TENANT PROFILE

FEBRUARY 2018

Tenant Description

Burger King is the second largest fast food hamburger chain, trailing behind McDonald's. Founded in 1954, Burger King is the "Home of the Whopper," and has grown to over 15,000 locations around the world.

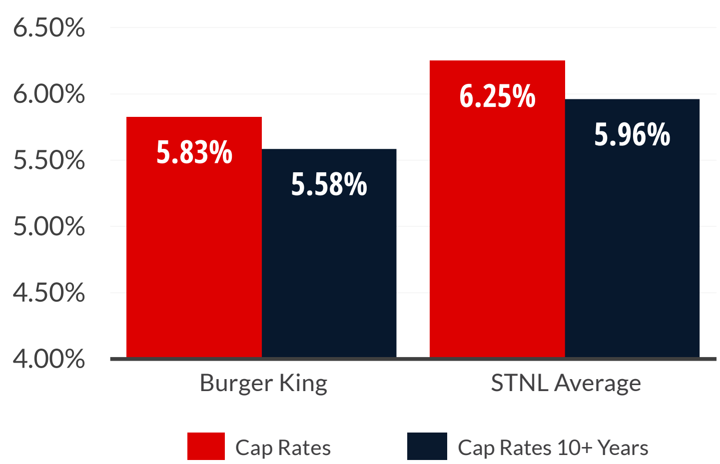
Net Lease Overview

The strong real estate fundamentals and internet-proof nature of fast food make Burger King properties attractive net lease investments. Burger King locations are typically in high traffic areas with easy access. The buildings used are approximately 3,500 square feet with a drive-thru window. The size and layout make the building easy to re-tenant if Burger King were to vacate the property. The drive-thru would be a strong draw for another QSR tenant looking to back fill the location.

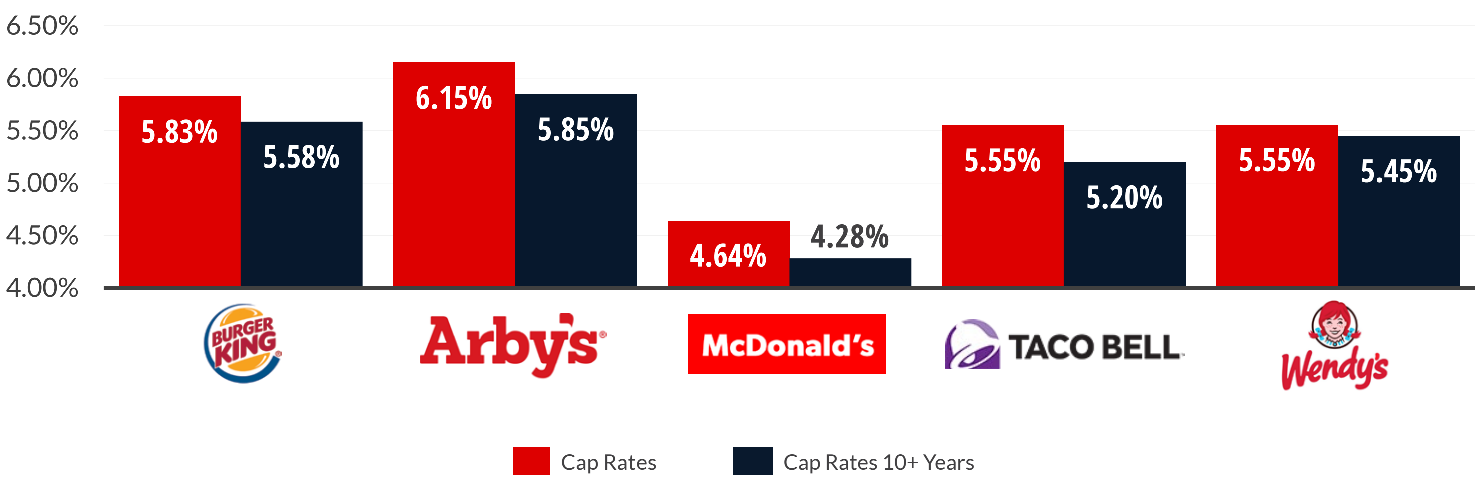
Burger King franchises almost all of its locations, 99.5%. This means there is a wide variety of operators and guarantees behind Burger King net leased assets. Different operators sign different leases but most Burger King leases will have some form of rent increases built-in, ranging from 5-10% every five years to 1-2% annually. These increases provide protection against inflation.

The QSR sector is largely protected from the "Amazon Effect" and other internet disruptions. The immediate nature of ordering fast food saves the restaurants from online competition. Convenience is a major factor for QSRs, being close and easy to get to for their customers.

