

Industry Data Report

New Unit Investment 2020-2021

- **RR's New Unit Investment Industry Data Report** provides average building cost estimate details (excluding land) for 47 national restaurant chains.

New Build Summary	Building Specs	New Build Ratios	Franchise Requirements
New build AUV	Land needs	Sales-to-investment	Initial/development fees
Building & site work	Building size	Average sales per s.f.	Royalty fees
Equipment & signs	Total seats	Total investment per s.f.	Franchise/renewal term
Small wares & inventory		New Build ROI	Transfer fees
Soft costs			Territory protection
Initial franchise fee			Incentives/financial requirements

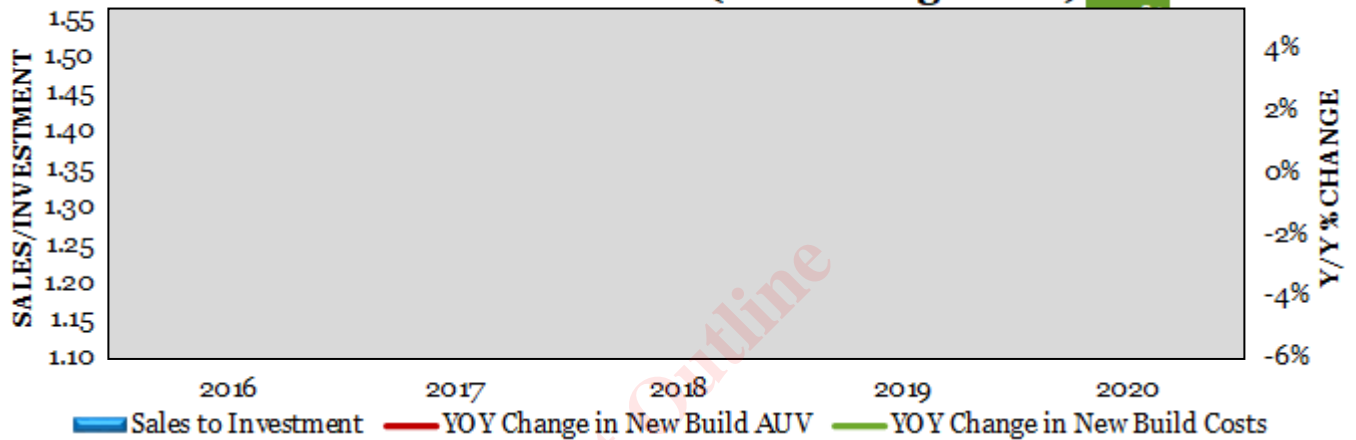
- **Report highlights:** (1) the sales-to-investment ratio for \$1B+ chains continues to trend down after peaking in 2013 as higher construction costs have outpaced the growth in new build AUVs; (2) new build ROI is also pressured by declining unit level margins; (3) declining trends are offset by appealing franchisor development incentives; (4) in any case, RR's New Build vs. Buy Ratio rose for the 4th consecutive year given a decline in store level acquisition multiples; (5) cost effective conversions seem to be the way to go post-lockdown; and (6) 4 chains introduced new building prototypes and a key post-lockdown question has to do with the role of sit-down building formats.

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New Unit Investment Executive Summary



Sales to Investment (Excluding Land)

