

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

Tenant	Q2 2018 (Previous)	Q2 2019 (Current)	Basis Point Change
All Corporate QSR	5.24%	5.20%	-4
Chick Fil A (Ground Lease)	4.05%	4.05%	0
McDonald's (Ground Lease)	4.10%	4.08%	-2
Panera Bread	4.90%	4.86%	-4
Starbucks	5.22%	5.30%	+8

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

Tenant	Q2 2018 (Previous)	Q2 2019 (Current)	Basis Point Change
All Franchisee QSR	5.71%	5.68%	-3
Burger King	5.90%	5.80%	-10
Dunkin Donuts	5.50%	5.50%	0
KFC	6.00%	5.95%	-5
Pizza Hut	6.40%	6.57%	+17
Taco Bell	5.50%	5.43%	-7
Wendy's	5.62%	5.50%	-12

**QSR PROPERTIES  
MEDIAN ASKING PRICE**

Tenant	Median Price
All QSR	\$1,900,000
Burger King	\$1,748,000
Chick Fil A (Ground Lease)	\$2,850,000
Dunkin Donuts	\$1,675,000
KFC	\$1,466,000
McDonald's (Ground Lease)	\$1,920,000
Panera Bread	\$3,600,000
Pizza Hut	\$1,154,000
Starbucks	\$2,050,000
Taco Bell	\$2,195,000
Wendy's	\$2,200,000

**MARKET OVERVIEW**

Cap rates in the net lease quick service restaurant (QSR) sector declined to 5.39% in the second quarter of 2019 representing an 11 basis point decline when compared to the prior year. Cap rates for corporate leased QSR properties decreased by 4 basis points to a 5.20% cap rate while QSR properties leased to franchisees declined by 3 basis points to a 5.68% cap rate. One of the primary reasons that net lease investors are targeting this sector is the financial transparency these assets typically offer. Landlords are able to demonstrate performance through store level sales, tenant financials and profit & loss statements, providing investors a level of transparency in many instances. The QSR sector continues to be a popular trade target for private and 1031 investors as the QSR sector is e-commerce resistant and service oriented.

Within the QSR sector, the financial backing of a lease can vary from a corporate guarantee from a large, public company like McDonald's down to a franchisee with a single location. Accordingly, cap rates can vary drastically depending on the financial strength of the tenant. In the second quarter of 2019, corporately backed leases generated a 48 basis point premium over its franchisee backed counterpart. One of the main benefits to franchisee backed leases is that they typically contain provisions that require the tenant to share store sales with the landlord.

Investors gravitate to the QSR market as it offers a lower price alternative to dollar stores and auto part retailers. Contrary to dollar and auto part stores, the leases associated with QSR properties frequently have rental escalations every five years or on an annual basis. Throughout the first half of 2019, private and 1031 buyers acquired the majority of QSR properties. More than 80% of the QSR properties acquired by the end of second quarter in 2019 were purchased by private buyers. New construction properties tenanted by Burger King, Popeyes, Dunkin' and Starbucks experienced the greatest transaction volume year to date in 2019 include.

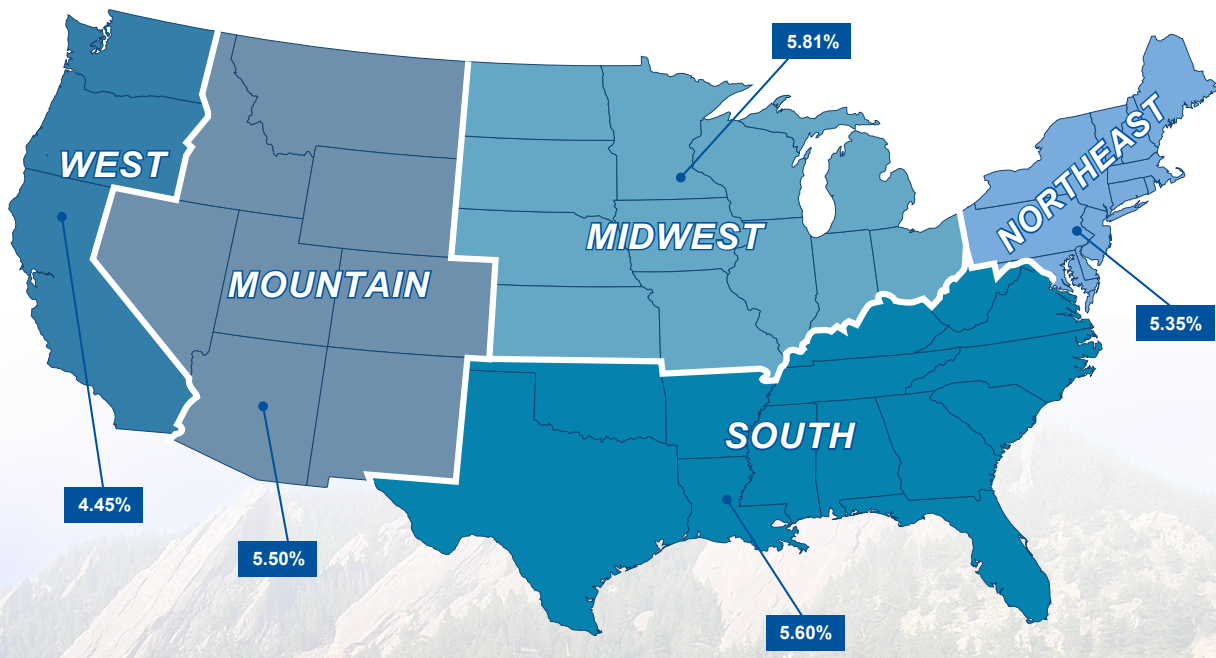
The single tenant net lease QSR sector will continue to garner significant investor demand as many investors continue to emphasize investments that are "Amazon-proof". Furthermore, despite the private and 1031 investors acquiring the majority of the assets, institutional groups will continue to seek larger portfolios of QSR properties via sale leaseback to obtain economies of scale.

**SELECTED COMPANY COMPARISON**

Tenant	Number of Locations	Ticker Symbol	Market Cap
Arby's	3,472	Private	Private
Burger King	17,796	QSR	\$12.5 B
Carl's Jr.	1,490	Private	Private
Chick Fil A	2,363	Private	Private
Chipotle	2,500	CMG	\$22 B
Dunkin' Donuts	12,000	DNKN	\$7 B
Hardee's	1,860	Private	Private
Jack in the Box	2,200	JACK	\$2.2 B
KFC	22,000	YUM	\$36 B
McDonald's	37,855	MCD	\$166 B
Panda Express	2,000+	Private	Private
Panera Bread	2,100	PNRA	Private
Pizza Hut	7,000	YUM	\$36 B
Popeyes	3,102	PLKI	\$1.6 B
Sonic Drive-In	3,615	SONC	Private
Starbucks	30,000	SBUX	\$115 B
Taco Bell	7,072	YUM	\$36 B
Wendy's	6,711	WEN	\$4.6 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 2018 (Previous)	Q2 2019 (Current)
QSR Sector	5.50%	5.39%
Retail Net Lease Market	6.20%	6.23%
QSR Premium (bps)	70	84

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

Lease Term Remaining	Cap Rate
20+	5.25%
15-19	5.40%
10-14	5.75%
Under 10	6.30%

**MEDIAN NATIONAL CLOSED  
CAP RATE SPREAD**

Sector	Closed	Asking	Spread (bps)
QSR Sector	5.60%	5.39%	+21

**QSR ASKING CAP RATE BY  
GUARANTOR**

Tenant	Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
QSR	5.20%	5.68%	48

**FOR MORE INFORMATION**

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