

EQUITY RETAIL BROKERS

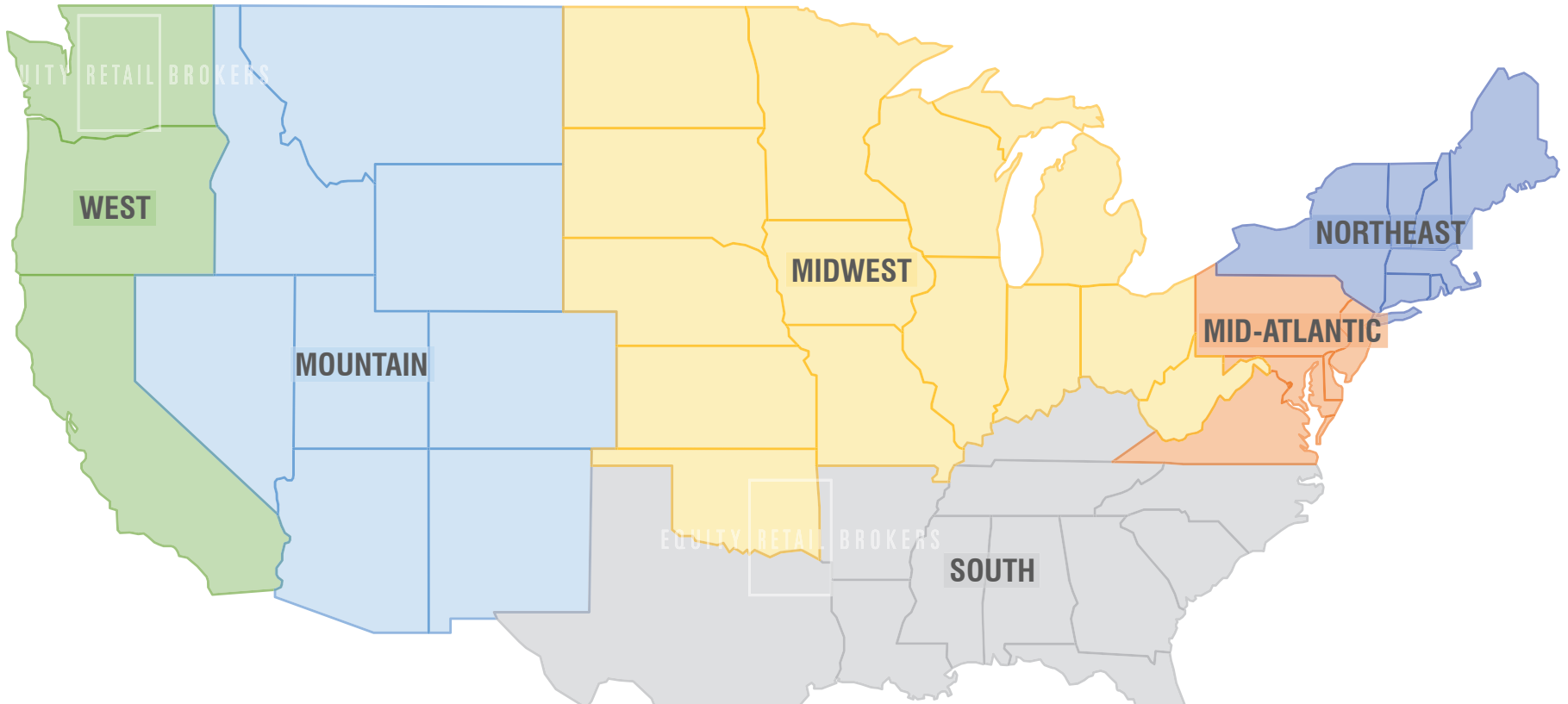
QUICK SERVICE RESTAURANTS REPORT FEB 2018