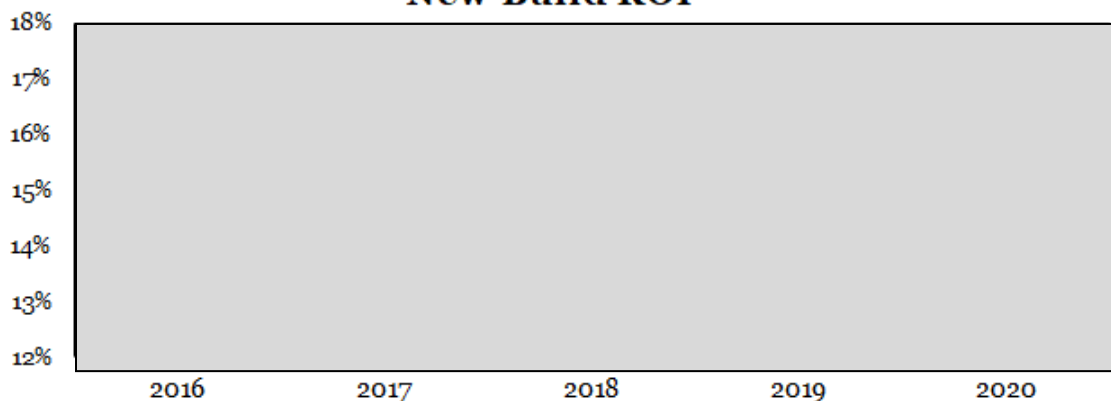


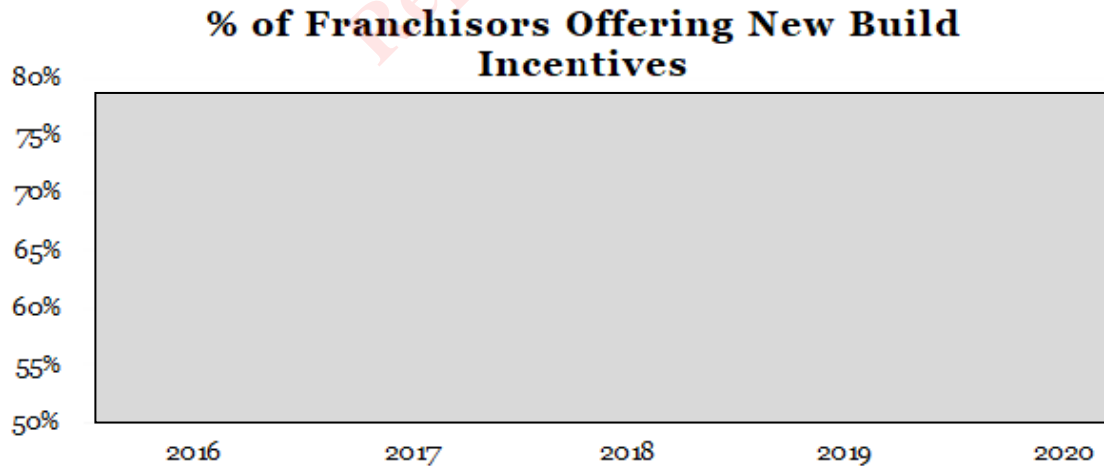
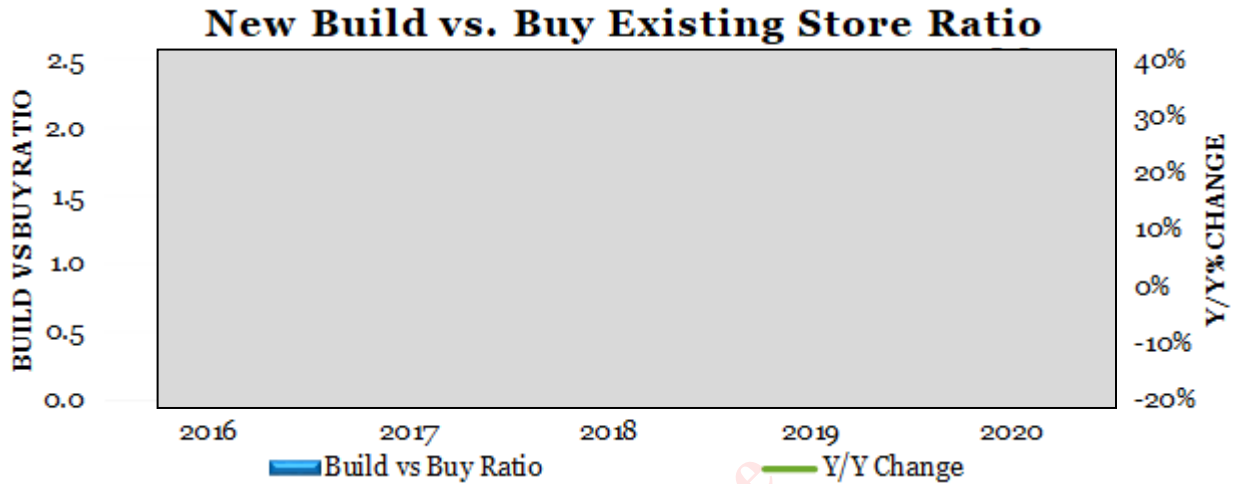
Average Sales to Investment without Land Summary					
	2016	2017	2018	2019	2020
New Build AUV Index	118.1	119.0	118.1	119.3	120.4
YOY Change in New Build AUV	2.1%	0.8%	-0.7%	1.0%	0.9%
New Build Cost Index	114.5	118.6	120.8	124.6	130.8
YOY Change in New Build Costs	2.8%	3.5%	1.9%	3.1%	5.0%
Sales to Investment	1.29	1.25	1.22	1.19	1.15

