

RESTAURANT INDUSTRY UPDATE

Carefree-Cave Creek Restaurant Community

To: Carefree Cave Creek Chamber of Commerce Board of Directors

From: Danny Piacquadio, Owner of Harold's Corral and Restaurant Committee Member

Date: August 2026

Subject: Arizona restaurant industry conditions and local Restaurant Committee update

Source acknowledgment: The statewide industry information and graphics in this report were provided by the Arizona Restaurant Association.

Purpose

As a member of the Carefree Cave Creek Chamber of Commerce and its Restaurant Committee, and as a longtime local restaurant operator, I wanted to share several Arizona restaurant industry updates that may affect restaurants throughout Carefree and Cave Creek.

Arizona Sales Are Up - But So Are the Pressures

Arizona restaurants generated approximately \$12.6 billion in sales during the first half of 2026, a 5.09% increase over the same period last year.

After adjusting for inflation, real sales increased by only 0.23%. This suggests that most of the growth came from higher menu prices rather than increased customer traffic or stronger demand.

Arizona restaurant employment is also down 2.3% from last year. Nationally, restaurants lost approximately 12,100 jobs in June, with preliminary figures indicating an additional decline in July.

For local operators, the message is clear: while sales figures may look encouraging, customer traffic, labor availability, food costs, insurance, utilities and other operating expenses remain significant challenges. Careful menu pricing, labor management and cost controls will continue to be critical during the second half of the year.

Fall Arizona Restaurant Week

Fall Arizona Restaurant Week is approaching, and participation will be capped. Participating restaurants can:

- Reach diners actively searching for restaurants.
- Showcase signature favorites, seasonal dishes or a new menu experience.
- Attract first-time guests and encourage loyal customers to return.
- Benefit from statewide television, radio, digital, social media and public-relations exposure.

Participation costs \$350 for Arizona Restaurant Association members and \$600 for nonmembers.

Restaurants interested in participating should register soon. Questions may be directed to Jamie at Jamie@azrestaurant.org.

Travelers Are Choosing Destinations for the Food

OpenTable research shows how important restaurants have become to travel decisions:

- 60% of travelers have booked a hotel specifically because of its restaurant.
- 61% have selected a destination because of its food or restaurant scene.
- 88% of Gen Z travelers plan restaurant reservations before arriving.
- Solo dining by travelers has increased 30% year over year.
- 92% have visited a hotel restaurant without staying at the hotel.

This is especially relevant to Carefree and Cave Creek. Our restaurants are not merely places for visitors to eat; they are an important part of what brings people to our communities. Working together to promote the area as a dining destination can benefit restaurants, lodging properties, retailers and other tourism-related businesses.

September Restaurant Owners Mixer

Cody Edgin of Cryin' Coyote and I are planning a mixer for local restaurant owners in September. We are speaking with potential guest speakers about options for managing credit-card processing fees, an increasingly significant expense for restaurant operators.

We will also discuss what the Carefree Cave Creek Chamber of Commerce does for its restaurant members and how the Chamber can help promote, connect and advocate for our local restaurant community. The date, location and speakers will be announced soon. Stay tuned for the date.

Personal Note

The restaurant business has never been easy, and the current numbers confirm what many of us are experiencing firsthand: revenue may be increasing, but so are the costs and pressures involved in producing that revenue.

Carefree and Cave Creek have a strong and distinctive restaurant community. By sharing information, promoting our communities together and supporting one another, we can help make our entire dining market stronger.

Danny Piacquadio

Owner, Harold's Corral

Member, Carefree Cave Creek Chamber of Commerce

Restaurant Committee Member

APPENDIX: ARIZONA RESTAURANT INDUSTRY GRAPHICS

All graphics courtesy of the Arizona Restaurant Association.



Figure 1. Midyear industry snapshot.

