The Ghost Kitchen Business Model

Idea In Short

Ghost kitchens strip a restaurant down to the one function that pays the bills: cooking food for delivery. No dining room, no host stand, no parking lot signage. Operators rent a compact kitchen unit inside a shared facility, plug into delivery apps and start filling orders the same week. CloudKitchens, the company Travis Kalanick built after leaving Uber, turned this stripped-down format into a real estate business, leasing kitchen space to hundreds of restaurant brands across more than 100 cities. The model swaps a restaurant's biggest fixed cost, the building, for a flexible lease and lets brands test new markets without signing a 10-year commitment. For executives weighing capital-light expansion, the ghost kitchen model offers a template worth understanding, along with its limits around customer loyalty and delivery economics.

What Counts as a Ghost Kitchen

A ghost kitchen is a commercial kitchen built to cook for delivery and pickup only. There is no dining room, no host stand and no sign visible from the street. Customers place an order through a delivery app and the kitchen exists purely to turn that order into food that reaches them on time.

The term overlaps with cloud kitchen and dark kitchen and people often use them interchangeably. A related but distinct format, the virtual restaurant, operates a new delivery-only brand out of an existing restaurant's kitchen rather than a purpose-built facility. Wingstop's "Wings" concept illustrates the distinction: it runs inside kitchens that already cook for a dine-in brand, while a true ghost kitchen tenant has no dine-in operation at all.

Why Restaurants Are Shedding the Dining Room

Real estate and staffing built around table service are the two largest fixed costs in a restaurant's budget. Cutting the dining room removes both the rent tied to a customerfacing location and the labor tied to serving one. The US ghost kitchen market alone was valued at roughly $1.5 billion in 2024 and is projected to keep growing through the decade as delivery volume outpaces dine-in recovery.1

The appeal runs in both directions. Restaurant groups get a way to test new neighborhoods or launch a second brand without signing a long lease and newcomers get a lower-capital entry point into food service. A kitchen unit can go live in weeks, not the months a traditional buildout requires and it can shut down just as fast if a concept does not work.

CloudKitchens Turns Kitchens Into Real Estate

CloudKitchens grew out of a company called City Storage Systems, which Travis Kalanick backed after he left Uber in 2017. Rather than running restaurants itself, CloudKitchens buys or leases underused property, often in industrial or low-traffic areas and subdivides it into individual kitchen units that it rents to food brands.2 The company now operates several hundred facilities across dozens of countries, each housing a cluster of tenants who share loading docks, utilities and security.

> A kitchen with no dining room still needs a landlord, just a different kind

That framing captures the shift. CloudKitchens is not competing with restaurants for customers. It competes with commercial landlords for tenants and its product is square footage tuned specifically for delivery-only cooking.

The Landlord Logic Behind the Lease

Kalanick has described the ambition in infrastructure terms, backed by continued investment from Saudi Arabia's Public Investment Fund and reported plans to take a Middle East unit public.3 Kitchen units typically rent for $3,500 to $10,000 a month depending on market and size, with utilities, cold storage and cleaning bundled into the lease. That pricing lets an operator open a location for a fraction of what a full restaurant buildout costs, since CloudKitchens has already covered the permitting, plumbing and ventilation work that eats up a new restaurant's startup budget.

Some tenants pay rent alone. Others go through CloudKitchens' Future Foods division, which develops delivery brands in-house and shares revenue with the operators who run them. Either way, the company's economics look more like a real estate business than a food business, with occupancy and lease terms driving results rather than food cost or table turns.

Ownership Models Beyond the Single Landlord

Not every ghost kitchen follows the CloudKitchens template. Commissary or shared kitchens, the most common variant, are typically owned by a real estate operator that builds out a facility to code and rents individual stations to independent brands, much like CloudKitchens itself. Incubator or pop-up kitchens instead grow out of an existing restaurant, where the owner adds delivery-only capacity inside a kitchen that already serves dine-in customers.

Kitchen pods sit at the smaller end of the spectrum, built for a single newcomer operator rather than a shared facility. None of these ownership structures require the operator to own real estate, which is the trait that ties the category together and explains why capital-light entrants keep choosing it over a traditional lease.

Where the Model Runs Into Friction

Delivery-only kitchens trade a lower cost base for a set of operating constraints that dine-in restaurants do not face. A kitchen with no storefront cannot build loyalty through a server who remembers a regular's order and it has no way to upsell a drink or dessert once food leaves the building. Traffic and building access in dense cities also complicate delivery timing in ways a sit-down restaurant never has to manage.

Some CloudKitchens tenants have described the tradeoff as steeper than expected, citing inconsistent facility conditions and rents that rose faster than their delivery sales.4 A brand with no physical storefront also depends entirely on delivery app rankings and search placement to get discovered, which hands significant control over customer acquisition to a third party the operator does not manage.

