



TOPIC: NEW BREWERY & EXPANSIONS, STRATEGY AND FINANCE

HOW CLOSURES ARE CREATING EXPANSION OPPORTUNITIES FOR BREWERIES

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In 2013, as Connor Casey and Tim Sciascia prepared to open Cellarmaker Brewing in San Francisco's SoMa neighborhood, and the founders tabulated the liquid math. The 10-barrel system and four 10-barrel fermenters could produce roughly 1,200 gallons of beer every two and half weeks or so. "That was so much beer," Casey remembers thinking. "Did we overdo it?"

Not at all. Cellarmaker attracted throngs of people seeking its expressive pale ales and IPAs. The brewery maxed out at 2,600 barrels annually and needed space for its barrel-aged barley wines and imperial stouts. "You don't buy one car and that's it," Casey says. "You have a kid or two and you need a bigger car."

Last year, Cellarmaker canvassed warehouses and found exorbitant rents. But in early July, Casey received a PDF announcing that the Rare Barrel, a sour-focused brewery in nearby Berkeley, was for sale—a 15-barrel system, equipment, and recipes were included. The size and price per square foot were ideal, and its beer garden was ready for another round of customers. After Cellarmaker couldn't come to terms on a SoMa renewal, it closed that location at the end of 2022 and relocated to Rare Barrel.

“If a brewery that’s going out of business has what you need, you don’t need to build a new one,” Casey says.

Modern brewing arose from bygone industry. Early American breweries like Sierra Nevada churned out pale ales on old dairy equipment. Fledgling breweries breathed fresh life into shuttered factories, warehouses, and storefronts, business bubbling up with each pint. Retrofitting spaces, though, requires digging drains, installing tanks, and navigating red tape. Starting a dream brewery can fast become a construction nightmare.

Instead of calling contractors and lawyers, breweries are perusing real estate listings and finding turnkey opportunities to ferment new futures. Keg & Lantern Brewing in Brooklyn opened its third taproom in January in the old Randolph Beer space. In March, Structures Brewing opened its second Bellingham, Washington, location in the old Chuckanut Brewery, while June saw Denver’s Monolith Brewing announce plans for the former Black Project Brewing space.

“I hope I can follow in their footsteps,” founder Stephen Monahan told *The Denver Post*.

“Taking over an existing brewery is not without its challenges”, say Paul Woodhouse, director of strategy and finance at First Key Consulting. “You will have to negotiate a fair price for the assets in place. It’s not hard to find equipment prices on the used equipment market, but what about the leasehold improvements and other soft costs that went into the brewery build? The vendor will see these investments as critical to the operation and will want to recover as much of their cost as possible. On the other hand, the purchaser will know that these assets are immovable, and they may not be recoverable in the future.”

Woodhouse goes on to say, “It all depends on negotiations—how much you want the space while still paying a reasonable price for the brewery, including the equipment, leasehold improvements, and intangible assets.”

A Closed Brewery Can Offer a Capacity Upgrade

These are far from the fizzy 2010s when every brewery could count on continued growth, sales figures climbing toward clouds. “Ten years ago, literally anything you made would sell,” 21st Amendment cofounder and co-founder and chief operating officer Nico Freccia told *Good Beer Hunting*.

There's now a capacity imbalance. One brewery's slumping sales or struggles, or a pandemic-fatigued owner's wish to sell, can create an opportunity to upsize and expand.

In June, Seattle's Stoup Brewing took over area brewery Optimism Brewing. "After two years of building Optimism, nearly eight years of brewing and selling beer, including two years of COVID resiliency, we've reached a plateau and logical transition point," cofounder Troy Hakala told the Seattle blog Capitol Hill. "We're happy this opens doors and opportunities for Stoup to grow."

The 16,000-square-foot space will become Stoup's new taproom, and the 20-barrel brewhouse will let Stoup expand capacity and explore long-aged lagers.

Pilot Project opened in Chicago in 2019 as a taproom and incubator to help start-ups produce, market, and distribute their beers and beyond beers. The success of companies like Luna Bay Hard Kombucha and Funkytown Brewing led Pilot Project to complement in-house capabilities—around 2,600 to 2,800 barrels—with contract-brewing arrangements at multiple Chicagoland locations.

"That was a logistical challenge," says Dan Abel, a founder. Pilot Project planned a production facility, but the pandemic and supply-chain issues meant construction could take upward of 30 months.

Last year, the team at Wisconsin's Milwaukee Brewing reached out about selling elements of its business, including its 70,000-square-foot production facility and restaurant that opened in 2019. "That felt like an absolute home run," Abel says. Pilot Project purchased the facility last fall and can now make batches as big as 240 barrels, tailoring production to the marketplace's shifting demand. "This space will help continue the growth and development of these brands," Abel says.

In 2022, Pittsburgh's Necromancer Brewing pumped out 636 barrels of beer on a three-and-a-half-barrel system. "We couldn't keep beer in stock," says owner Ben Butler. The brewery recently upgraded to a seven-barrel system with a strategy "to sell every drop through the front door," Butler says.

