

THE NET LEASE CASUAL DINING MARKET REPORT

CORPORATE LEASED PROPERTIES MEDIAN ASKING CAP RATE

Tenant	Q1 2018 (Previous)	Q1 2019 (Current)	Basis Point Change
Buffalo Wild Wings	6.15%	6.35%	+20
Chili's	5.50%	5.65%	+15
Hooters	6.25%	6.30%	+5
IHOP	6.00%	6.15%	+15
Outback Steakhouse	5.28%	5.43%	+15
Red Lobster	5.85%	6.15%	+30
Texas Roadhouse (GL)	4.90%	5.15%	+25
All Corporate Casual Dining	5.90%	6.15%	+25

FRANCHISEE LEASED PROPERTIES MEDIAN ASKING PRICE

Tenant	Q1 2018 (Previous)	Q1 2019 (Current)	Basis Point Change
Applebees	6.70%	7.10%	+40
Denny's	5.70%	6.40%	+70
IHOP	6.40%	6.70%	+30
All Franchisee Casual Dining	6.50%	6.85%	+35

CASUAL DINING PROPERTIES MEDIAN ASKING PRICE

Tenant	Median Price
All Casual Dining	\$3,175,000
Applebees	\$2,890,000
Buffalo Wild Wings	\$3,200,000
Chili's Grill & Bar	\$3,150,000
Denny's	\$2,500,000
Hooters	\$3,115,000
IHOP	\$2,700,000
Outback Steakhouse	\$4,350,000
Red Lobster	\$3,985,000
Texas Roadhouse	\$2,137,000
TGI Friday's	\$2,900,000

MARKET OVERVIEW

Cap rates in the net lease casual dining sector increased to 6.32% representing a 27 basis point increase in the first quarter of 2019 when compared to the first quarter of 2018. Casual dining properties with corporately guaranteed leases generated cap rates of 6.15%, while franchisee leased properties were priced at 6.85%. Both corporate and franchisee guaranteed leases experienced increases of 25 and 35 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. The primary contributing factor to the increase in cap rates for the first quarter of 2019 was the result of a significant increase of property supply in excess of 30% when compared to the first quarter of 2018. This increase was largely driven by corporate operators executing large sale leaseback transactions and some institutional owners reducing individual tenant exposure within their portfolios.

The overall casual dining segment continues to experience headwinds from fast casual concepts including Panera Bread and MOD Pizza as millennial dining habits continue to alter the industry with a greater focus on delivery and fast and fresh options. Accordingly, the casual dining sector experienced a more rapid cap rate expansion than the overall net lease retail sector. Year over year, the casual dining segment experienced a widening of cap rates by 27 basis points, while net lease retail increased by 17 basis points. Accordingly, the casual dining sector was priced at a 5 basis point discount to the overall net lease retail sector. In 2016, casual dining properties were priced at a 43 basis point premium over net lease retail.

Regardless of the challenges experienced by the casual dining sector, this property type continues to garner significant investor demand. Investors have been cognizant of struggling brands including Applebee's; as its second largest franchisee filed bankruptcy in 2018. Accordingly, investors have been targeting brands that have been performing well in the current environment like Chili's, LongHorn Steakhouse, Olive Garden and Texas Roadhouse. 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.

