



Tenant Description

Wilber Hardee opened his first restaurant in Greenville, North Carolina in 1960. Five months after opening, Hardee's had its first franchisee. This burger chain has grown at an impressive rate, opening its 1,000th restaurant in just 15 years of business.

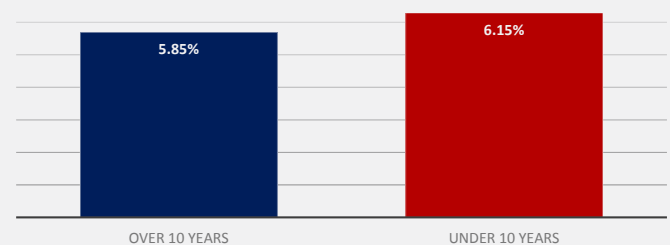
In 1997, CKE Restaurants Holding, Inc., the parent company of Carl's Jr. bought Hardee's for \$327 million. This acquisition created a chain of restaurants operating under two names that spans from coast to coast. These chains now have over 3,800 locations in 44 states and 40 foreign countries and US territories. As of 4/13/2017, 94% of the Carl's Jr. /Hardee's system are franchisees.

Net Lease Overview

Hardee's is a popular net lease investment due to the adaptability of the spaces they occupy. Typically Hardee's will operate in locations ranging from 2,500 – 3,000 square feet situated on 0.60 – 1.50 acres of land in suburban areas throughout the Midwest and Southeast. The prototypical store model offers a drive-thru window, which can be a major draw for new tenants if Hardee's were to vacate the property.

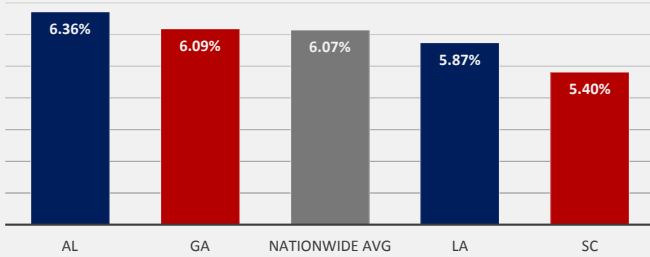
Hardee's leases make these properties a very attractive asset for an investment property. Hardee's will typically operate under a triple net (NNN) lease, leaving the investor with no landlord responsibilities. These leases will also lock the tenant in for a long period of time, usually 20 years, and provide options to extend the lease beyond the initial term. While many locations are franchisees with no standard formula for rent bumps, most leases will feature some form of rent increase, commonly a five (5) – ten (10) percent increase every five years. These factors add up to a hands-off investment, with a stable, long-term tenant with periodic rent escalations.

**Average Hardee's Cap Rate: Over vs Under 10 Years
(Past 12 Months)**





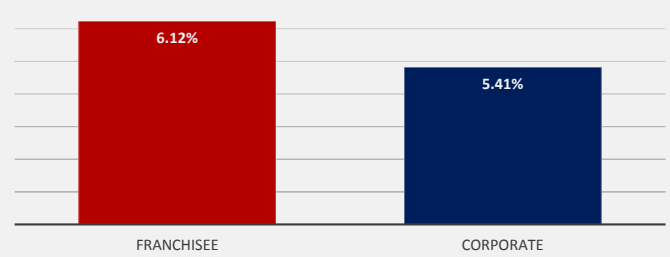
Average Hardee's Cap Rate by State



All of the Hardee's closings in the past 12 months in South Carolina were Corporate backed leases. These corporate leases tend to have lower cap rates than their franchise counterparts.

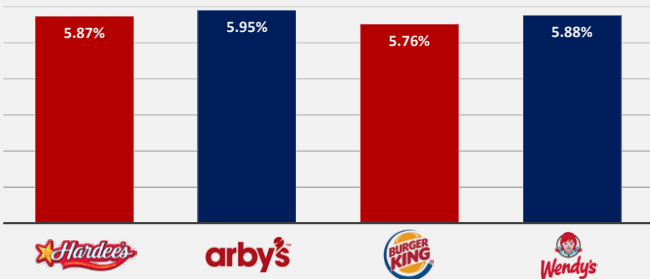
Alabama was nearly the inverse of South Carolina. In the past 12 months, nearly all the Hardee's deals closing in Alabama were franchise deals.

