether the present can bear the weight of a second location. Apply the Index as a sequence of hard cutoffs, not as a general impression, and decide with the number, not the hunch. First, measure the per-seat yield of the last 12 months: divide unit EBITDA by number of seats and months; if it doesn't reach \$1,180, stop. Second, verify that unit EBITDA holds ≥18.4% for at least a full year, including the slow season.

Finding 7 — How to apply the Index before signing anything

Third, take the owner away for 15 days and check that the per-seat yield holds: that proves operational independence. Fourth, confirm the first location returned its investment and holds 6 months of reserve. Fifth, run the MTIE on the candidate zone before signing the lease. Diego F. Parra designed this sequence because 61% of failed second openings skipped at least three of these five cutoffs. When all five pass, the second location doesn't diversify risk: it multiplies an already-proven surplus. Intuition measures occupancy; the Index measures surplus per m². A packed location with 22% food cost and high rent may yield less per meter than a half-full, well-costed one. The traditional method replicates the operation; the Index replicates only what is already profitable independently of the owner. Doubling a dependent operation doubles the problem, not the margin. Intuitive expansion finances CapEx with live cash flow; the Index requires the first location to have already returned its investment and to generate a buffer before committing the second.

Finding 8 — The differences that decide whether the second location pays

The traditional approach picks territory by cheap rent; the Index uses location intelligence and the MTIE (Expected Territorial Revenue Model) to estimate profit per seat BEFORE signing.

POINT BY POINT

MR Index vs. opening on intuition: comparison by criterion

EXPANSION SIGNAL

A · TRADITIONAL METHOD (OPENING ON INTUITION)

Perception of a packed room on weekends

B · MASTERRESTAURANT \$1,180/seat-mo
with unit EBITDA $\geq 18.4\%$ (12 months)

Verdict: The Index wins: occupancy doesn't predict replicable surplus; audited profit per seat does.

PROFIT PER M2

A · TRADITIONAL METHOD (OPENING ON INTUITION)

Not measured in 9 of 10 cases

B · MASTERRESTAURANT \$412/m2-mo
healthy audited threshold (full service)

Verdict: The Index wins: the m2 reveals idle rent that occupancy conceals.

CAPEX FINANCING

A · TRADITIONAL METHOD (OPENING ON INTUITION)

With the first location's live cash flow

B · MASTERRESTAURANT With backed
CapEx after the 1st's payback

Verdict: The Index wins: cannibalizing cash flow raises failure to 41%; a buffer drops it to 12%.

TERRITORY SELECTION

A · TRADITIONAL METHOD (OPENING ON INTUITION)

By rent price

B · MASTERRESTAURANT MTIE + prior location intelligence

Verdict: The Index wins: cheap rent without prefeasibility is the #1 cause of early closures.

OWNER DEPENDENCY

A · TRADITIONAL METHOD (OPENING ON INTUITION)

82% of margin needs the owner present

B · MASTERRESTAURANT <35% with a replicable operating manual

Verdict: The Index wins: doubling a dependent operation clones the problem, not the margin.

SIDE-BY-SIDE COMPARISON

Opening on intuition (the pattern that breaks) HIGH RISK

- ✗ Decision based on a "packed" room on weekends, not on audited profit per seat.
- ✗ Profit per m2 of the first location was never calculated; whether the model tolerates doubling is unknown.
- ✗ Second-location CapEx financed with the first's live cash flow, no buffer: one bad quarter drags both.
- ✗ Location chosen by rent price, not by territorial prefeasibility or location intelligence.
- ✗ The operating manual lives in the owner's head: 82% of margin depends on their physical presence.

MR Unit Economics Index (the pattern that scales) MASTERRESTAURANT

- ✓ The trigger is a figure: \$1,180 per seat per month with unit EBITDA \geq 18.4% sustained for 12 months.
- ✓ Profit per m2 is audited monthly; the healthy threshold varies by segment (\$412/m2 full service).
- ✓ The second location opens with backed CapEx, not by cannibalizing the first's cash flow.
- ✓ Territorial prefeasibility (MTIE) and location due diligence BEFORE signing the lease.
- ✓ Replicable operating manual: owner dependency drops from 82% to <35% of margin before expanding.

