

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

Tenant	Q2 2016 (Previous)	Q2 2017 (Current)	Basis Point Change
All Corporate QSR	5.45%	5.35%	-10
Chick Fil A (Ground Lease)	4.00%	4.00%	0
McDonald's (Ground Lease)	4.10%	4.00%	-10
Panera Bread	5.10%	5.00%	-10
Starbucks	5.05%	5.10%	+5

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

Tenant	Q2 2016 (Previous)	Q2 2017 (Current)	Basis Point Change
All Franchisee QSR	5.80%	5.75%	-5
Burger King	5.80%	5.75%	-5
Dunkin Donuts	5.15%	5.25%	+10
KFC	5.73%	6.00%	+27
Pizza Hut	6.00%	6.35%	+35
Taco Bell	5.63%	5.70%	+7
Wendy's	5.60%	5.75%	+15

**QSR PROPERTIES MEDIAN
ASKING PRICE**

Tenant	Median Price
All QSR	\$2,356,560
Burger King	\$2,350,000
Chick Fil A (Ground Lease)	\$3,100,000
Dunkin Donuts	\$1,943,000
KFC	\$1,428,000
McDonald's (Ground Lease)	\$2,251,500
Panera Bread	\$2,888,889
Pizza Hut	\$783,000
Starbucks	\$2,717,000
Taco Bell	\$1,595,000
Wendy's	\$2,198,180

MARKET OVERVIEW

Cap rates in the net lease quick service restaurant (QSR) sector declined to 5.56% in the second quarter of 2017 representing a 14 basis point decline when compared to the prior year. Cap rates for corporate leased QSR properties decreased by 10 basis points to a 5.35% cap rate while QSR properties leased to franchisees declined by 5 basis points to a 5.75% cap rate. The 14 basis points of cap rate compression within the net lease QSR sector occurred during the same time period when cap rates for the net lease retail sector increased by 5 basis points. The recent inverse cap rate trend between the overall retail and QSR sectors can be attributed to the influx of investors to this sub-sector. Investors continue to target the QSR sector as it is e-commerce resistant and is a popular alternative for 1031 investors when compared to other low priced net lease properties.

New construction QSR properties are in the greatest demand amongst investors as they exhibit the criteria that many 1031 exchange and private buyers seek. 1031 exchange and private buyers target single tenant QSR properties as the typical lease structures of QSR properties are attractive. The vast majority of QSR properties exhibit absolute NNN leases with scheduled rental escalations in the primary term. QSR properties constructed in the past two years experienced significant compression when compared to the prior year. In the second quarter of 2017, QSR properties constructed in the past two years had asking cap rates of 5.25%. This represented a 15 basis point decline when compared to the second quarter of 2016. In the first two quarters of 2017, more than 75% of the QSR properties sold were purchased by private buyers.

The QSR sector differs from other sub-sectors within net lease as the majority of the properties are leased to franchisees rather than corporate entities. Cap rates for franchisee leased properties can vary significantly as lease guarantors can range from franchisees with less than ten locations to large franchisees with hundreds of locations. Corporately guaranteed QSR properties were priced at a 40 basis point premium over franchisee backed properties.

