



MAAO

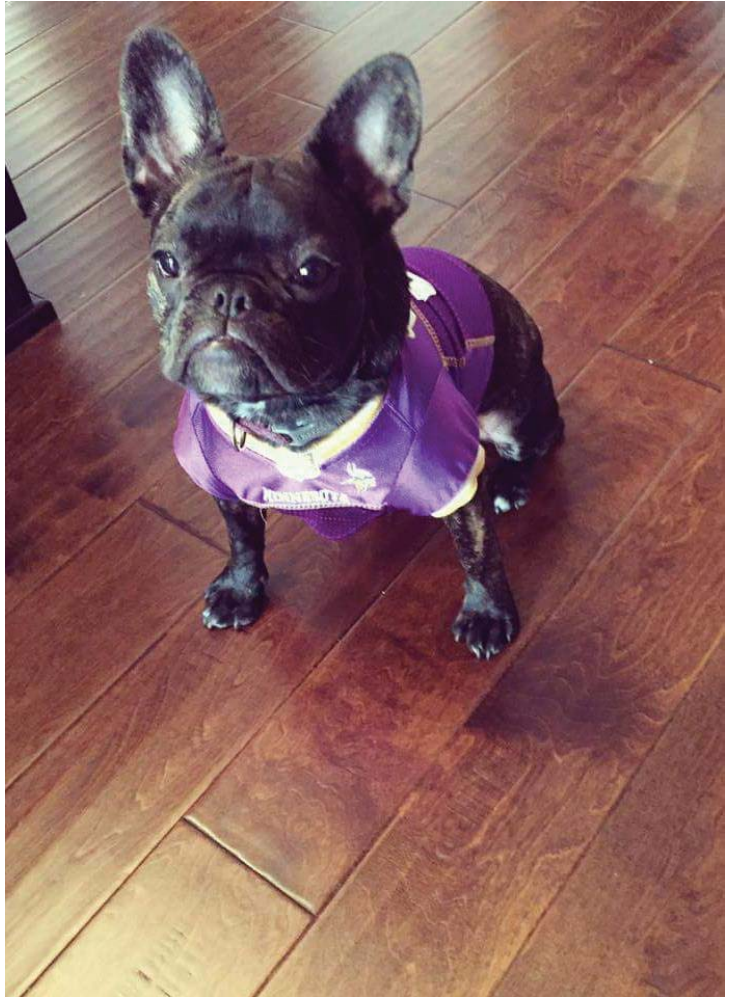
Minnesota Association
of Assessing Officers