Index: 2011 = 100



New Build ROI

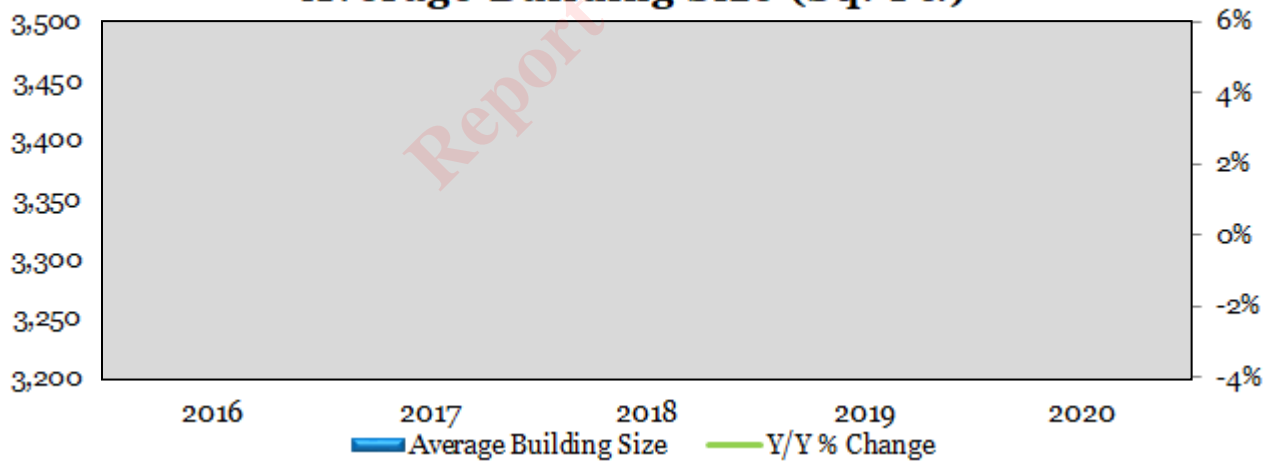




2020 New Build Incentive Composition



Average Building Size (Sq. Ft.)



New Unit Investment Rankings (Best to Worst % Change) by Segment

Sales to Investment without Land						
	2016	2017	2018	2019	2020	20/19 Change
Fast Casual						
Pizza						
Coffee/Bakery						
Sub-Sandwich						
Chicken						
Sandwich						
Family						
Casual						
Average						

New Build ROI						
	2016	2017	2018	2019	2020	20/19 Change
Fast Casual						
Sub-Sandwich						
Sandwich						
Chicken						
Family						
Pizza						
Coffee/Bakery						
Casual						
Average						

Average Sales/Sq.Ft						
	2016	2017	2018	2019	2020	20/19 Change
Sub-Sandwich						
Chicken						
Fast Casual						
Pizza						
Casual						
Sandwich						
Coffee/Bakery						
Family						
Average						