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UNITED STATES MAP REGIONS



WEST

Washington
Oregon
California

MOUNTAIN

Montana Utah
Idaho Colorado
Wyoming Arizona
Nevada New Mexico

MIDWEST

North Dakota Illinois
South Dakota Indiana
Minnesota Ohio
Wisconsin Kansas
Michigan Missouri
Nebraska West Virginia
Iowa Oklahoma

SOUTH

Texas North Carolina
Arkansas South Carolina
Kentucky Georgia
Tennessee Florida
Mississippi
Alabama

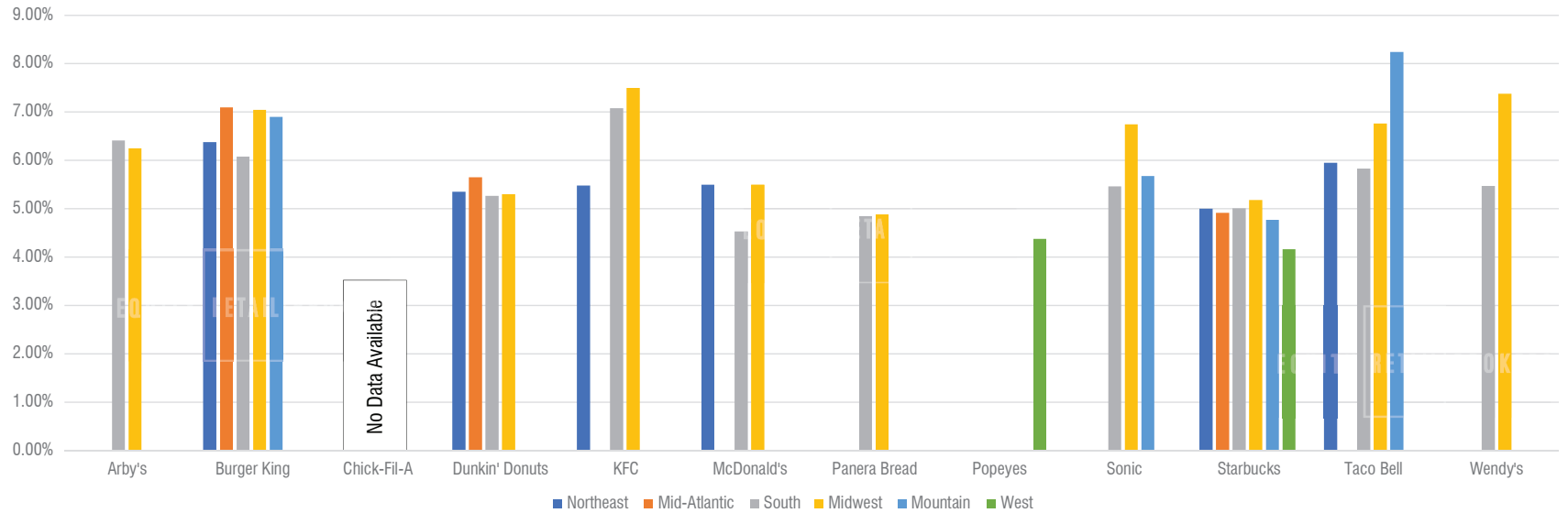
MID-ATLANTIC

Pennsylvania
New Jersey
Maryland
Delaware
Washington D.C.
Virginia

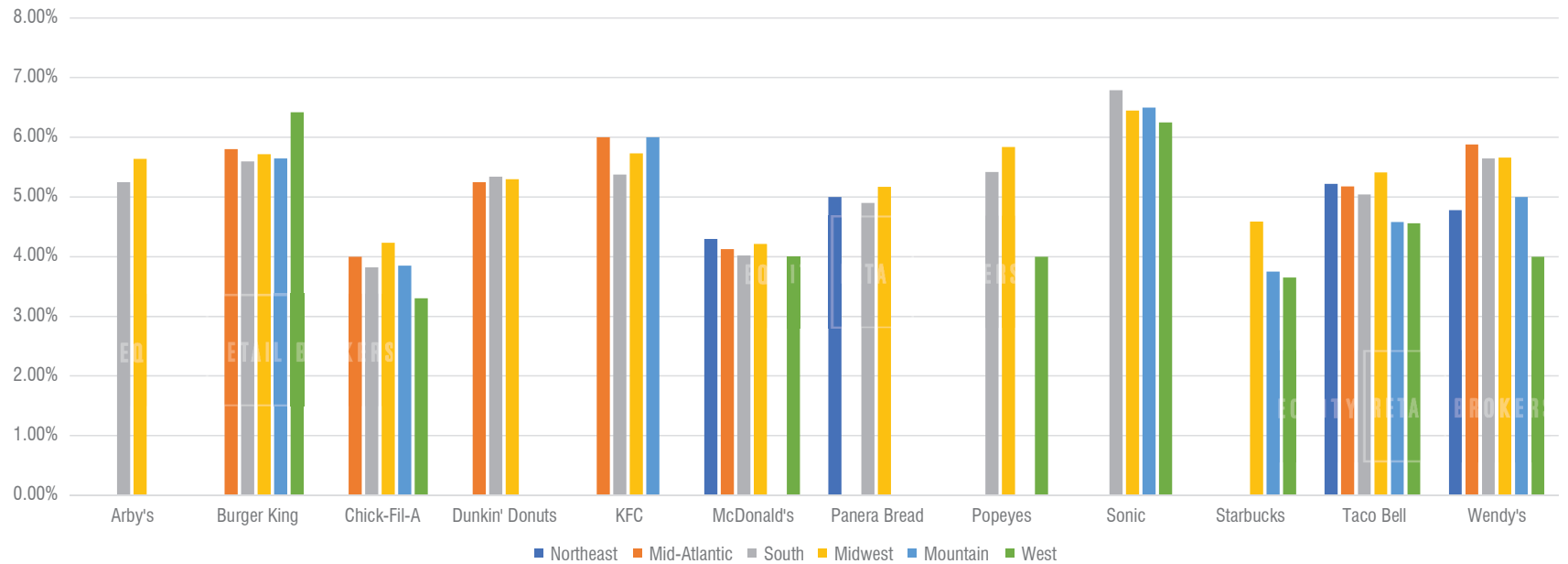
NORTHEAST

New York
Vermont
New Hampshire
Maine
Massachusetts
Connecticut
Rhode Island

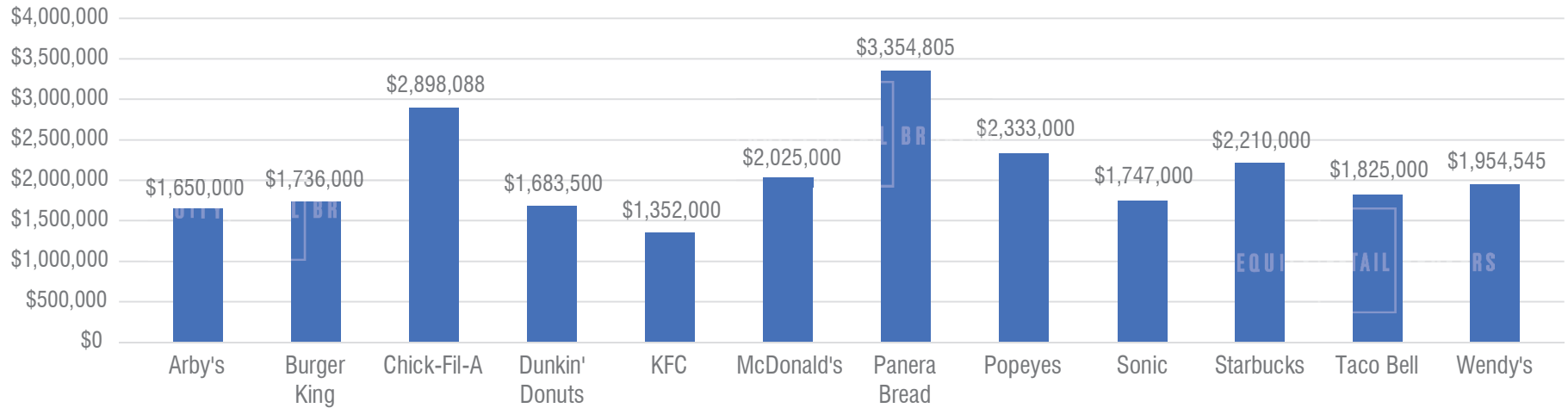