Food n' Fuel

Tim Klein
Diversified Real Estate Services, Inc
St. Cloud State University



Frenchie Love



Puppy
+ Baby

= Ahh-dorable



RESTAURANT

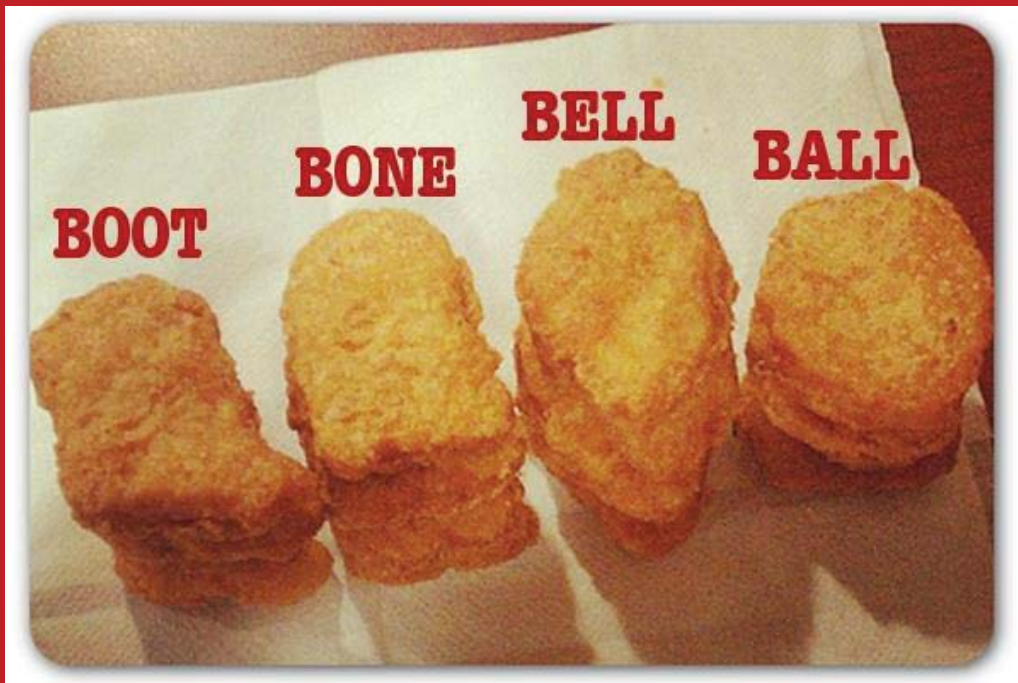




- The term “Restaurant” derives from French verb “restaurer” meaning restore
- White Castle is the first Fast Food – 1921
- Half of all adults have worked in restaurant industry
- Millennials spend 44% of their food budget at restaurants
- Soda is marked up 1,150%
- 1 in 4 people eat some type of fast food everyday
- Subway’s is the largest chain in the world (More locations than McDonald’s)

Knowledge Appetizer

Chicken McNugget Anatomy



Restaurant Valuation Outline

1:00 to 1:45

- Types of Restaurants
- State of the Restaurant Industry
- Valuation Process of Restaurants
- Income vs. Sales vs. Cost Approach
- Income Approach-Leased Fee
 - Rent Projection
 - Gross or Net or Percentage Rent
 - Rent to Sales Ratio/Health Ratios
 - Expenses (Stabilized)
 - Vacancy (Leased Fee Vs. Fee Simple)
 - Capitalization Rate (Leased Fee Vs. Fee Simple)

2:00 to 2:45

- Reverse Build to Suit Example
- Example of Property that Illustrates Contract Rent Does Not Always = Market Rent
- Analysis of Capitalization Rates Based on Tenant Credit/Term
- Fee Simple Vs. Leased Fee
- Outstate Analysis
- Valuation Practice Problem

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Types of Restaurants

- Fast Food (QSR)
- Fast Casual
- Casual Dining
- Fine Dining
- Newest Trend: Food Hall

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Fast Food or QSR **(Quick Service Restaurant)**

- Examples: Burger King, Chick Fil A, KFC, McDonald's, Taco Bell, Wendy's, Culver's, Arby's, Raising Cane's.
- Emphasis is on speed of service.
- Outstate: Typically located directly off freeway or major roadway.
- Twin Cities: High traffic count locations.
- Typically freestanding building with drive through lane.
- Price points of \$1 to \$10 per person

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Fast Casual

- Chipotle, Shake Shack, Panera, Five Guys, Qdoba, Dickey's Barbecue Pit.
- Freshly prepared, higher-quality food, at a fast pace. Typically higher priced than QSR with higher quality ingredients and custom meals.
- Freestanding building or multi-tenant.
- Price points of \$5 to \$15 per person

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Casual Dining

- Buffalo Wild Wings, Chili's, Outback Steakhouse, Red Lobster, Denny's, Perkins, Olive Garden, and Applebee's.
- Table service.
- Menu's with wider range of options.
- Price points of \$10.00 and up per person.

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Fine Dining

- Full service restaurants with higher end finishing and décor.
- Extensive wine and drink menus
- Higher price points
- Often urban/downtown locations

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Fine Dining

- Butcher and the Boar, Minneapolis. #1 seller of Knob Creek bourbon in the world. Average cost of \$30 to \$100.



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Fine Dining

- Butcher and the Boar: Double Cut Smoked Pork Chop (\$42)



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Fine Dining

- Manny's Steakhouse. Average cost of \$50 to \$150



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Fine Dining

- Manny's Steakhouse: 3 LB Bludgeon of Beef (\$110)



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Fine Dining

- Brennan's, New Orleans. Average cost of \$30 and up.



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Fine Dining

- Sublimotion: Ibiza, Spain. “**SUBLIMOTION** is a space created to stimulate the 5 senses.”
- Utilizes virtual reality headsets, projection mapping, and laser light shows.
- 3 hour, 20 course dinner experience with an average cost of \$1,761.