Average Building Costs/Sq. Ft.						
	2016	2017	2018	2019	2020	20/19 Change
Fast Casual						
Coffee/Bakery						
Pizza						
Sandwich						
Family						
Chicken						
Casual						
Sub-Sandwich						
Average						

New Build Costs Excluding Land (Sorted by Sales to Investment)

Concept	Current Building Design Name	Intro Year	Building Format	Annual Sales Per New Unit	Construction & Initial Start-up Costs ⁽¹⁾						Building Requirements			Sales and Investment Ratios (No Land)				
					Building & Site	Equipment & Signs	Small Wares & Inventory	Soft Costs ⁽²⁾	Franchise Fee	Franchisor Incentives ⁽³⁾	Total Invest. No Land	Land (Sq. Feet)	Building (Sq. Feet)	Seats	Avg. Sales Per Sq. Ft.	Total Invest. Per Sq. Foot	Sales to Invest.	
Chipotle																		
Panera Bread																		
Moe's Southwest Grill																		
Qdoba																		
Corner Bakery Café																		
Fast Casual																		
T.G.I. Friday's																		
Applebee's																		
Buffalo Wild Wings																		
Texas Roadhouse																		
Red Robin																		
BJ's Restaurants																		
Chili's Grill & Bar																		
Casual																		
Denny's																		
IHOP																		
Golden Corral																		
Perkins																		
Cracker Barrel																		
Family																		
Papa John's																		
Domino's																		
Pizza Hut																		
Little Caesars																		
Pizza																		
Jimmy John's																		
Firehouse Subs																		
Jersey Mike's																		
Subway																		
Sub-Sandwich																		
Five Guys																		
Checkers/ Rally's																		
McDonald's																		
Jack in the Box																		
Arby's																		
Sonic Drive-In																		
Wendy's																		
Taco Bell																		
Zaxby's																		
Culver's																		
Burger King																		
Carl's Jr.																		
Dairy Queen																		
Hardee's																		
Sandwich																		
Wingstop																		
KFC																		
Pepeyes																		
Bojangles'																		
Church's																		
Chicken																		
Krispy Kreme																		
Dunkin Donuts																		
Tim Horton's																		
Coffee/Bakery																		
QSR																		
FSR																		
Average																		

Notes:
 (1) For a single traditional store unless otherwise noted. Figures are based on the average of the high and low range as indicated in the FDD, public filings, company web sites and/or franchisee estimates.
 (2) Soft costs include pre-construction costs such as architectural and engineering fees, permits, training expenses, opening advertising and utility deposits, but excludes liquor license due to the extreme range in costs.
 (3) Franchisor incentives include: cash incentives; any waiver/reduction in initial franchisee fee; royalty incentives, marketing incentives; free equipment and/or food credits. McDonald's Corp. typically owns the land & building and contributes approximately 40% of construction costs in return for higher rent.
 (4) BJ's Restaurants, Chipotle and Cracker Barrel do not franchise. To make a fair comparison with other franchised concepts, the average segment initial franchise fee has been added to total costs.
 (5) Based on 2019 FDD since 2020 FDD was not available.

New Build Cost Components as a % of Total Investment (Excludes Franchisor Incentives)

Concept	Construction & Initial Start-up Costs (Excluding Land)				
	Building & Site Work	Equipment & Signs ⁽¹⁾	Small Wares & Inventory	Soft Costs	Franchise Fee
Corner Bakery Café					
Moe's Southwest Grill					
Panera Bread					
Qdoba					
Fast Casual					
Applebee's					
Buffalo Wild Wings					
Chili's Grill & Bar					
Red Robin					
T.G.I. Friday's					
Texas Roadhouse					
Casual					
Denny's					
Golden Corral					
IHOP					
Perkins					
Family					
Domino's					
Little Caesars					
Papa John's					
Pizza Hut					
Pizza					
Firehouse Subs					
Jersey Mike's					
Jimmy John's					
Subway					
Sub-Sandwich					
Dunkin Donuts					
Krispy Kreme					
Tim Horton's					
Coffee/Bakery					
Arby's					
Burger King					
Carl's Jr.					
Checkers/ Rally's					
Dairy Queen					
Five Guys					
Hardee's					
Jack in the Box					
McDonald's					
Sonic Drive-In					
Taco Bell					
Wendy's					
Zaxby's					
Sandwich					
Bojangles'					
Church's					
KFC					
Popeyes					
Chicken					
QSR					
FSR					
Average					

