

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

Tenant	Q2 2020 (Previous)	Q2 2021 (Current)	Basis Point Change
All Corporate QSR	5.20%	5.00%	-20
Chick Fil A (Ground Lease)	4.03%	3.70%	-33
McDonald's (Ground Lease)	4.00%	3.85%	-15
Panera Bread	5.08%	5.00%	-8
Starbucks	5.33%	5.08%	-25

**QSR (FRANCHISEE) PROPERTIES
MEDIAN ASKING PRICE**

Tenant	Q2 2020 (Previous)	Q2 2021 (Current)	Basis Point Change
All Franchisee QSR	5.83%	5.40%	-43
Burger King	5.70%	5.40%	-30
Dunkin'	5.58%	5.10%	-48
KFC	5.90%	5.75%	-15
Pizza Hut	6.73%	6.60%	-13
Taco Bell	5.40%	5.00%	-40
Wendy's	5.55%	5.23%	-32

**QSR PROPERTIES MEDIAN
ASKING PRICE**

Tenant	Median Price
All QSR	\$2,469,000
Burger King	\$2,544,000
Chick Fil A (Ground Lease)	\$3,500,000
Dunkin'	\$1,753,000
KFC	\$1,959,000
McDonald's (Ground Lease)	\$2,571,000
Panera Bread	\$3,450,000
Pizza Hut	\$1,144,000
Starbucks	\$2,500,000
Taco Bell	\$1,912,000
Wendy's	\$2,566,000

MARKET OVERVIEW

Cap rates in the net lease quick service restaurant (QSR) sector decreased to a new historic low of 5.26% in the second quarter of 2021 representing a 39 basis point decrease when compared to the prior year. Cap rates for corporate leased QSR properties declined by 20 basis points to 5.00% while QSR properties leased to franchisees declined by 43 basis points to 5.40%. The primary contributing factor to the decline in cap rates is related to the increased investor demand for net lease properties with a drive-thru component.

Demand for net lease QSR properties outpaced the overall net lease sector in the past twelve months. The premium associated with net lease QSR properties was 76 basis points in the second quarter of 2021 compared the prior year (60 basis points). Even following the loosening of in-person dining restrictions related to Covid-19, properties with drive-thru continue to command significant investor demand. This trend is expected to increase as tenants seek locations with drive-thru capabilities to facilitate pick up and third party delivery. Brands including Chipotle and Shake Shack have added drive-thru lanes to their newest concepts and other QSR veterans like Taco Bell have announced prototypes with up to four drive-thru lanes.

The majority of the QSR sector is leased to franchisees. However, those properties with a corporate backing command a 40 basis point premium over franchisee backed assets. There is a further premium associated with the upper echelon of credit backed tenants in the QSR sector. Investors view QSR brands Chick-Fil-A and McDonald's as best in-class. Accordingly, these two tenants represent the lowest cap rates in the sector and even the overall net lease sector. In the second quarter of 2021, properties leased to Chick-Fil-A and McDonald's had cap rates of 3.70% and 3.85% respectively.

