

EQUITY RETAIL BROKERS

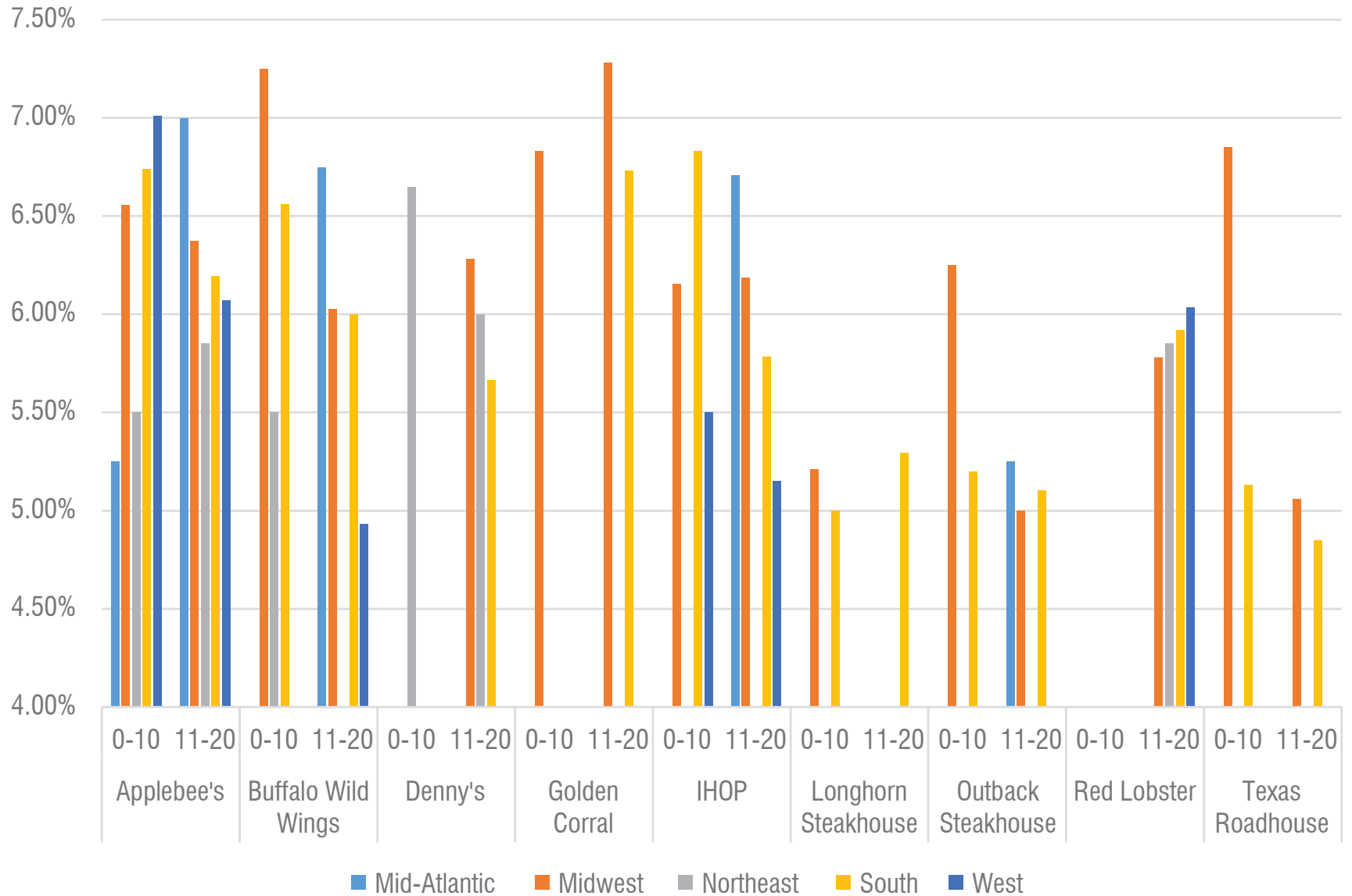
YEAR IN REVIEW CASUAL DINING 2017

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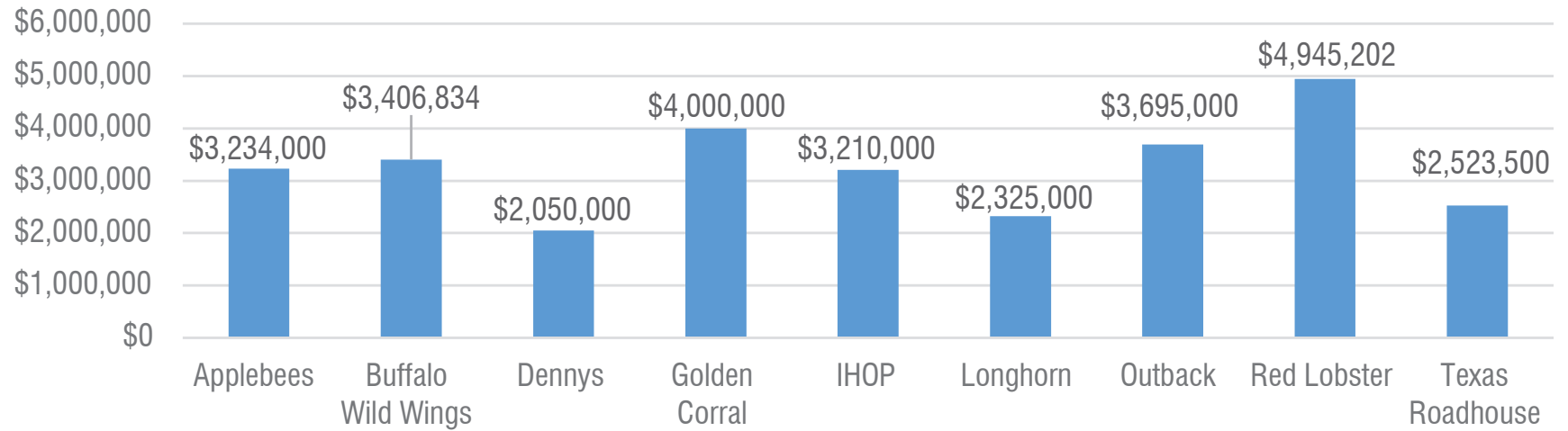