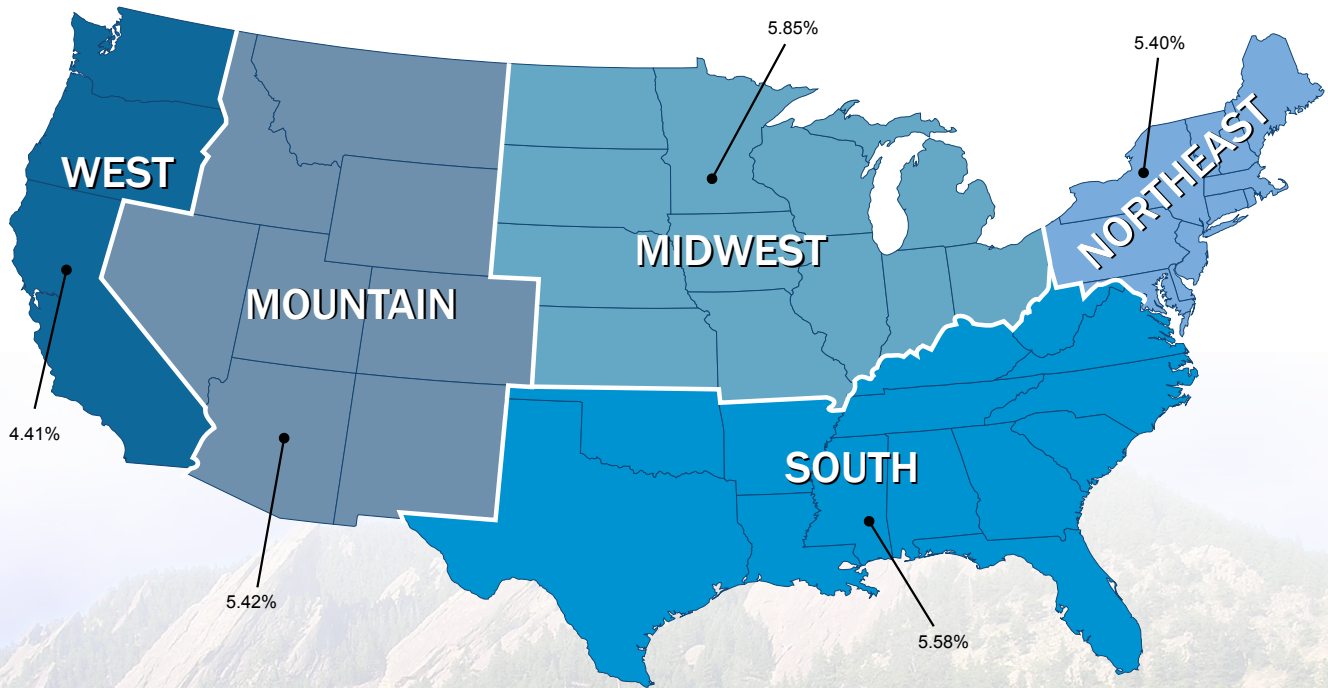
The single tenant net lease QSR sector will continue to garner investor demand as the many investors have shifted their attention to assets in e-commerce resistant arenas. Furthermore, 1031 exchange and private buyers will continue to seek these assets as they offer low price point acquisition targets with long term leases, rental escalations and zero landlord responsibilities.

SELECTED COMPANY COMPARISON

Tenant	Total Number of Locations	Ticker Symbol	Market Cap
Arby's	3,400	Private	Private
Burger King	15,000	QSR	\$27 B
Carl's Jr.	1,385	Private	Private
Chick Fil A	2,170	Private	Private
Chipotle	2,330	CMG	\$9.8 B
Dunkin' Donuts	11,000+	DNKN	\$5.1 B
Hardee's	1,860	Private	Private
Jack in the Box	2,255	JACK	\$2.7 B
KFC	19,950	YUM	\$26 B
McDonald's	35,000+	MCD	\$125 B
Panda Express	1,910	Private	Private
Panera Bread	2,045	PNRA	\$7.1 B
Pizza Hut	16,400	YUM	\$35 B
Popeyes	2,730	PLKI	\$1.6 B
Sonic Drive-In	3,550	SONC	\$1.1 B
Starbucks	24,465	SBUX	\$80 B
Taco Bell	6,975	YUM	\$35 B
Wendy's	6,500	WEN	\$3.8 B
Whataburger	815	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 2016 (Previous)	Q2 2017 (Current)
QSR Sector	5.70%	5.56%
Retail Net Lease Market	6.18%	6.23%
QSR Premium (bps)	48	67

**ASKING CAP RATE BY
LEASE TERM REMAINING**

Lease Term Remaining	Cap Rate
20+	5.35%
15-19	5.45%
10-14	5.75%
Under 10	6.35%

**MEDIAN NATIONAL CLOSED CAP RATE
SPREAD**

Sector	Closed	Asking	Spread (bps)
QSR Sector	5.66%	5.40%	26

**QSR ASKING CAP RATE BY
GUARANTOR**

Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
5.35%	5.75%	-40

FOR MORE INFORMATION

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