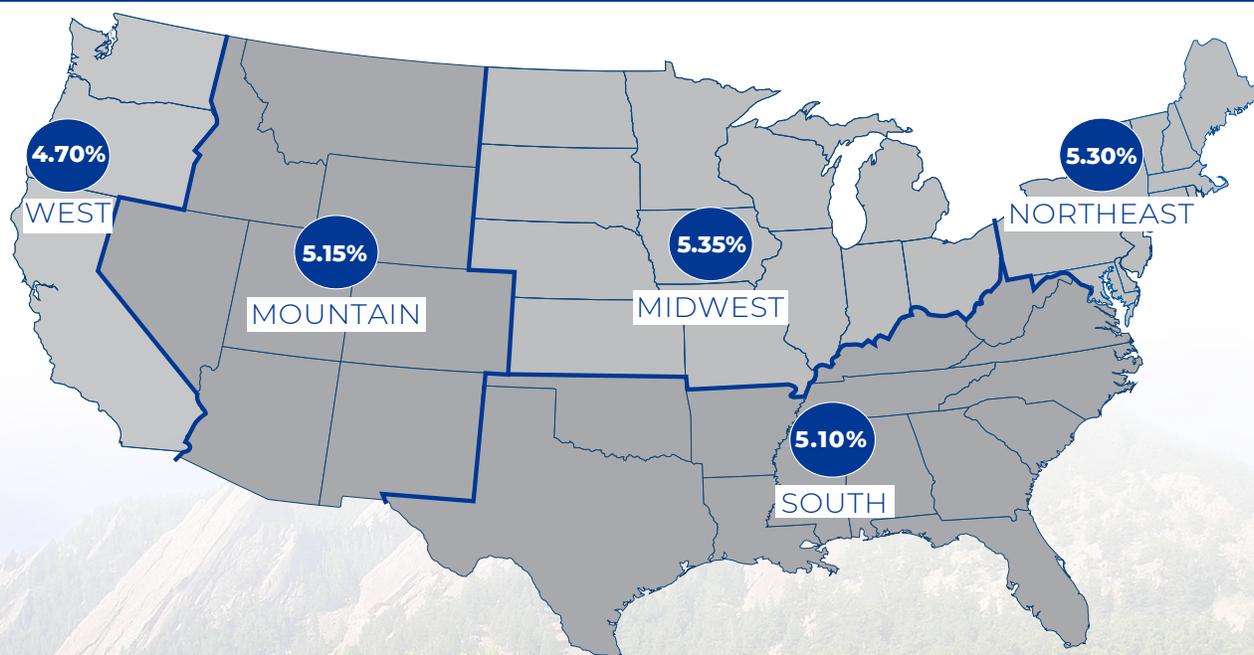
The single tenant QSR sector will continue to garner demand as investors seek net lease investments with drive-thru capabilities in the lower end of the price spectrum (\$1 - \$3 million). A bifurcation between corporate/large franchisees and smaller franchisees will continue as investors seek the security that larger guarantors offer. One-off transactions will continue to be dominated by private and 1031 exchange buyers. Institutional investors will remain primarily interested in sale leaseback portfolios in order to achieve economies of scale.

SELECTED COMPANY COMPARISON

Tenant	Number of Locations	Ticker Symbol	Market Cap
Arby's	3,431	Private	Private
Burger King	18,573	QSR	\$19.79 B
Carl's Jr.	1,101	Private	Private
Chick Fil A	2,672	Private	Private
Chipotle	2,768	CMG	\$53.146 B
Dunkin' Donuts	11,300	Private	Private
Hardee's	1,944	Private	Private
Jack in the Box	2,200	JACK	\$2.257 B
KFC	25,000	YUM	\$39.56 B
McDonald's	39,198	MCD	\$176.105 B
Panda Express	2,200	Private	Private
Panera Bread	5,156	PNRA	Private
Pizza Hut	17,639	YUM	\$39.56 B
Popeyes	3,451	Private	Private
Sonic Drive-In	3,521	SONC	Private
Starbucks	32,660	SBUX	\$139.311 B
Taco Bell	7,427	YUM	\$39.56 B
Wendy's	6,828	WEN	\$4.9 B
Whataburger	861	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 2020 (Previous)	Q2 2021 (Current)
QSR Sector	5.65%	5.26%
Retail Net Lease Market	6.25%	6.02%
QSR Premium (bps)	60	76

MEDIAN ASKING CAP RATE BY LEASE TERM REMAINING

Lease Term Remaining	Cap Rate
20+	4.85%
15-19	5.20%
10-14	5.70%
Under 10	6.00%

MEDIAN NATIONAL CLOSED CAP RATE SPREAD

Tenant	Closing	Asking	Spread (bps)
QSR	5.46%	5.26%	-20

QSR ASKING CAP RATE BY GUARANTOR

Tenant	Corporate Cap Rate	Franchise Cap Rate	Spread (bps)
QSR Sector	5.00%	5.40%	+40

FOR MORE INFORMATION

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