

CORPORATE LEASED PROPERTIES MEDIAN ASKING CAP RATE

Tenant	Q1 2016 (Previous)	Q1 2017 (Current)	Basis Point Change
Buffalo Wild Wings	5.90%	6.25%	+35
Chili's (GL)	5.00%	5.25%	+25
Hooters	6.00%	6.15%	+15
IHOP	6.00%	5.90%	-10
Outback Steakhouse	5.00%	5.15%	+15
Red Lobster	5.75%	5.83%	+8
Texas Roadhouse (GL)	4.75%	4.73%	-2
All Corporate Casual Dining	5.65%	5.75%	+10

GL=Ground Lease

FRANCHISEE LEASED PROPERTIES MEDIAN ASKING CAP RATE

Tenant	Q1 2016 (Previous)	Q1 2017 (Current)	Basis Point Change
Applebees	6.13%	6.29%	+16
Denny's	5.50%	5.60%	+10
IHOP	6.34%	6.20%	-14
All Franchisee Casual Dining	6.30%	6.25%	-5

CASUAL DINING PROPERTIES MEDIAN ASKING PRICE

Tenant	Median Price
All Casual Dining	\$3,596,091
Applebees	\$2,863,584
Buffalo Wild Wings	\$3,057,476
Chili's Grill & Bar	\$3,814,000
Denny's	\$2,325,000
Hooters	\$3,414,634
IHOP	\$3,300,000
Outback Steakhouse	\$2,920,000
Red Lobster	\$4,535,962
Texas Roadhouse	\$2,748,612
TGI Friday's	\$3,865,278

MARKET OVERVIEW

Cap rates in the net lease casual dining restaurant sector increased 25 basis points to 6.00% in the first quarter of 2017 when compared to the first quarter of 2016. Casual dining restaurant properties with corporately guaranteed leases had cap rates of 5.75%, while franchisee leased properties were priced 50 basis points higher at 6.25%. Cap rates for casual dining restaurant properties leased to franchisees will vary depending on the strength of the operator. In the first quarter of 2017, franchisee backed casual dining restaurants accounted for 49% of the overall supply of casual dining restaurants.

A contributing factor to the increased cap rates associated with the net lease casual dining sector is the increase in concentration of franchise backed leases. In the first quarter of 2016, franchise backed leases accounted for only 31% of the casual dining sector compared to 49% in the first quarter of 2017. Accordingly, the cap rate premium associated with the casual dining sector when compared to the overall net lease market declined to 19 basis points from 43 in the prior year.

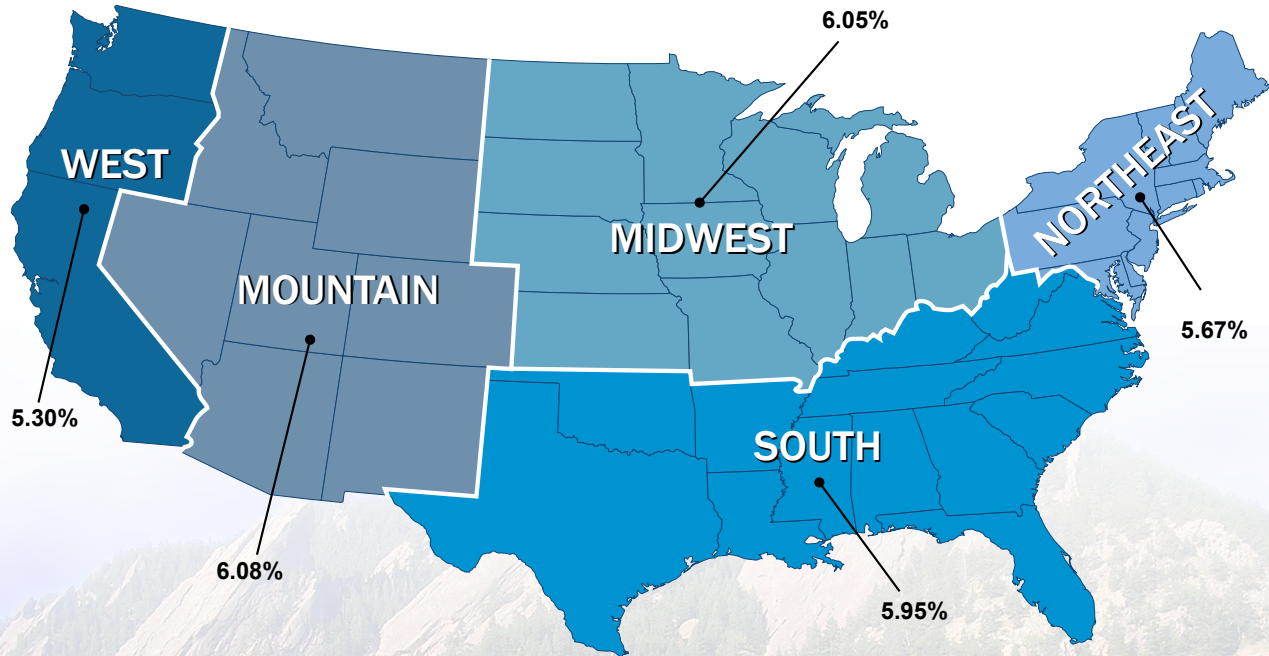
Despite isolated issues with some casual dining tenants, this asset class remains a popular target amongst net lease investors as it is one of the few net lease retail sectors that is e-commerce resistant. Furthermore, casual dining properties frequently exhibit absolute triple net leases and rental escalations during their lease term. Similar to the overall net lease market, private and 1031 buyers remain the most aggressive purchasers of net lease casual dining assets due to their absolute price points. Outside of portfolio sales, private buyers accounted for 70% of net lease casual dining transactions in the first quarter of 2017.