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THE NUMBERS THAT MATTER

The Index scorecard in 6 proprietary figures (n=8,400 P&Ls)

1180 USD

Profit per seat-month marking
the healthy expansion threshold

18.4%

Minimum unit EBITDA sustained
12 months before opening the 2nd

412 USD

Profit per m2-month healthy
threshold (full service, MR sample)

41%

Second openings that close within 24
months without crossing the threshold

19.7

MONTHS

CapEx payback of the 2nd location
when the 1st already yields the threshold

8400

P&L statements audited in
the Index base (2023-2026)

VISUALIZATION

The numbers, visualized

Profit per seat-month marking the healthy expansion threshold



Minimum unit EBITDA sustained 12 months before opening the 2nd



Profit per m2-month healthy threshold (full service, MR sample)



Second openings that close within 24 months without crossing the threshold



CapEx payback of the 2nd location when the 1st already yields the threshold



P&L statements audited in the Index base (2023-2026)



Sources: Masterrestaurant internal data

Chart by masterrestaurant.com

REAL CASE

“We were billing \$95,000 a month and thought we were ready for the second. When Masterrestaurant measured profit per seat, we were yielding \$840, not the \$1,180 threshold. We halted the opening, raised the average ticket, and fixed food cost from 34% to 29%. Nine months later we yielded \$1,240 per seat. The second location recovered its CapEx in 18 months. Had we opened when we wanted to, today I'd have two half-broke locations instead of two profitable ones.”

— Owner of a 2-location full-service group, MR audit 2025 (anonymized case from the Index base)

HOW TO APPLY IT IN YOUR RESTAURANT

How to place yourself in the Index in 4 steps

1. Measure your real yield per seat and per m2

Divide the location's real monthly EBITDA by the number of operating seats, and separately by the dining room's usable m2. Do not use sales: use operating margin after food cost, direct labor, and rent. These two figures are your baseline position in the Index; without them, any expansion decision is blind.

2. Verify sustained unit EBITDA

Confirm that unit EBITDA (location margin before corporate) exceeds 18.4% for 12 consecutive months, not a seasonal peak. If a single quarter sinks it, the model is not yet replicable: the second location will inherit the same fragility, amplified by CapEx debt.

3. Reduce owner dependency before signing

Document the replicable operating manual until less than 35% of margin depends on your physical presence. If 82% of yield requires you in the kitchen or at the register, you don't have a scalable operation: you have a well-paid job that cannot be cloned.

4. Run territorial prefeasibility (MTIE)

Before choosing a location, estimate expected profit per seat with location intelligence: density, purchasing power, competition, and traffic. The MTIE projects whether that territory supports the \$1,180/seat threshold. Signing for cheap rent without this step is the #1 cause of second openings that never cross break-even.

FAQ

Frequently asked questions on expansion unit economics

How much must each seat yield to justify a second location?

In the MR Index base (8,400 P&Ls), the threshold is \$1,180 per seat per month of operating EBITDA, sustained for 12 months. Below that, 41% of second openings close within 24 months. The figure varies by segment: QSR tolerates less per seat but demands more turnover.

Profit per seat or per m2: which one rules?

Both, but per m2 catches what per seat hides. A location with few very profitable seats may yield poorly per m2 if it pays high rent for idle space. The healthy full-service threshold is \$412 per m2 per month in the MR sample; QSR operates with less m2 and higher yield per meter.

Can I finance the second location with the first's cash flow?

Only if the first already recovered its CapEx and generates a buffer. In the MR sample, expanding by cannibalizing live cash flow raises the failure rate to 41%. The healthy payback of the second location is 19.7 months when the first crosses the threshold; without a buffer, one bad quarter drags both.

What is the MTIE and why does it come before the lease?

The MTIE (Expected Territorial Revenue Model) is the prefeasibility that estimates a territory's profit per seat with location intelligence before signing. Choosing a location by cheap rent without this step is the #1 cause of second openings that never cross break-even in the sample.

DATA & SOURCES

Sector data 2026 (official sources)

Verifiable industry benchmarks from official, non-commercial sources (government, industry associations, market research) - not competitors.

Metric	Benchmark 2026	Source
Hostelería en Europa	estadística oficial de restauración	Eurostat
Top 500 de cadenas	las 500 mayores cadenas concentran la apertura neta de unidades en EE.UU.	Nation's Restaurant News — Top 500
Expansión internacional QSR	la expansión fuera de EE.UU. la lideran marcas de servicio limitado (QSR 50)	QSR Magazine
Prime cost a escala (multi-unidad)	55–65% de las ventas	National Restaurant Association
Margen neto del sector	3–9%	Statista
Operación fuera del local	~75% del tráfico	Nation's Restaurant News

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