

**QSR (CORPORATE) PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q2 2017 (Previous)	Q2 2018 (Current)	Basis Point Change
All Corporate QSR	5.35%	5.24%	-11
Chick Fil A (Ground Lease)	4.00%	4.05%	+5
McDonald's (Ground Lease)	4.00%	4.10%	+10
Panera Bread	5.00%	4.90%	-10
Starbucks	5.10%	5.22%	+12

**QSR (FRANCHISEE) PROPERTIES
MEDIAN ASKING CAP RATES**

Tenant	Q2 2017 (Previous)	Q2 2018 (Current)	Basis Point Change
All Franchisee QSR	5.75%	5.71%	-4
Burger King	5.75%	5.90%	+15
Dunkin Donuts	5.25%	5.50%	+25
KFC	6.00%	6.00%	0
Pizza Hut	6.35%	6.40%	+5
Taco Bell	5.70%	5.50%	-20
Wendy's	5.75%	5.62%	-13

**QSR PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Median Price
All QSR	\$1,944,054
Burger King	\$1,979,054
Chick Fil A (Ground Lease)	\$2,523,000
Dunkin Donuts	\$1,650,000
KFC	\$1,288,919
McDonald's (Ground Lease)	\$2,160,000
Panera Bread	\$3,291,750
Pizza Hut	\$1,525,000
Starbucks	\$2,099,020
Taco Bell	\$1,964,700
Wendy's	\$2,090,909

MARKET OVERVIEW

Cap rates in the net lease quick service restaurant (QSR) sector declined to 5.50% in the second quarter of 2018 representing a 6 basis point decline when compared to the prior year. Cap rates for corporate leased QSR properties decreased by 11 basis points to a 5.24% cap rate while QSR properties leased to franchisees declined by 4 basis points to a 5.71% cap rate. The QSR sector continues to be a popular trade target for 1031 investors as it is e-commerce resistant. Investors gravitate to the QSR market as it offers lower price point properties that typically exhibit scheduled rental increases throughout the lease duration. Furthermore, the vast majority of QSR tenants provide transparency into store operations via store sales reporting or property level profit and loss statements, which can be appealing to investors.

In the QSR sector, the majority of the properties are leased to franchisees rather than corporate entities, which is unlike other sub-sectors within the net lease market. As lease guarantors can range from franchisees with less than ten locations to large franchisees with hundreds of locations, cap rates for these properties can vary. The perceived benefit of a corporately guaranteed QSR property typically generates greater demand. Accordingly, corporate backed properties were priced at a 47 basis point premium over franchisee backed properties.

The private and 1031 investor continues to be the primary buyer of QSR properties. In the first half of 2018, private buyers accounted for more than 75% of QSR properties sold. This percentage is even higher (86%) if portfolio sales are excluded. As demand continues among the private buyer group, transactions continue to occur at a fast pace. In the first half of 2018, the number of QSR transactions outpaced the prior year by more than 10% and accounted for over \$1 billion.

