

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

Tenant	Q2 2015 (Previous)	Q2 2016 (Current)	Basis Point Change
All Corporate QSR	5.65%	5.45%	-20
Chick Fil A (Ground Lease)	4.25%	4.00%	-25
McDonald's (Ground Lease)	3.95%	4.10%	+15
Panera Bread	5.08%	5.10%	+2
Starbucks	5.07%	5.05%	-2

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

Tenant	Q2 2015 (Previous)	Q2 2016 (Current)	Basis Point Change
All Franchisee QSR	5.90%	5.80%	-10
Burger King	5.95%	5.80%	-15
Dunkin Donuts	5.30%	5.15%	-15
KFC	5.55%	5.73%	+18
Pizza Hut	6.25%	6.00%	-25
Taco Bell	5.40%	5.63%	+23
Wendy's	5.65%	5.60%	-5

**QSR PROPERTIES MEDIAN
ASKING PRICE**

Tenant	Median Price
All QSR	\$1,830,700
Burger King	\$2,048,500
Chick Fil A (Ground Lease)	\$2,536,000
Dunkin Donuts	\$1,720,000
KFC	\$1,168,000
McDonald's (Ground Lease)	\$2,281,000
Panera Bread	\$3,047,000
Pizza Hut	\$1,250,000
Starbucks	\$1,816,700
Taco Bell	\$1,536,000
Wendy's	\$2,861,584

MARKET OVERVIEW

Cap rates in the net lease quick service restaurant (QSR) sector declined to 5.70% in the second quarter of 2016 representing a compression of 10 basis points from the prior year. Cap rates for properties leased to franchisees declined by 10 basis points to 5.80% while cap rates for corporate leased properties experienced a 20 basis point decline to 5.45%. While cap rates decreased, the supply of QSR properties increased by approximately 26% year over year.

The QSR sector differs from other net lease retail sub-sectors as almost three-quarters of the properties are leased to franchisees rather than corporate entities. Cap rates for QSR properties leased to franchisees are influenced by the strength of the guarantor that can range from a one unit operator to a franchisee with hundreds of restaurants. Cap rates for corporately guaranteed QSR leases achieved a 35 basis point premium over franchisee backed assets during the second quarter of 2016. 1031 and private investors tend to pay a premium for corporate guaranteed leases as there is less perceived risk. The cap rate spread between corporately guaranteed and franchisee guaranteed leases increased by 10 basis points in the second quarter due to a higher concentration of upper end credit tenants like Panera and Starbucks. Corporately guaranteed ground leases to tenants including Chick-Fil-A and McDonalds represented the lowest cap rates in the sector of 4.00% and 4.10% respectively.

1031 and private investors continue to dominate the acquisitions of net lease assets priced below \$10 million. In the second quarter of 2016, the median asking price for single tenant QSR properties was \$1.83 million. QSR properties garner strong demand from investors as they offer a viable alternative to dollar stores for 1031 exchange buyers with low equity requirements (below \$2 million). The attractive qualities of QSR properties include leases which typically feature recognizable tenants with long lease terms, no landlord responsibilities and rental escalations.

The low cap rate environment for net lease properties including QSR has made sale leaseback transactions attractive to franchise operators. In turn, franchisees are able to secure favorable value for their real estate to aid in expansion plans, existing store remodeling or existing debt paydown. Due to the attractiveness of the market for sale leaseback transactions, the recent supply of properties in the QSR sector has increased.

