

# FOOD INCUBATORS

Commercial Kitchens and Ghost Kitchens



## RETAIL REVITALIZATION REPORT 2023

A Research and Analysis Report Supporting Prince George's County's  
RETAIL REVITALIZATION ONLINE GUIDE



SOURCE: ISTOCKPHOTO.COM. PHOTO ID 1389857295.

Food incubators attract entrepreneurs of variable size and concept, including food truck operators, caterers, and independent delivery-only businesses.

**T**HERE IS A unique opportunity to build health and wealth along Branch Avenue through the promotion of local food products and entrepreneurs. A strategy that supports the growth of food and farm-related businesses can support economic prosperity, environmental stewardship, and a healthful and accessible local food supply. Commercial kitchens and ghost kitchens can serve as incubators that promote entrepreneurship and help accelerate small business success. A kitchen incubator is a shared rental kitchen that also provides other services like business development training, marketing, and labeling.<sup>44</sup>

Kitchen incubators enable entrepreneurs to reduce overhead costs by providing shared, flexible space and paired services to grow their businesses. Entrepreneurs can also benefit from educational and business development programs, marketing support, and operational training. Incubator concepts are most successful when done in partnership with local agencies, corporate partners, nonprofit organizations, and institutional investors.

Food incubators come in different sizes, have different purposes, and appeal to different entrepreneurs with different concepts, including food truck operators, caterers, and independent delivery-only businesses.

Commercial kitchens are cooking spaces optimized for food preparation and delivery rather than on-site service. This use has traditionally been in industrial buildings; however, a more recent subtype of commercial kitchens called ghost kitchens has emerged. Ghost kitchens have become increasingly prevalent and are often located in diverse locations closer to their customers. Commercial kitchens tend to occupy larger spaces and serve affiliated restaurants or catering companies, whereas ghost kitchens are smaller scale and provide food delivery directly to consumers. Although they serve different audiences, both kitchen types can serve as an alternative use within existing industrial or retail spaces along Branch Avenue.

Although commercial kitchens have been a staple of the restaurant industry, the concept of ghost kitchens rapidly gained traction during the pandemic as the use of third-party food delivery increased. Initially projected to encompass 10 percent to 15 percent of the overall restaurant industry, CBRE now projects that ghost kitchens will grow to take up to 21 percent of the restaurant industry by 2025.<sup>45</sup>

44 "What Are Food Incubators and Do They Create Viable Businesses? How the Tech-Inspired Model Translates to Kitchens," Eater, February 26, 2016, <https://www.eater.com/2016/2/26/11110808/food-incubator-accelerator-small-business>.

45 "Ghost Kitchens are Becoming a Very Real Business," Quartz, July 16, 2021, <https://qz.com/2032957/ghost-kitchens-are-becoming-a-very-real-business>.



SOURCE: M-NOPPO

Food incubators, commercial kitchens, and farm-related businesses provide a unique opportunity to build health, economic prosperity, and environmental stewardship along Branch Avenue.

This explosive growth has been driven by the rise in popularity of food delivery apps, with 60 percent of consumers in the United States ordering food for pickup or delivery at least once per week.<sup>46</sup>

Ghost kitchens can potentially fit into a variety of spaces provided they are properly vented for food preparation and can accommodate food waste disposal. They require smaller spaces than industrial commercial kitchens, needing as little as 200 square feet. Because they do not rely on foot traffic or in-person dining, ghost kitchens can fit into older retail spaces with lower visibility and minimal parking spaces. Typically, ghost kitchen operators are drawn to less expensive spaces because most overhead costs come from food delivery. Existing traditional restaurants can also convert into ghost kitchens to save on costs while operating out of the existing space.

Ghost kitchens can be creatively placed in differing locations, including alongside existing traditional restaurants and other retail. Major mall operators have begun to experiment with ghost kitchens inside food courts to deliver food to customers on-demand inside the mall itself or directly to their homes. Simon

Property Group and Unibail-Rodamco-Westfield SE have partnered with ghost kitchen operator Kitchen United to test this strategy.<sup>47</sup> Mall and retail center operators are using this strategy to fill vacant space as well as attract customers to shop in-person. Shoppers can order food at designated kiosks within the mall and have it delivered to them while they shop, in designated lockers, or at home.<sup>48</sup>

Although they can be placed in a variety of spaces, ghost kitchens, and larger commercial kitchens do have some site selection factors to consider. Despite minimal requirements for employee and customer parking, all commercial kitchen concepts rely heavily on delivery vehicle access. Traffic volume, parking layout, and road access are factors that influence the feasibility of operating a commercial kitchen. This may preclude a ghost kitchen from occupying space in certain properties. Because they serve nearby residents, ghost kitchens must be in areas that are close to their customers to minimize delivery expenses. Large-scale traditional commercial kitchens that supply food trucks or catering businesses prioritize proximity to major highway systems.

46 "What Is a Ghost Kitchen?: The Ultimate Guide for Your Restaurant," Cloudkitchens.com, June 15, 2023, <https://cloudkitchens.com/blog/ultimate-guide-to-ghost-kitchens>.

47 "Simon Launches Ghost Kitchen Venture With In-Mall Delivery," Bisnow, February 7, 2022, <https://www.bisnow.com/national/news/retail/simon-ghost-kitchen-concept-in-mall-delivery-kitchen-united-111776>.

48 "Reef Kitchens, Wendy's Strike Deal for 700 Ghost Kitchens," The Business Journals, August 12, 2021, <https://www.bizjournals.com/southflorida/news/2021/08/12/reef-kitchens-wendys-strike-ghost-kitchen-deal.html>.