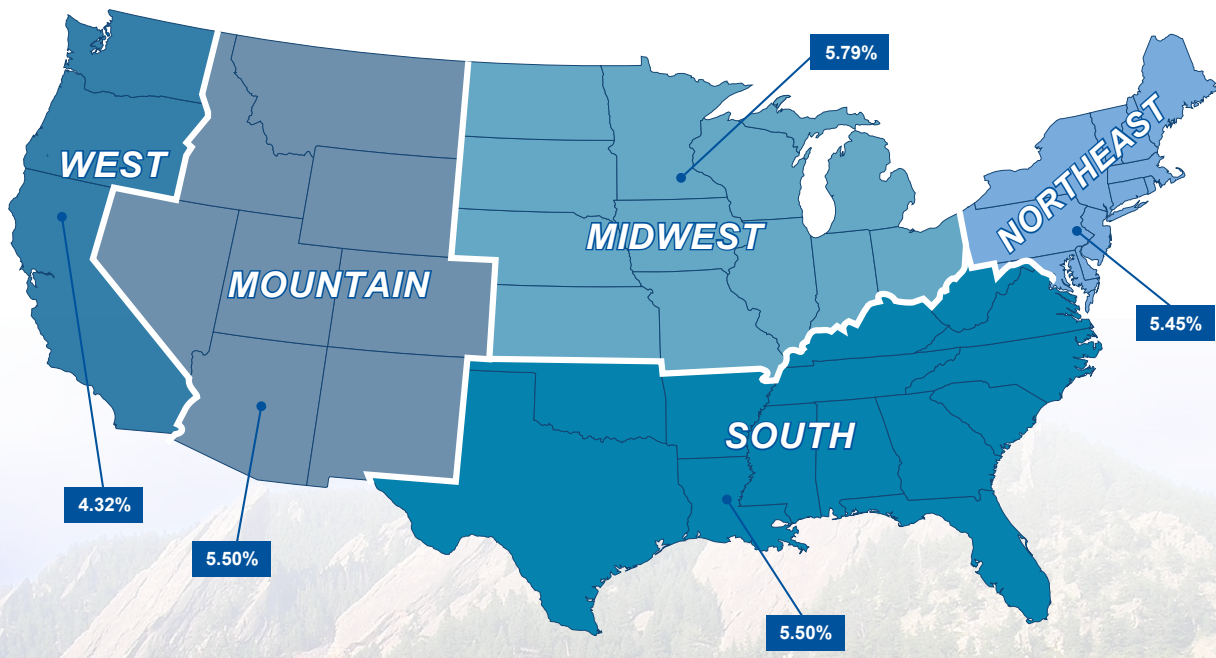
The single tenant net lease QSR sector will continue to garner significant investor demand as many investors have shifted focus to assets that are service oriented and e-commerce resistant. The lower price points and rental escalations affiliated with this asset type will continue to attract private and 1031 exchange investors to this sub-sector. REITs and institutional investors will continue to seek larger portfolios of QSR properties via sale leaseback transactions rather than one off transactions to obtain economies of scale.

SELECTED COMPANY COMPARISON

Tenant	Number of Locations	Ticker Symbol	Market Cap
Arby's	3,400	Private	Private
Burger King	15,000	QSR	\$27 B
Carl's Jr.	1,490	Private	Private
Chick Fil A	2,200	Private	Private
Chipotle	2,250	CMG	\$14 B
Dunkin' Donuts	11,000+	DNKN	\$6 B
Hardee's	1,860	Private	Private
Jack in the Box	2,255	JACK	\$2.5 B
KFC	20,400	YUM	\$27 B
McDonald's	37,200	MCD	\$127 B
Panda Express	2,000+	Private	Private
Panera Bread	2,100	Private	Private
Pizza Hut	16,748	YUM	\$27 B
Popeyes	2,730	QSR	\$27 B
Sonic Drive-In	3,557	SONC	\$1.2 B
Starbucks	28,218	SBUX	\$75 B
Taco Bell	7,000	YUM	\$27 B
Wendy's	6,500	WEN	\$4.4 B
Whataburger	824	Private	Private

Leases can be guaranteed by franchisees or corporations.

NET LEASE QSR PROPERTIES MEDIAN ASKING CAP RATE BY REGION



**QSR VS RETAIL NET LEASE
MARKET CAP RATES**

Sector	Q2 2017 (Previous)	Q2 2018 (Current)
QSR Sector	5.56%	5.50%
Retail Net Lease Market	6.23%	6.20%
QSR Premium (bps)	67	70

**MEDIAN ASKING CAP RATE
BY LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	5.25%
15-19	5.42%
10-14	5.70%
Under 10	6.40%

**MEDIAN NATIONAL CLOSED
CAP RATE SPREAD**

Sector	Closed	Asking	Spread (bps)
QSR Sector	5.68%	5.50%	18

**QSR ASKING CAP RATE BY
GUARANTOR**

Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
5.24%	5.71%	47

FOR MORE INFORMATION

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