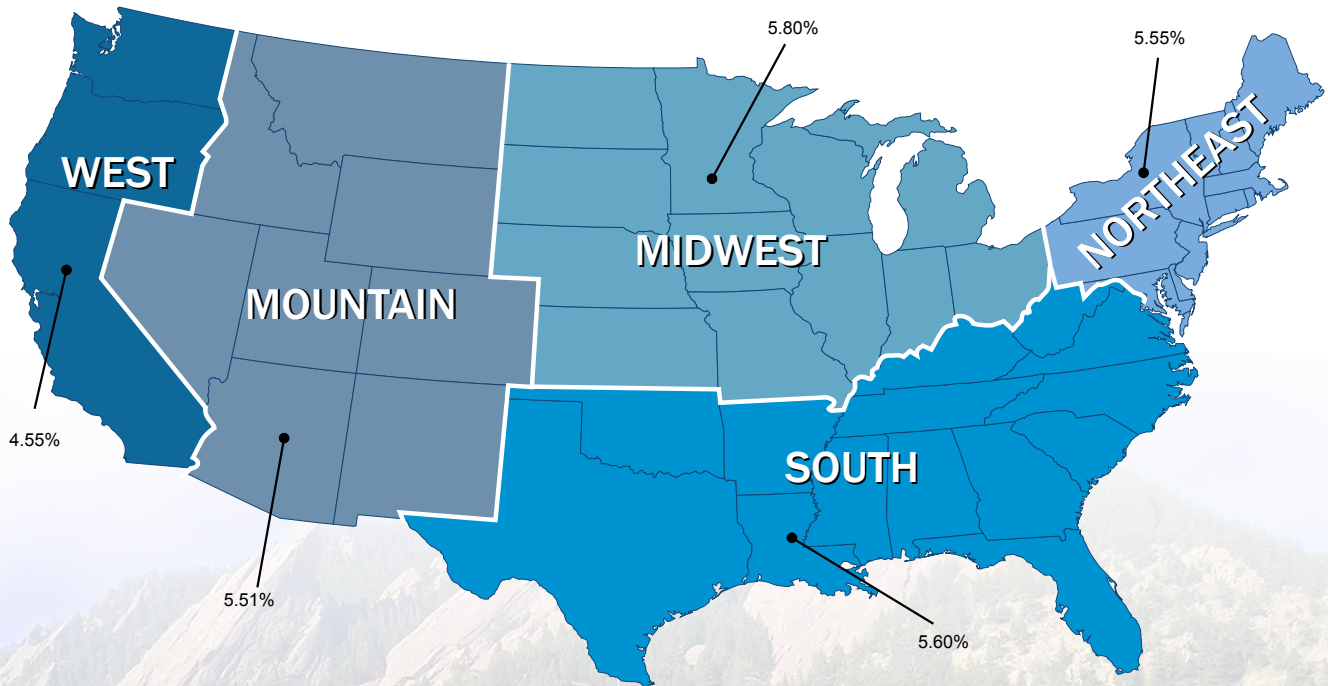
The single tenant net lease QSR sector will remain active as supply remains abundant for assets with long term leases. The attractive sale leaseback environment for QSR operators will continue to add supply to the market. Lower price points, rental escalations and typical NNN lease structures of this asset type continue to attract private and 1031 exchange investors.

SELECTED COMPANY COMPARISON

Tenant	Total Number of Locations	Ticker Symbol	Market Cap
Arby's	3,400	Private	Private
Carl's Jr.	1,385	Private	Private
Chick Fil A	2000+	Private	Private
Chipotle	2,010	CMG	\$12 B
Dunkin' Donuts	11,000+	DNKN	\$4 B
Hardee's	1,944	Private	Private
Jack in the Box	2,200	JACK	\$2 B
KFC	19,420	YUM	\$35 B
McDonald's	36,538	MCD	\$106 B
Panda Express	1,746	Private	Private
Panera Bread	2,000	PNRA	\$5 B
Pizza Hut	13,728	YUM	\$35 B
Popeyes	2,000+	PKLI	\$1.1 B
Sonic Drive-In	3,526	SONC	\$1.3 B
Starbucks	23,768	SBUX	\$83 B
Taco Bell	6,500	YUM	\$35 B
Wendy's	6,482	WEN	\$2.5 B
Whataburger	750+	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 2015 (Previous)	Q2 2016 (Current)
QSR Sector	5.80%	5.70%
Retail Net Lease Market	6.40%	6.18%
QSR Premium (bps)	60	48

**ASKING CAP RATE BY
LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	5.35%
15-19	5.50%
10-14	5.75%
Under 10	6.60%

**MEDIAN NATIONAL CLOSED CAP RATE
SPREAD**

Sector	Closed	Asking	Spread (bps)
QSR Sector	5.65%	5.45%	20

**QSR ASKING CAP RATE BY
GUARANTOR**

Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
5.45%	5.80%	35

FOR MORE INFORMATION

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