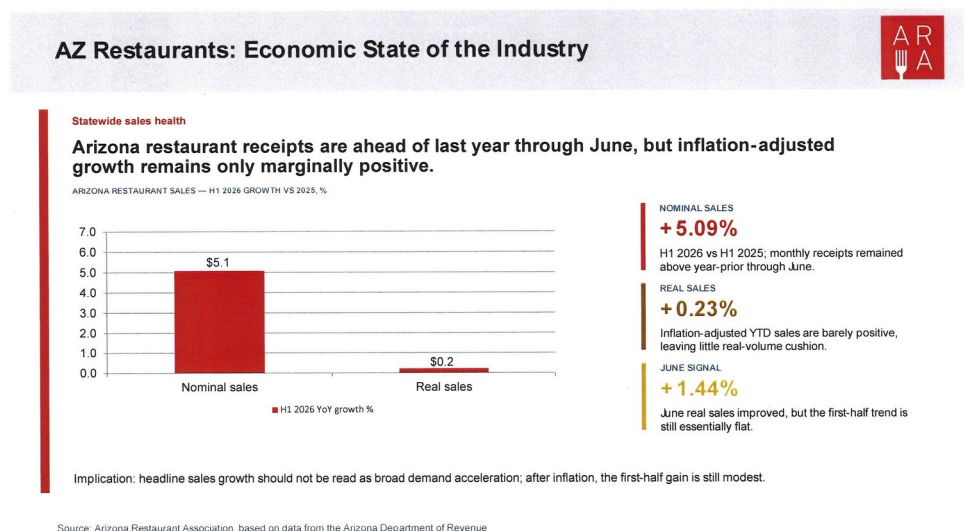


Figure 2. June sales and inflation-adjusted growth.

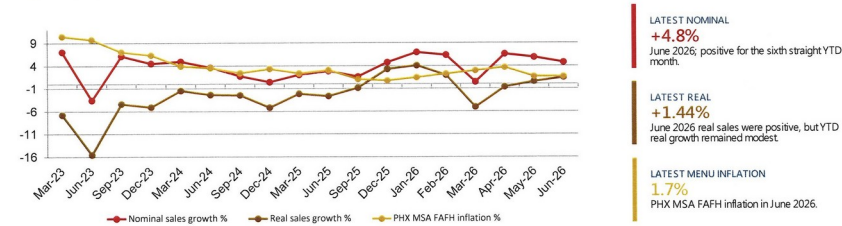
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Nominal vs. real growth

Nominal growth remained positive through the first half, but inflation-adjusted gains are still thin.

ARIZONA RESTAURANT SALES GROWTH VS. PHOENIX MSA MENU-PRICE INFLATION, % YOY



Source: Arizona Restaurant Association, based on data from the Arizona Department of Revenue and the Bureau of Labor Statistics

Figure 3. Monthly sales growth trends.

AZ Restaurants: Economic State of the Industry



Phoenix area sales

Phoenix city restaurant sales were still expanding in Q1, while statewide H1 data show only marginal real growth.

CITY OF PHOENIX Q1 RESTAURANT SALES, \$B

Nominal sales: \$1.51B → \$1.54B



Inflation-adjusted sales: \$1.07B → \$1.04B



JANUARY 2026

\$485M

City nominal sales; +4.6% vs Jan. 2025.

FEBRUARY 2026

\$502M

City nominal sales; +2.0% vs Feb. 2025.

MARCH 2026

\$553M

Essentially flat vs Mar. 2025 in nominal dollars.

REAL MARCH

-\$21M

Real city sales gap vs Mar. 2025.

Implication: Phoenix-area demand is not collapsing, but Q1 local real softness and H1 statewide flatness leave limited cushion for wage, food and occupancy costs.

Source: Arizona Restaurant Association, based on data from the Arizona Department of Revenue and the Bureau of Labor Statistics

Figure 4. First-quarter spending versus projections.

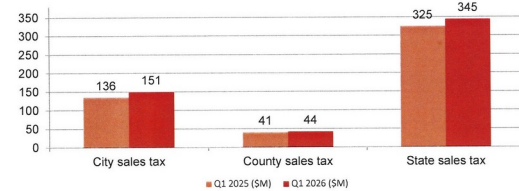
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Taxes and fiscal footprint

Local restaurant activity remains a meaningful fiscal engine; Q1 tax receipts rose faster than reported city sales.

RESTAURANT-RELATED TAX RECEIPTS — Q1 TOTALS, \$M



Q1 2026 CITY TAX SIGNAL

+\$14.9M

City restaurant sales-tax receipts increased by about 11.0% versus Q1 2025, even as city nominal sales grew about 3.3%.

CITY TAX
\$150.7M in Q1 2026; +11.0% YoY.

COUNTY TAX
\$43.5M in Q1 2026; +5.7% YoY.

STATE TAX
\$344.8M in Q1 2026; +6.0% YoY.

Source: Arizona Restaurant Association, based on data from the Arizona Department of Revenue

Figure 5. Limited-service and full-service sales.

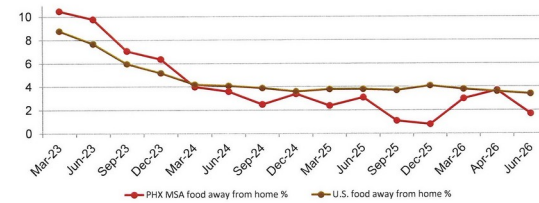
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Inflation pressure

Restaurant inflation has cooled sharply from 2023 highs; Phoenix menu inflation eased again by June 2026.