AVERAGE LISTING CAP RATE BY REGION | 0-10 YEARS TERM REMAINING



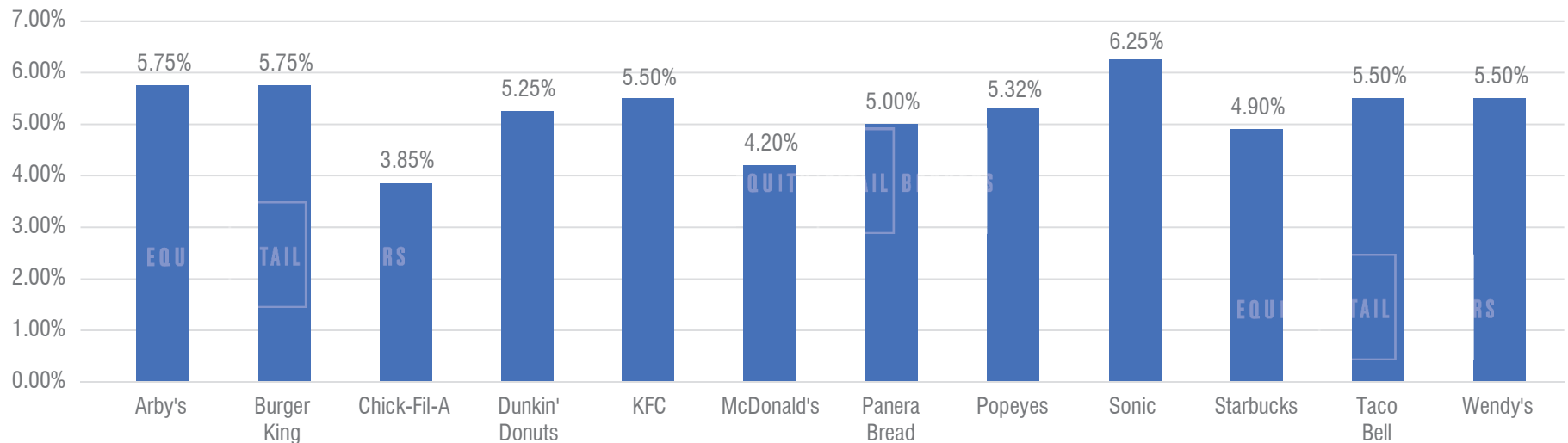
AVERAGE LISTING CAP RATE BY REGION | 11-20 YEARS TERM REMAINING



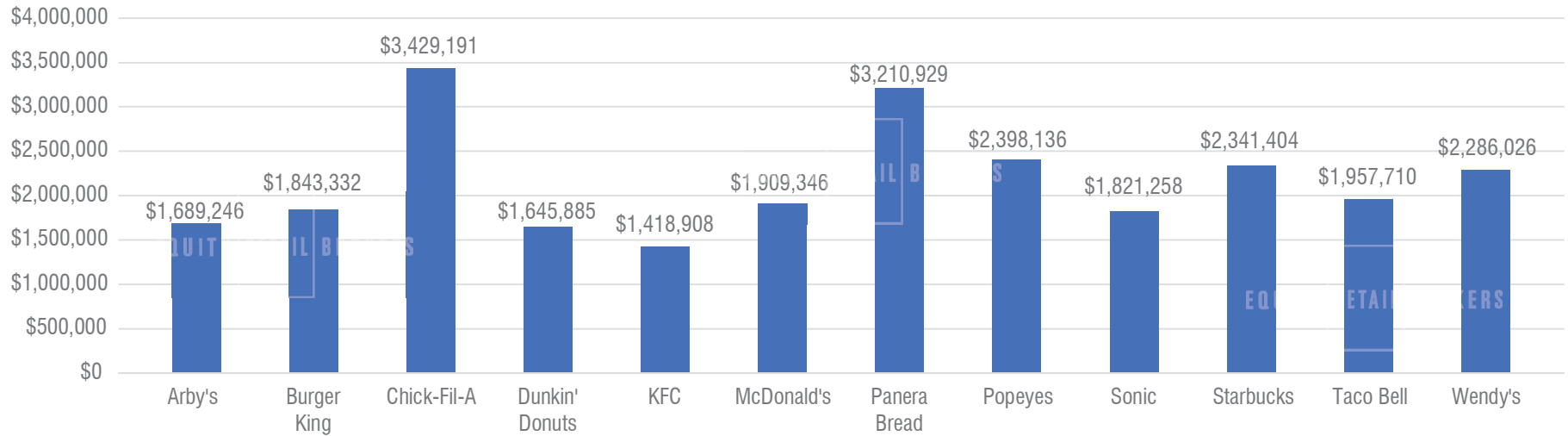
MEDIAN ASKING PRICE



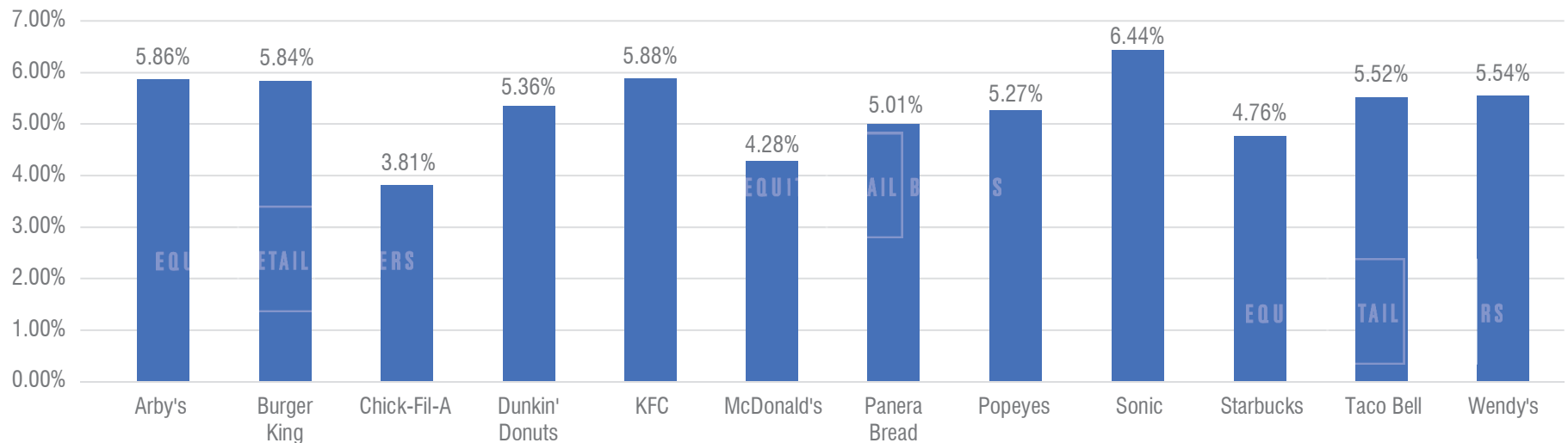
MEDIAN ASKING CAP RATE



AVERAGE ASKING PRICE



AVERAGE ASKING CAP RATE



CAP RATE TRENDS & ECONOMIC NEWS

As 2017 drew to a close, net lease investors maintained a high level of interest in Quick Service Restaurant (QSR) investments. A primary attraction to these assets is their neutrality to e-commerce. While many retailers fear the surge of digital shopping, QSRs remain unphased by the ability to purchase goods online.