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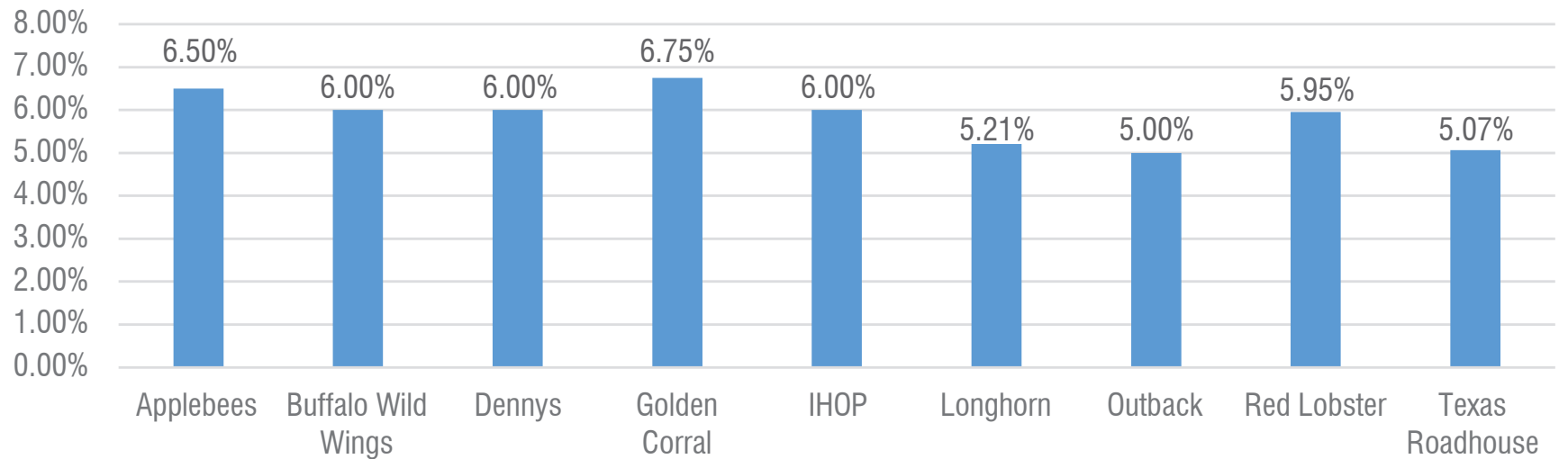
AVERAGE LISTING CAP RATE BY REGION & TERM REMAINING