The single tenant net lease casual dining restaurant sector will remain active as this asset type continues to attract all investor types. Private and 1031 buyer will continue to be the primary buyer of non-portfolio transactions as they do not have the same yield requirements of institutional investors. Corporately guaranteed leases or franchisees with significant operational experience will remain in the highest demand among private investors due to the strength of credit associated with the assets. REITs and institutional investors will continue to seek larger portfolios of casual dining restaurant properties via sale leaseback transactions. Portfolio transactions typically allow economies of scale and higher yields compared to acquisitions on a one-off basis.

SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Dec-16	Red Lobster	Mesa	AZ	\$6,665,143	\$798	5.80%	23
Dec-16	Outback Steakhouse	Ellicott City	MD	\$6,200,000	\$931	5.55%	15
Dec-16	Golden Corral	Houston	TX	\$6,000,000	\$480	6.25%	20
Feb-17	Chili's	Rosemont	IL	\$5,965,219	\$1,061	6.40%	14
Dec-16	Red Lobster	Pensacola	FL	\$5,300,100	\$639	5.68%	23
Dec-16	Outback Steakhouse	Tampa	FL	\$4,745,727	\$770	5.50%	15
Mar-17	Golden Corral	North Highlands	CA	\$4,502,500	\$322	6.15%	19
Mar-17	Applebee's	Racine	WI	\$4,475,000	\$613	5.75%	15
Jan-17	Applebee's	Mesa	AZ	\$3,820,000	\$724	6.00%	13
Feb-17	Denny's	Riverside	CA	\$3,535,000	\$955	4.66%	20
Jan-17	Outback Steakhouse	Baton Rouge	LA	\$3,500,000	\$569	6.32%	15
Dec-16	Applebee's (GL)	Brownsville	TX	\$3,425,000	\$665	5.82%	20
Feb-17	LongHorn Steakhouse (GL)	Victor	NY	\$2,950,000	\$493	4.58%	10
Dec-16	Golden Corral	Sioux City	IA	\$2,830,000	\$255	7.00%	15
Jan-17	Ruby Tuesday	Mccomb	MS	\$2,350,000	\$457	6.50%	11
Feb-17	Golden Corral	Tucson	AZ	\$2,236,842	\$217	7.00%	15
Jan-17	Buffalo Wild Wings	Leavenworth	KS	\$2,112,000	\$422	6.04%	9
Mar-17	Chili's	Saint Peters	MO	\$2,063,333	\$373	6.00%	17
Dec-16	Bob Evans	Port Charlotte	FL	\$1,904,000	\$353	4.87%	19

CASUAL DINING MEDIAN ASKING CAP RATE BY REGION



CASUAL DINING VS RETAIL NET LEASE MARKET CAP RATES

Sector	Q1 2016 (Previous)	Q1 2017 (Current)
Casual Dining Sector	5.75%	6.00%
Retail Net Lease Market	6.18%	6.19%
Casual Dining Premium (bps)	43	19

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Lease Term Remaining	Cap Rate
20+	5.55%
15-19	5.75%
10-14	6.25%
5-9	6.35%
Under 5	6.75%

MEDIAN NATIONAL CLOSED CAP RATE SPREAD

Sector	Closed	Asking	Spread (bps)
Casual Dining	5.76%	5.45%	31

CASUAL DINING ASKING CAP RATE BY GUARANTOR

Corporate Cap Rate	Franchisee Cap Rate	Spread (bps)
5.75%	6.25%	50

FOR MORE INFORMATION

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