Franchisee vs Corporate Lease with 10+ Years Left



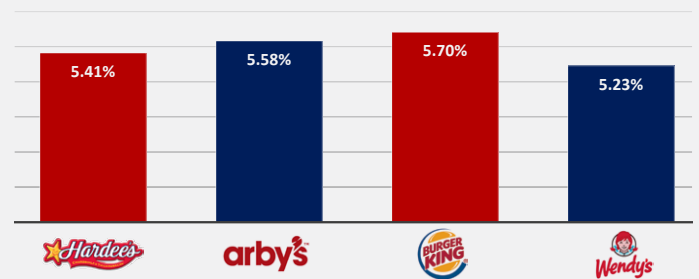
There is a 71 bps difference between the corporate guaranteed locations and franchisee owned locations. The value placed on owning a location with a corporate guarantee accounts for the difference in these cap rates.

Average National QSR Cap Rates with 10+ Years Left



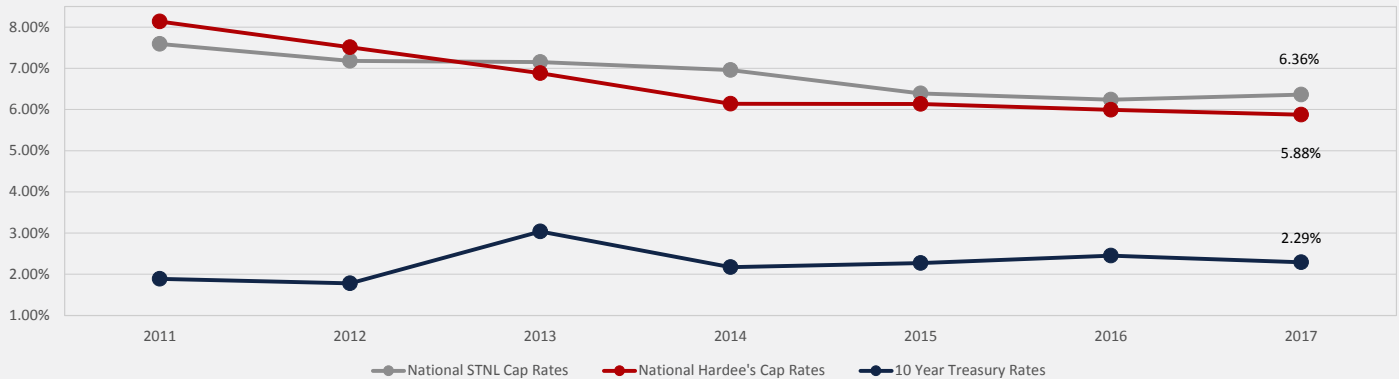
Across the major QSR tenants, the average cap rate over the last 12 months has been very similar, only a spread of 19 bps.

Corporate Guaranteed Leases across the QSR Sector with 10+ Years Left



While most QSR tenants are franchisees there are a few corporate guaranteed leases. Properties with corporate guarantees trade at lower cap rates.

STNL Cap Rates vs Hardee's Cap Rates vs 10 Year Treasury Rates



The past few years have seen Hardee's trade at a slight premium to the national average of Single Tenant Net Leases (STNL) (5.88% vs 6.36%).

Year	2011	2012	2013	2014	2015	2016	2017
National STNL Cap Rates	7.59%	7.18%	7.15%	6.96%	6.39%	6.24%	6.36%
National Hardee's Cap Rates	8.14%	7.51%	6.88%	6.14%	6.13%	5.99%	5.88%
10 Year Treasury Rates	1.89%	1.78%	3.04%	2.17%	2.27%	2.45%	2.29%

As of 4/28/2017



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Calkain is a national commercial real estate firm that provides consulting and brokerage services to both private and institutional clientele with an expertise on triple net lease investments. We pride ourselves on being a world class leader by providing our clients a full array of commercial real estate investment brokerage and asset management solutions, including advisory, research, estate planning and wealth management. Calkain is headquartered in Herndon, VA with multiple locations throughout the United States.