New Store Investment ROI (Sorted by ROI)

Concept	New Build Format	Building Size (Sq. Ft.)	New Store AUV	Total Construction Costs (Ex. Land) ⁽²⁾	2019 EBITDAR Margin ⁽³⁾	Annual Rent Cost/ AUV	Per Unit G&A %	EBITDA (Post G&A) %	Year 1 Unlevered ROI ⁽⁴⁾
Chipotle									
Panera Bread									
Qdoba									
Corner Bakery									
Moe's									
Fast Casual									
Buffalo Wild Wings									
Red Robin									
BJ's Restaurants									
Texas Roadhouse									
T.G.I. Friday's									
Applebee's									
Chili's Grill & Bar									
Casual									
Denny's									
IHOP									
Cracker Barrel									
Golden Corral									
Denny's									
Perkins									
Family									
Papa John's									
Domino's									
Pizza Hut									
Little Caesars									
Pizza									
Jimmy John's									
Jersey Mike's									
Firehouse Subs									
Subway									
Sub-Sandwich									
Five Guys									
Taco Bell									
Jack in the Box									
Checkers/ Rally's									
Arby's									
Wendy's									
Burger King									
Culver's									
Sonic Drive-In									
Carl's Jr.									
McDonald's									
Zaxby's									
Hardee's									
Dairy Queen									
Sandwich									
Wingstop									
KFC									
Popeyes									
Bojangles'									
Church's									
Chicken									
Dunkin Donuts									
QSR									
FSR									
Average									

(1) Annual freestanding ground rent = annual rent assumption \$70k/acre of land * # of acres required. Annual in-line rent = annual rent assumption \$30/sq. ft. * building size.

(2) Total construction costs (ex. land) and after franchisor incentives.

(3) EBITDAR margin after royalty fees. For concepts that do not franchise, the segment average royalty has been included for comparability purposes.

(4) Year 1 Unlevered ROI = (EBITDA post G&A)/total construction costs net of franchisor incentives.

(5) McDonald's construction costs reflect that franchisee investment is generally limited to equipment, signs, seating, decor and soft costs as corporate owns the land and building or secures long-term leases with freestanding rents ranging from 10% to 14% of sales.

Build vs. Buy Ratio Excluding Land (Sorted by 2020 Low to High)

Concept	2016	2017	2018	2019	2020
IHOP					
Denny's					
Golden Corral					
Family					
Buffalo Wild Wings					
Red Robin					
Texas Roadhouse					
Chili's Grill & Bar					
Applebee's					
T.G.I. Friday's					
Casual					
Qdoba					
Panera Bread					
Moe's Southwest Grill					
Corner Bakery Café					
Fast Casual					
Jimmy John's					
Jersey Mike's					
Firehouse Subs					
Subway					
Sub-Sandwich					
Wingstop					
Popeyes					
KFC					
Bojangles'					
Church's					
Chicken					
Five Guys					
Taco Bell					
McDonald's					
Arby's					
Wendy's					
Zaxby's					
Burger King					
Culver's					
Jack in the Box					
Checkers/ Rally's					
Sonic Drive-In					
Carl's Jr.					
Dairy Queen					
Hardee's					
Sandwich					
Papa John's					
Domino's					
Little Caesars					
Pizza Hut					
Pizza					
Dunkin Donuts					
\$1B+ Chain Avg.					