Average Cap Rates Over the Past 12 Months

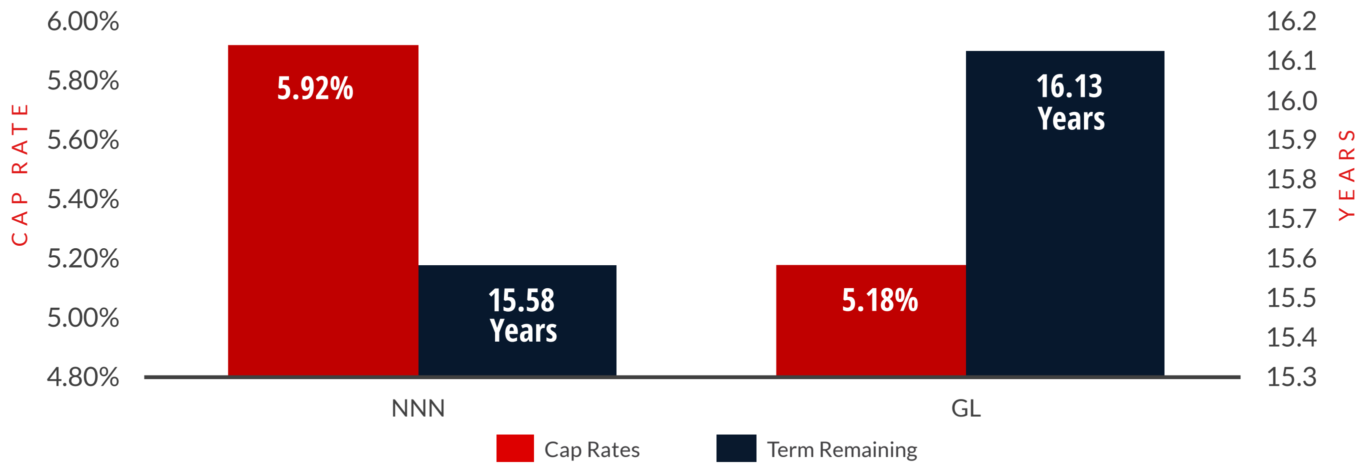


Average Cap Rates of QSRs Over the Past 12 Months



Burger King has traded around the average of other QSRs. Burger King has strong brand recognition and real estate fundamentals but franchisees operate most of their locations.

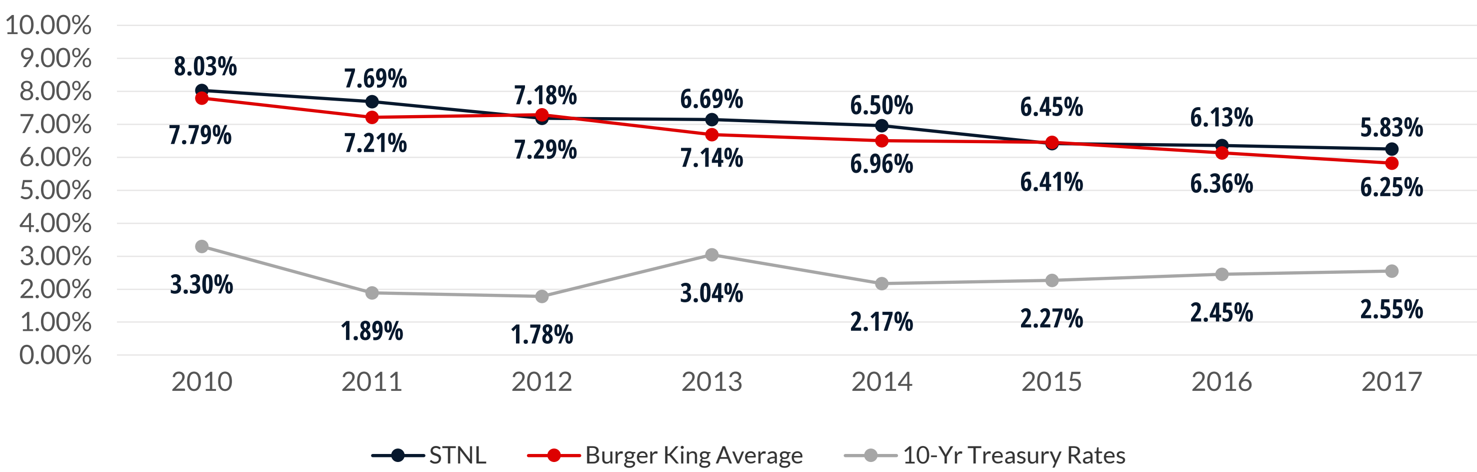
Average Cap Rates and Term Remaining by Lease Type Over the Past 12 Months



Burger King tends to sign either triple net or ground leases, both types of leases require no landlord responsibilities. Ground leases tend to trade at lower cap rates because they require tenants to construct any improvements (buildings) at their own expense. The large upfront costs faced by tenants signing ground leases tend to lead to leases with longer terms.

Burger King has traded near the Single Tenant Net Lease (STNL) average. While the brand has enjoyed success, the franchisee guarantees prevent Burger King from trading at more of a premium.

STNL Cap Rates vs Burger King Cap Rates vs 10-Yr Treasury Rates



CALKAIN | Research
12930 Worldgate Dr | Suite 150
Herndon, VA 20170
703.787.4714

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