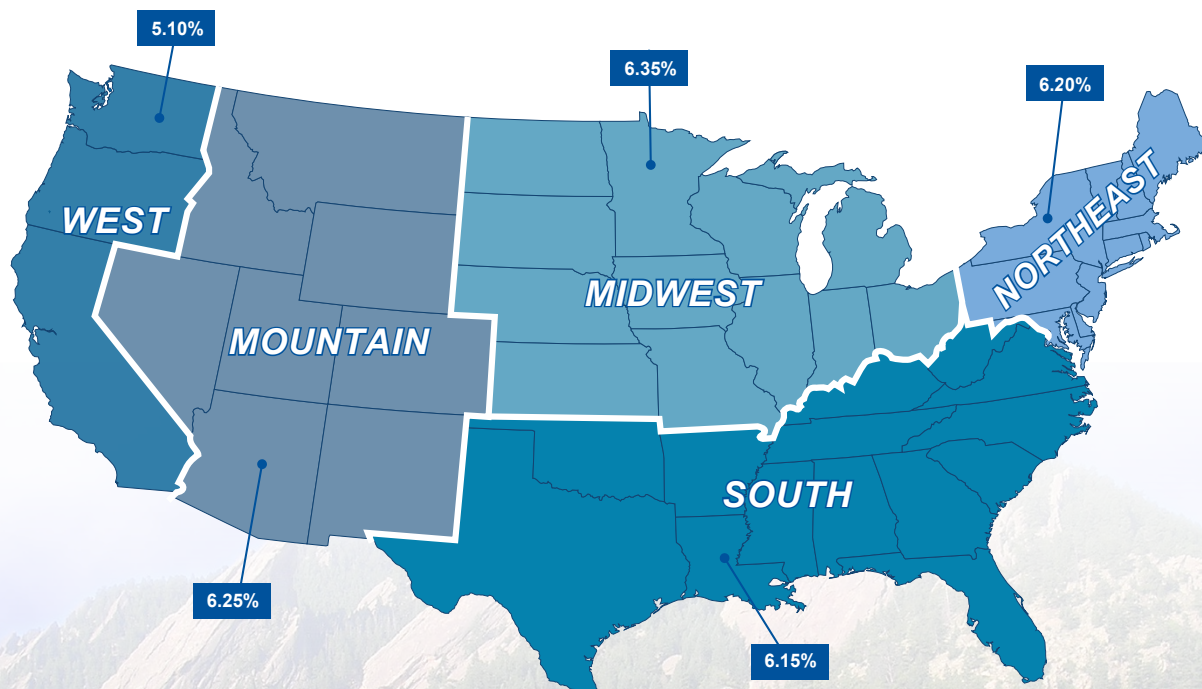
The single tenant net lease casual dining sector will remain active to all investor types as continued emphasis is placed on e-commerce resistant and experiential property types. Corporately guaranteed leases or franchisees with significant operational experience will remain in the highest demand among private investors due to the strength of credit associated with the assets.

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SELECTED SINGLE TENANT SALES COMPARABLES

Sale Date	Tenant	City	State	Price	Price/SF	Cap Rate	Lease Term Remaining
Apr-19	Maggiano's	Englewood	CO	\$12,300,000	\$736	5.73%	15
Apr-19	Red Lobster	Cincinnati	OH	\$4,383,114	\$519	6.07%	20
Jan-19	Golden Corral	Yuma	AZ	\$4,131,633	\$413	7.40%	5
Mar-19	Chili's	Apopka	FL	\$3,978,000	\$719	5.51%	15
Feb-19	Buffalo Wild Wings	Laredo	TX	\$3,480,000	\$515	6.58%	8
Apr-19	Applebee's	Mansfield	OH	\$3,430,000	\$591	7.50%	5
Feb-19	Texas Roadhouse (GL)	Buford	GA	\$3,300,000	--	5.00%	15
Apr-18	Applebee's	Crawfordsville	IN	\$3,225,000	\$633	8.00%	7
Apr-19	Wahlburgers	Olathe	KS	\$3,198,000	\$551	5.35%	15
Jan-19	Cracker Barrel (GL)	Hampton	VA	\$3,150,000	--	5.10%	10
Jan-19	Chili's	Ocala	FL	\$2,924,000	\$498	5.40%	15
Apr-19	Outback Steakhouse	Coral Springs	FL	\$2,903,635	\$413	5.51%	10
Apr-19	Bahama Breeze	Schaumburg	IL	\$2,400,000	\$196	5.83%	5
Feb-19	Longhorn Steakhouse	Austin	TX	\$2,250,000	\$360	5.82%	5

CASUAL DINING MEDIAN ASKING CAP RATE BY REGION



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CASUAL DINING VS RETAIL NET LEASE MARKET CAP RATES

Sector	Q1 2018 (Previous)	Q1 2019 (Current)
Casual Dining Sector	6.05%	6.32%
Retail Net Lease Market	6.10%	6.27%
Differential (bps)	-5	+5

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Lease Term Remaining	Cap Rate
20+	5.75%
15-19	6.00%
10-14	6.60%
5-9	6.90%
Under 5	7.10%

MEDIAN NATIONAL CLOSED CAP RATE SPREAD

Tenant	Closing	Asking	Spread (bps)
Casual Dining	6.57%	6.32%	25

CASUAL DINING ASKING CAP RATE BY GUARANTOR

Tenant	Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
Casual Dining	6.15%	6.85%	70

FOR MORE INFORMATION

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