

**CORPORATE LEASED PROPERTIES  
MEDIAN ASKING CAP RATE**

Tenant	Q1 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Buffalo Wild Wings	6.25%	6.15%	-10
Chili's (GL)	5.25%	5.50%	+25
Hooters	6.15%	6.25%	+10
IHOP	5.90%	6.00%	+10
Outback Steakhouse	5.15%	5.28%	+13
Red Lobster	5.83%	5.85%	+2
Texas Roadhouse (GL)	4.73%	4.90%	+17
All Corporate Casual Dining	5.75%	5.90%	+15

**FRANCHISEE LEASED PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Q1 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Applebees	6.29%	6.70%	+46
Denny's	5.60%	5.70%	+10
IHOP	6.20%	6.40%	+20
All Franchisee Casual Dining	6.25%	6.50%	+25

**CASUAL DINING PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Median Price
All Casual Dining	\$3,109,499
Applebees	\$3,047,878
Buffalo Wild Wings	\$3,817,520
Chili's Grill & Bar	\$3,291,600
Denny's	\$2,483,500
Hooters	\$3,686,950
IHOP	\$3,211,000
Outback Steakhouse	\$4,250,000
Red Lobster	\$4,533,824
Texas Roadhouse	\$2,095,238
TGI Friday's	\$2,601,314

**MARKET OVERVIEW**

Cap rates in the net lease casual dining sector increased to 6.05% representing a 5 basis point increase in the first quarter of 2018 when compared to the first quarter of 2017. Casual dining properties with corporately guaranteed leases generated cap rates of 5.90%, while franchisee leased properties were priced at 6.50%. Both corporate and franchisee guaranteed leases experienced increases of 15 and 25 basis points respectively over the past year. Cap rates for casual dining properties leased to franchisees will vary depending on the strength of the guarantor.

In the first quarter of 2018, the supply of casual dining properties was heavily concentrated with corporately guaranteed properties. Approximately 75% of the casual dining properties were leased to corporately guaranteed tenants, up from 51% one year ago. The spread between corporately leased and franchisee leased casual dining properties was 60 basis points in the first quarter of 2018. This represented a 10 basis points increase from the prior year.

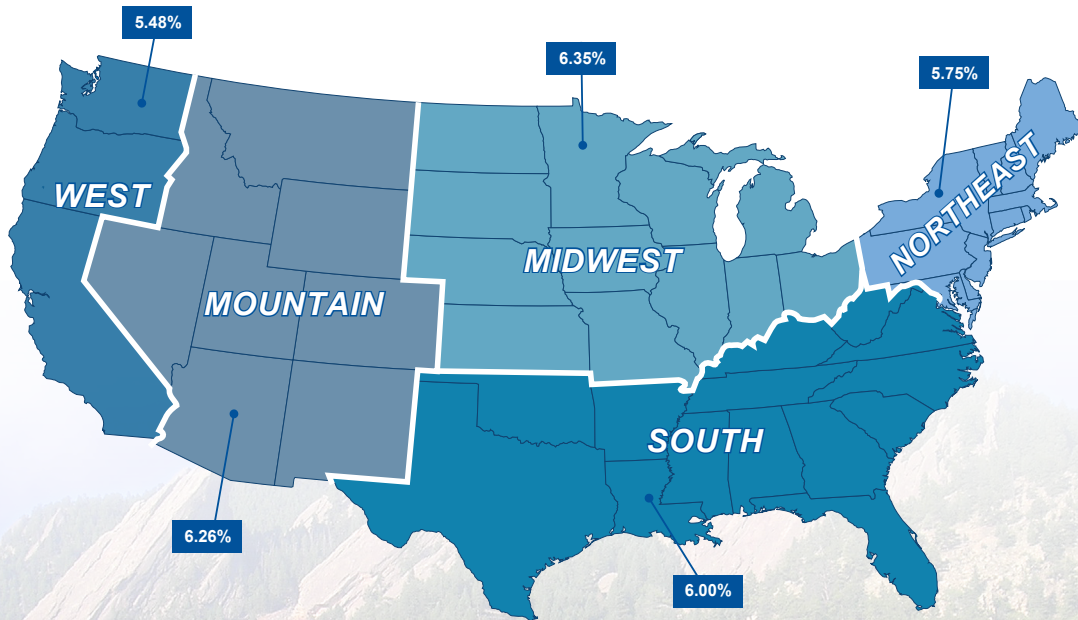
Despite some of the investor concerns related to millennial dining habits including delivery services, choosing healthier options and a growing preference for fast casual restaurants, the casual dining sector remains a popular target amongst net lease investors. The casual dining sector is one of the few net lease retail sectors that is e-commerce resistant. Casual dining properties also feature key attributes sought by investors including absolute triple net leases and rental escalations during the lease term. Similar to the overall net lease market, private and 1031 buyers pay a premium when compared to institutional investors for assets within the casual dining sector. Private investors accounted for roughly 90% of net lease casual dining transactions in 2017, excluding portfolio sales.