Investors, straying from the possibilities of vacancies and/or financial responsibilities, are driving the QSR sub-sector. 1031 exchange and private buyers have been, and will continue to be, drawn to these lower CAP rate assets. This is due to their long-term leases, minimal-to-no landlord responsibilities and rental increases throughout their base terms and options. The structure of these leases deem this asset to be a “safer” investment than others, resulting in a large shift in the supply and demand curve (surplus of demand, but a deficit of supply).

More than any other industry, the CAP rates for QSR investments are directly effected by the guarantee of the lease. In other sectors, such as drug stores, dollar stores, c-stores, etc., QSR leases can be either corporately or franchisee guaranteed. However, there is more beneath the surface. The more units a franchisee operates, the stronger the franchisee. The stronger the franchisee, the lower the CAP rate can be. The difference between a property with a corporately guaranteed lease rather than one guaranteed by a franchisee can range between 25-50 basis points.

With the new tax plan now in place, it should have an impact on single tenant investments moving forward. For starters, 1031 exchanges are here to stay, however real estate is the only industry still allowing this capital gains tax deferring exchange. This new tax plans reduces the corporate tax rate, and allows businesses set up as partnerships, sole proprietorships, or S-Corporations to see a 20% tax deduction. Investors who choose to deduct interest expenses on commercial loans, will now be able to do so at an uncapped rate.

The new year should provide a lot of activity, and we'll keep an eye on it moving forward to see how all factors influence the QSR sector.

QSR INDUSTRY NEWS

Jack in the Box Sells Qdoba Mexican Grill

After growing Qdoba Mexican Grill from 85 locations in 16 states to over 700 units in 47 states and the District of Columbia throughout 14 years, Jack in the Box has decided to sell the fast casual Mexican chain. Private Equity Firm, Apollo Global Management, has agreed to pay \$305 Million in cash for this brand.

Arby's Owner Buys Buffalo Wild Wings

Once a publicly traded company, Buffalo Wild Wings will go private following the sale to Arby's parent company, Roark Capital Group. Roark will look to turn around Buffalo Wild Wings' 2-year sales skid.

Panera Bread Gets Acquired By Krispe Kreme Parent Company

Parent company to both Krispe Kreme Doghnuts and Caribou Coffee, JAB Holdings, has bought bakery chain Panera Bread for \$7.2 Billion. This is the largest-ever U.S. restaurant deal.

New York Based Private Equity Firm Buys Checker's Drive-In Restaurants

Oak Hill Capital Partners, a New York private Equity Firm, struck a deal with another New York based firm, Sentinel Capital Partners, transferring ownership of the 31-year old burger chains, Checkers and Rally's. This deal is said to be worth \$525 Million for both brands.

QSR STOCK PRICES

Company	Stock Price	52-Week Low	52-Week High	1-YR Target Est.
Stock information accurate as of close of business on Feb. 9, 2018				
Arby's			Private	
Burger King / Popeyes (QSPUN) ¹	\$70.71	\$66.99	\$87.77	N/A
Chick-Fil-A			Private	
Dunkin' Donuts (DNKN)	\$58.57	\$50.89	\$68.45	\$63.05
KFC / Taco Bell (YUM)	\$79.31	\$62.85	\$86.93	\$85.50
McDonald's (MCD)	\$160.80	\$124.52	\$178.70	\$189.68
Panera Bread ²			Private	
Sonic (SONC)	\$24.37	\$22.11	\$30.05	\$29.80
Starbucks (SBUX)	\$54.58	\$52.58	\$64.87	\$64.35
Wendy's (WEN)	\$15.66	\$13.03	\$17.66	\$17.67

¹ Traded on the Toronto Stock Exchange

² Was public (PNRA) until bought by private fund, JAB Holdings in April, 2017

Fixed Rate	Regional Lenders		Debt Fund	
	LTV	Interest Rates	LTV	Interest Rates
Term				
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%

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%