MEDIAN ASKING PRICE



MEDIAN ASKING CAP RATE



CAP RATE TRENDS & ECONOMIC NEWS

Looking back at 2017, we've observed a pretty consistent appetite for casual dining restaurants across the board from net lease investors. One of the biggest reasons investors favor casual dining assets, is their resistance to the e-commerce threat that many retail stores continue to face. In addition, casual dining properties typically feature absolute triple net leases and rental escalations during their lease term.

Cap rates for strong, corporately operated properties have seen a compression of 10 to 25 basis points from the start of 2017. Most franchisee leased properties have seen an increase in cap rate between 10 and 40 basis points, with an occasional variance for larger operators in thriving markets.

Consistent with overall net lease market, private and 1031 buyers continue to be the most aggressive purchasers of casual dining assets due to their absolute price points. Private buyers accounted for the majority of casual dining transactions in 2017. Buyers in 1031 exchanges have kept net lease retail cap rates in all sectors near the all-time low levels in 2017, due to their willingness to obtain lower yield; when receiving the security of a long-term lease with a credit tenant and minimal landlord responsibilities.

The common consensus among investors is that the net lease sector will remain very active throughout 2018, especially considering what the new tax plans have to offer in the coming year. Investors will now have the ability to deduct interest expenses on commercial loans at an uncapped rate. Corporate tax rate will also be reduced, like kind 1031 exchanges are here to stay, and there is a 20% increased tax deduction for businesses set up as a partnership or entity with tax burden that transfers to an individual. We see all of these factors contributing to more CRE transactions and activity in 2018.

CASUAL DINING NEWS

Arbys Owner Buys Buffalo Wild Wings

Buffalo Wild Wings will go from a public, to a privately held company following the sale to Arby's owner, Roark Capital Group. The new owner will look to turn around the declining sales trend that Buffalo Wild Wings has seen in the last 2 years.

NRD Capital buys struggling Ruby Tuesday

NRD Capital, an Atlanta-based private-equity firm, has agreed to buy long-struggling casual-dining chain Ruby Tuesday Inc. in a deal valued at \$335 million.

Famous Dave's to sell all company stores

Famous Dave's of America Inc. has made plans to sell all 33 of its company stores to franchisees to shift their focus to growing a franchise system.

DineEquity to close 160 locations

DineEquity closed nearly 160 Applebee's and IHop's in 2017, with plans to open dozens of new restaurants in 2018.

Bloomin' Brands closes 43 restaurants

Bloomin' Brands closed 43 underperforming restaurants that included Outback Steakhouse, Carrabba's Italian Grill, and Bonefish Grill.

Company	Stock Price (12/30/17)	52-Week Low	52-Week High	Avg. Price Target
Bloomin' Brands (BLMN)	\$21.51	\$16.11	\$22.47	\$22.25
Brinker Intl. (EAT)	\$39.17	\$29.50	\$49.85	\$41.50
Cracker Barrel (CBRL)	\$160.17	\$141.75	\$168.90	\$150.00
Darden Restaurants (DRI)	\$96.69	\$71.01	\$98.36	\$99.80
Denny's (DEN)	\$13.32	\$10.87	\$14.25	\$14.00
DineEquity (DIN)	\$50.73	\$36.71	\$78.15	\$53.00
Texas Roadhouse (TXRH)	\$53.42	\$40.28	\$55.99	\$55.00

Other Economic Benchmark Figures	
Libor (1-Month)	1.38%
5-Year Treasury Bill	2.26%
10-Year Treasury Bill	2.48%
5-Year CD	2.00%
10-Year CD	2.40%

Fixed Rate	Regional Lenders		Debt Fund	
	Term	LTV	Interest Rates	LTV
5 Years	55% to 75%	3.90% to 4.50%	55% to 75%	3.94% to 4.57%
7 Years	55% to 75%	4.13% to 4.73%	55% to 70%	4.125% to 4.75%
10 Years	55% to 70%	4.20% to 4.875%	55% to 70%	4.25% to 4.95%