What Executives Should Take From the Model

Kalanick has signaled that CloudKitchens' ambitions extend past leasing square footage into deeper automation of food production itself.5 For restaurant executives, the lesson is less about copying CloudKitchens directly and more about the underlying principle: fixed real estate cost is a variable, not a constant and delivery demand can be served from a location customers never see.

That principle applies unevenly. A brand with strong dine-in loyalty has little reason to abandon it, while a brand chasing delivery-only demand in a new city can use ghost kitchen space to test the market before committing capital. The model rewards operators who treat it as one distribution channel to manage deliberately, not a wholesale replacement for the restaurant format.

Key Partners

CloudKitchens depends on property owners willing to sell or lease underused real estate, often in industrial corridors, for conversion into kitchen facilities. Delivery platforms such as DoorDash, Uber Eats and Grubhub supply the order volume that makes tenant kitchens viable in the first place. Restaurant brands and franchise groups partner with CloudKitchens to launch delivery-only locations without opening new storefronts. Kitchen equipment and software vendors round out the partner base, supplying the hardware and order-management tools tenants need to operate.

Key Activities

The core activity is acquiring and retrofitting real estate into code-compliant, subdivided kitchen facilities. CloudKitchens then leases individual units to restaurant operators and manages shared infrastructure such as loading docks, utilities and security. It builds and maintains software that routes delivery orders and helps tenants manage multiple brands from one kitchen. Through Future Foods, it also develops and operates delivery-only brands directly inside its own facilities.

Key Resources

CloudKitchens' most valuable resource is its real estate portfolio, spanning several hundred facilities across dozens of countries. Its kitchen management software, which handles order routing and multi-brand operations, is the second pillar of the offering. Capital from investors, including Saudi Arabia's Public Investment Fund, funds the ongoing acquisition and buildout of new sites. Operational staff who manage facility maintenance, permitting and tenant relationships keep the portfolio running day to day.

Value Propositions

Tenants get a delivery-only kitchen without the capital outlay of a full restaurant buildout, since permitting, plumbing and ventilation work is already done. Turnkey equipment, shared utilities, cleaning and security are bundled into the lease rather than negotiated separately. CloudKitchens also gives brands visibility into delivery demand patterns by neighborhood, informing where to open next. Facilities can open in weeks, letting brands test new markets far faster than a traditional lease and buildout would allow.

Customer Relationships

Relationships center on the lease itself, with account managers handling renewals, facility issues and expansion requests. Tenants interact with CloudKitchens largely through a self-service software dashboard for orders and facility requests. Brands that join Future Foods enter a deeper, revenue-sharing relationship where CloudKitchens has a direct stake in their sales performance. Support stays operational and transactional rather than consultative, reflecting the company's identity as a landlord rather than a restaurant partner.

Channels

CloudKitchens sells kitchen space directly to restaurant brands and entrepreneurs through its own sales and leasing teams. Regional teams handle site selection conversations with prospective tenants in each market the company enters. Its website markets available locations and facility specifications to operators evaluating expansion. Delivery app integrations serve as the channel through which tenant kitchens actually reach end consumers.

Customer Segments

Independent entrepreneurs launching a single delivery-only concept make up a significant share of tenants. National and regional restaurant chains rent units to run virtual sub-brands in markets where they have no physical storefront. Catering companies and meal-prep businesses lease space for commercial kitchen capacity without owning a building. Consumer packaged goods makers also rent units when they need production space closer to end customers.

Cost Structure

Acquiring and retrofitting real estate into compliant, subdivided kitchen facilities is the largest recurring cost. Facility operations, including utilities, cleaning, security and maintenance, add a continuous operating expense across every location. Software development for order routing and tenant management represents a smaller but steady investment. Staffing for leasing, property management and Future Foods brand operations rounds out the cost base.

Revenue Streams

Monthly kitchen unit rent, typically $3,500 to $10,000 depending on market and size, is the primary revenue source. Bundled fees for utilities, cold storage and facility services add a secondary layer of recurring income. Future Foods generates a revenue share, typically around 10% of sales, from the brands CloudKitchens develops and operates in-house. Ancillary charges for equipment upgrades and expedited buildouts contribute additional revenue on top of base rent.

- 1US ghost kitchens market size
- 2CloudKitchens company overview
- 3CloudKitchens Middle East IPO plans
- 4CloudKitchens tenant experiences
- 5Kalanick's plans beyond ghost kitchens

Summary

Ghost kitchens will not replace the dining room and CloudKitchens' own struggles with tenant churn and city permitting show the model carries real friction. But the underlying logic holds: real estate is a restaurant's biggest fixed cost and delivery demand does not require a dining room to satisfy. Kitchen-as-a-service landlords give restaurant brands a way to test new geographies, launch virtual concepts and absorb delivery growth without the capital burden of a full build-out. Executives evaluating this model should weigh it against its constraints, thin loyalty with delivery-app customers, dependence on third-party platforms and the operational discipline delivery-only cooking demands. Used deliberately, as one channel among several rather than a full replacement for dine-in, ghost kitchens offer a genuinely lower-risk way to grow a food brand's footprint.