The single tenant net lease casual dining sector will remain active to all investor types. Private and 1031 buyers will continue to be the primary buyer of non-portfolio transactions as they do not have the same yield requirements as 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 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
Feb-18	Famous Dave's	Denver	CO	\$5,275,000	\$818	6.78%	13
Apr-18	Golden Corral	Springfield	IL	\$5,000,000	\$451	7.25%	18
Feb-18	Red Lobster	Matthews	NC	\$4,200,000	\$714	5.66%	22
Jan-18	Buffalo Wild Wings	Kalispell	MT	\$3,769,000	\$682	6.50%	13
Mar-18	Golden Corral	Fort Wayne	IN	\$3,500,000	\$278	6.85%	13
Jan-18	IHOP	Atlanta	GA	\$3,459,000	\$986	6.07%	14
Feb-18	Red Lobster	Greenville	NC	\$3,384,000	\$405	5.92%	22
Jan-18	Texas Roadhouse (GL)	East Peoria	IL	\$3,300,000	\$440	5.40%	13
Apr-18	Applebee's	West Des Moines	IA	\$3,200,000	\$647	7.22%	10
Feb-18	Bob Evans	Avon	OH	\$2,606,838	\$480	5.85%	19
Mar-18	Buffalo Wild Wings	Champlin	MN	\$2,400,000	\$448	7.78%	2
Mar-18	Denny's	Salisbury	MD	\$2,400,000	\$427	6.00%	20
Mar-18	Bob Evans	Newark	OH	\$2,353,000	\$423	5.90%	20
Feb-18	Applebee's	Maumee	OH	\$2,323,500	\$436	6.75%	15
Feb-18	IHOP	Memphis	TN	\$2,000,000	\$426	7.50%	10
Mar-18	Shoney's	Kimball	TN	\$1,150,000	\$204	6.26%	9

**CASUAL DINING MEDIAN ASKING CAP RATE BY REGION**



# THE NET LEASE CASUAL DINING MARKET REPORT

## CASUAL DINING VS RETAIL NET LEASE MARKET CAP RATES

Sector	Q1 2017 (Previous)	Q1 2018 (Current)
Casual Dining Sector	6.00%	6.05%
Retail Net Lease Market	6.19%	6.10%
Casual Dining Premium (bps)	19	5

## MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Lease Term Remaining	Cap Rate
20+	5.65%
15-19	5.93%
10-14	6.30%
5-9	6.44%
Under 5	6.85%

## MEDIAN NATIONAL CLOSED CAP RATE SPREAD

Tenant	Closed	Asking	Spread (bps)
Casual Dining	6.02%	5.85%	17

## CASUAL DINING ASKING CAP RATE BY GUARANTOR

Tenant	Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
Casual Dining	5.90%	6.50%	60

## FOR MORE INFORMATION

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