12-MONTH INFLATION CHANGE, SELECTED MONTHS



PHOENIX FAFH PEAK

10.5%

March 2023 in the dataset.

LATEST PHOENIX

1.7%

June 2026, down from April 2026.

LATEST U.S.

3.4%

National FAFH inflation in June 2026.

Implication: slower menu inflation helps guests, but it also limits pricing as a margin lever while real receipts remain nearly flat.

Source: Arizona Restaurant Association, based on data from the Bureau of Labor Statistics

Figure 6. Arizona restaurant job growth.

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Employee Quit Rate Has Normalized From Elevated Pandemic Levels

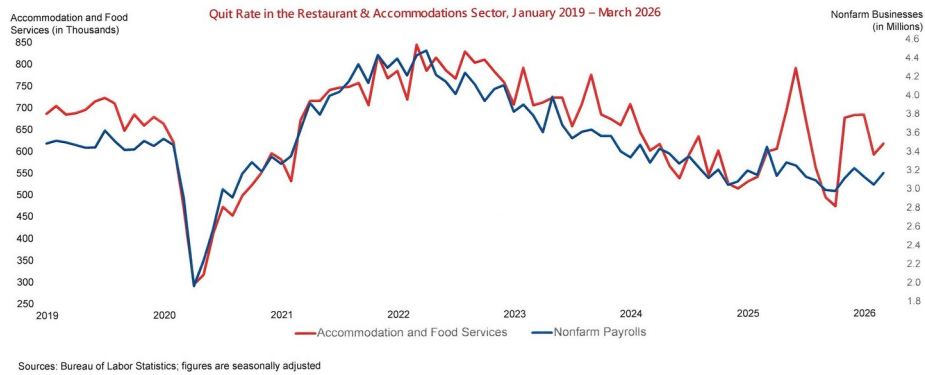


Figure 7. Employee cost index.

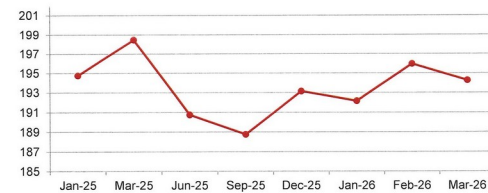
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Labor and establishments

Restaurant employment remains softer than a year ago, even as establishments and Payroll remain elevated.

PHOENIX MSA RESTAURANT EMPLOYEES, THOUSANDS



LATEST LABOR SIGNAL

-2.3%

June 2026 restaurant employment YoY.

STATE ESTABLISHMENTS

12.5K

December 2025; about +1.8% vs Dec. 2024.

PAYROLL SCALE

~\$2.0B

Monthly statewide restaurant payroll ran near \$2B through late 2025.

Implication: operators appear to be balancing staffing, hours and productivity against limited real-demand growth.

Source: Arizona Restaurant Association, based on data from the Office of Economic Opportunity and the Bureau of Labor Statistics

Figure 8. Restaurant employment trend.

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Consumer behavior and operator sentiment

Tipping has been steady, while the NRA Restaurant Performance Index moved just above expansion territory in June.

AVERAGE TIP RATE BY QUARTER

QUARTER	ALL RESTAURANTS	FULL SERVICE	QUICK SERVICE
Q4 2022	19.3%	20.1%	15.8%
Q4 2023	19.2%	19.8%	16.0%
Q4 2024	19.1%	19.7%	15.6%
Q4 2025	19.1%	19.5%	15.6%

RPI CURRENT READ

100.2

June 2026 RPI; current situation 100.1 and expectations 100.4.

Implication: operators reported better same-store sales but weaker traffic; the outlook remains cautious, not robust.

Source: Toast Industry Trends; National Restaurant Association Restaurant Performance Index

Figure 9. Restaurant Performance Index.

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Tourism nexus

Visitor dining is already a major Arizona tourism product.

The latest AOT/Dean Runyan travel-impact data show food service slightly exceeding accommodations as a visitor-spending category.

VISITOR FOOD SERVICE	ACCOMMODATIONS	A&F'S TRAVEL JOBS	TRAVEL EARNINGS
\$6.8B	\$6.5B	103.4K	\$4.5B
2025 visitor spending, +1.8%	Visitor accommodation spending in 2025	Direct travel-generated jobs in accommodations & food services	Travel-generated earnings in accommodations & food services

Implication: restaurants should be treated as visitor-acquisition assets, not only local amenities—especially for DMO campaigns, convention dining, group events and culinary itineraries.

Source: Arizona Office of Tourism / Dean Runyan Associates, 2025p Economic Impact of Travel in Arizona

Figure 10. National restaurant industry snapshot.