New Prototypes/Design Updates

Burger King (RBI)	
Popeyes (RBI)	
Chipotle	
Dunkin'	
Sonic	
Starbucks	
Taco Bell	
Wendy's	
Whataburger	

Report Outline

Burger King “Restaurant of Tomorrow”

Report Outline

Popeyes

Report Outline

Sonic

Report Outline

Whataburger

Report Outline

New Franchisee Financial Requirements
Target Market Demographics

Concept	Seeking New Franchisees?	Min. # Units	Min. Net Worth/Unit	Minimum Liquidity/Unit	Daytime Employee Population	Residential Population	Daily Min. Traffic	Median HH Income
Fast Casual								
Corner Bakery								
Moe's								
Panera Bread								
Qdoba								
Casual								
Applebee's								
Buffalo Wild Wings								
Chili's Grill & Bar								
Texas Roadhouse								
T.G.I. Friday's								
Family								
Denny's								
Golden Corral								
IHOP								
Perkins								
Pizza								
Domino's								
Little Caesars								
Papa John's								
Pizza Hut								
Sub-Sandwich								
Jersey Mike's								
Jimmy John's								
Subway								
Sandwich								
Arby's								
Burger King								
Carl's Jr.								
Checkers/ Rally's								
Chick-fil-A								
Culver's								
Dairy Queen								
Firehouse Subs								
Five Guys								
Hardee's								
Jack in the Box								
McDonald's								
Sonic Drive-In								
Taco Bell								
Wendy's								
Whataburger								
Zaxby's								
Chicken								
Bojangles'								
Church's								
KFC								
Popeyes								
Wingstop								
Coffee-Bakery								
Dunkin Donuts								
Krispy Kreme								
Tim Horton's								

Source: Company websites

Development Incentives

Concept	Development Incentives/Unique Programs
	Fast Casual
Moe's Southwest Grill	
Qdoba	
	Family
Denny's	
Golden Corral	
IHOP	
Perkins	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
	Casual
Applebee's	
Buffalo Wild Wings	
Chili's Grill & Bar	
Red Robin	
T.G.I. Friday's	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Domino's	Pizza
Little Caesars	
Papa John's	
Pizza Hut	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Firehouse Subs	Sub-Sandwich
Jersey Mike's	
Jimmy John's	
Subway	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Dunkin Donuts	Coffee/Bakery
Tim Horton's	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
	Chicken
Bojangles'	
Church's	
KFC	
Popeyes	
Wingstop	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Sandwich	
Arby's	
Burger King	
Carl's Jr.	
Checkers/ Rally's	
Chick-fil-A	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Culver's	
Dairy Queen	
Five Guys	
Hardee's	
Jack in the Box	
McDonald's	

Report Outline

Development Incentives

Concept	Development Incentives/Unique Programs
Sonic Drive-In	
Taco Bell	
Wendy's	
Zaxby's	

Source: FDD, company reports and websites.

Franchise Terms & Development Incentives (Sorted Alphabetically)

Includes \$1B+ Chains and Other Select Concepts

Concept	Initial Fee	Development Fee/ Deposit	Development Fee Credit?	Term	Territory Protection	Renewal Fee	Renewal Term	Transfer Fee	Royalty
Five Guys									
Hardee's									
Jack in the Box									
McDonald's									
Sonic Drive-In									
Taco Bell									
Wendy's									
Zaxby's									
Sandwich									

Source: FDD, company reports and websites.

Based on 2019 FDD since 2020 FDD was not available.

All Inclusive Subscription Package

Value-Added Data & Insight for \$1B+ Chains

Concept Benchmarking Reports

Applebee's	Arby's	Burger King	Carl's Jr.
Chili's	Church's	Denny's	Domino's
Hardee's	IHOP	Jack in the Box	KFC
McDonald's	Panera	Papa John's	Pizza Hut
Popeyes	Sonic	Subway	Taco Bell
TGI Friday's	Wendy's	Quarterly Concept Updates*	

Industry Benchmarking (50+ Chains)

Store Level	Systemwide	Finance
New Unit Investment	Quarterly Same Store Sales*	Unit Valuations
Remodeling	Annual RR Databook*	Franchise Finance
Unit Economics	Unit & Sales Growth Analysis	
Marketing Spend	Menu & Promotions	
	Commodities Database*	

* Only available as part of subscription.

FDD library for 40+ Chains

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