Make that *doors*. Butler had a soft spot for classic neighborhood pubs like Hough's Taproom, where local drinkers "cut their teeth on craft beer," he says. After Hough's closed this spring, Necromancer took over the tin-ceilinged bar that evoked an English pub. But instead of Bass, Necromancer will pour its ESBs, light lagers, and IPAs. "We're leaving the bones of the place fully intact," Butler says. "You can't force character."

Closures and Openings Are Part of the Normal Cycle of Business

Commercial and industrial buildings cycle through numerous tenants during their brick-and-mortar lifespans. Think about how many coffee shops, bars, and bistros have entered and left your local restaurant row. A closed brewery can open the door to another business plan.

Homebrewers Nick Bonadies and Zach Page met in 2012 when they volunteered to help build Trillium Brewing's original Boston location. The friends also thought about opening a brewery too, but "I didn't feel comfortable signing a massive lease on a space that I didn't know how to operate," Bonadies says.

Bonadies and Page eventually worked for Trillium, respectively as director of development and director of brewery operations, helping the brewery open additional facilities. Page later left for Portland, Maine, landing at Lone Pine Brewing. Bonadies lost his job at Trillium during the pandemic's early days and went to work for a cannabis cultivator.

While perusing the Massachusetts Brewers Guild message board in summer 2020, Bonadies found a post about a Maine brewery for sale. He called the phone number. The brewery wasn't technically for sale—yet—but he was the first to inquire. A few days later, Bonadies was looking over Brewery Extrava, a Belgian-inspired brewery.

He ran the numbers and texted Page. It was time to open a brewery together. By November they had the keys to what would become Belleflower Brewing, focusing on juicy, aromatic IPAs. (The friends opened the brewery with their wives, Melissa Page and Katie Bonadies.) Since opening in 2021, Bonadies has heard from brewery owners who also wanted the space. "They're like, Yeah, I was up against you guys and you guys won," he says.

Nat West was ready to close Reverend Nat's Hard Cider in Portland, Oregon, before he found another out-of-business location. West had a tough ride in the pandemic, watching sales slide, and then his landlord asked him to leave his space. "Well, it's been a good run," he remembers thinking.

Through the realtor grapevine, West heard about the SE Wine Collective's former space, located on one of Portland's buzziest retail and nightlife corridors, SE Division Street. After touring the space, he thought he found "a total unicorn." A cidery taking over a winery makes production sense. The winery was equipped with trench drains, electrical upgrades, and a handsome taproom; a brewhouse is superfluous if you're just pressing fruit and fermenting juice.

The space only required easily permitted minor electrical and plumbing work to get the taproom open in March, a new beginning instead of an ending. "So many things lined up to make this the perfect space," West says.

Moving into Someone's Home Means Contending with Quirks

Every home has idiosyncrasies. Lime-green tile in the bathroom? Why does the door only open halfway? Taking over a brewery, winery, or cidery often requires fixing someone's design and business decisions.

When Cellarmaker took over Rare Barrel, a half dozen fermentation tanks were sitting sideways on the ground, awaiting installation. “They had bought a bunch of tanks hoping the brand would grow,” Casey says of Rare Barrel’s non-sour offshoot, Hello Friend.

Brewery Extrava’s draft system was set up to pour beer from serving tanks; the drawback is beer can sit for too long, a problem when you’re producing super-fresh IPAs. Bellflower overhauled the setup, so the tanks were repurposed for fermenting, and renovated the kitchen. “I think of it as moving into the worst house on the nicest block,” Bonadies says, noting the brewery’s prime location in Portland’s brewery-rich Bayside neighborhood.

A new neighborhood can change a business model. In West’s previous taproom, “I couldn’t sell beer to save my life,” he says. The new taproom sits beside a thriving food cart pod, and diners will wander inside and ask for IPAs.

“This is a location, location, location,” says West, who has five beers on tap. “There are so many people coming in who want to have a drink and don’t know anything about cider.”

In today’s competitive market, opening a hazy IPA factory or side-pour lager specialist does not guarantee success. Breweries are now entering an era where they’re adhering to normal business fluctuations. Failures and closings are normal. But the doors are revolving, not locked shut.

In San Francisco, Cellarmaker’s former SoMa venue didn’t gather dust. Jesse Hayter and Cameron McDonald, both brewing-industry veterans, signed a lease to launch Enterprise Brewing. The Cellarmaker location and equipment were a perfect match for a start-up.

“We worked really hard to get really lucky,” Hayter told Eater San Francisco.

Difficulties for some breweries have created opportunities for others, explains Mike Gerhart, senior advisor technical services at First Key Consulting. “The changes in brewery sales growth trends have catalyzed a more sustainable circular economy within the industry,” he says. “Shuttered facilities and equipment otherwise destined for the scrap market have become fertile grounds for growth and exciting business opportunities. This new dynamic minimizes waste while maximizing value.”

By Joshua M. Bernstein

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