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Food Hall

- Concept is similar to a food court. They have higher end finishing, outdoor seating, multiple levels, and shared seating/common areas.
- North Loop:
 - Food “collective” rather than food hall.
 - Two-story, six kitchens, two indoor dining areas, two bars and a coffee shop. Large outdoor space with rooftop patio.
 - 40’ height restriction.

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Food Hall



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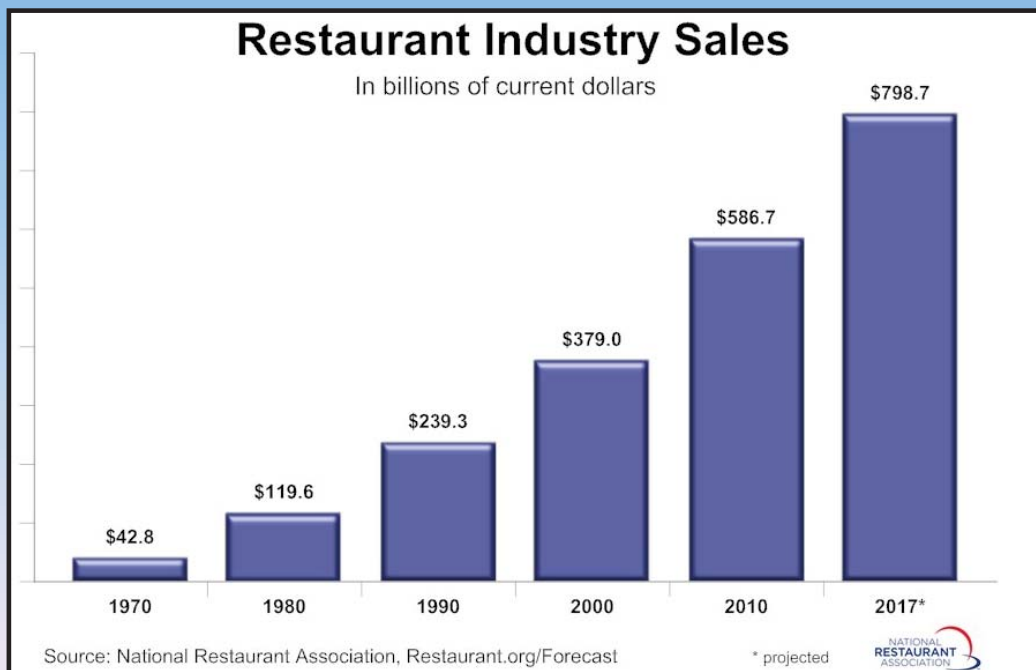
Food Hall



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National Restaurant Association

- Industry sales will reach \$799 billion in 2017, a 4.3% gain over sales of \$766 billion in 2016.



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National Restaurant Association

- Full service restaurants account for the highest sales at \$263 billion.
- QSR accounts for \$234 billion in sales.

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Restaurant-industry food-and-drink sales: Projections for 2017

	2016 Sales	2017 Sales	% chg	Real % chg
GROUP I — COMMERCIAL RESTAURANT SERVICES¹	(\$000)	(\$000)		
EATING PLACES				
Fullservice restaurants ²	\$254,107,809	\$263,001,582	3.5%	11%
Limited-service (quick-service) restaurants ³	221,896,402	233,656,911	5.3%	2.5%
Cafeterias, grill-buffets and buffets ⁴	5,887,845	5,681,770	-3.5%	-6.1%
Snack and nonalcoholic beverage bars	38,434,085	40,750,369	6.0%	3.2%
Social caterers	8,273,700	8,604,648	4.0%	1.5%
TOTAL EATING PLACES	\$528,599,841	\$551,695,280	4.4%	1.8%
Bars and taverns	19,301,182	19,783,712	2.5%	0.3%
TOTAL EATING-AND-DRINKING PLACES	\$547,901,023	\$571,478,992 ⁵	4.3%	1.7%
MANAGED SERVICES⁶				
Manufacturing and industrial plants	\$8,674,503	\$9,018,014	4.0%	1.4%
Commercial and office buildings	3,145,343	3,276,558	4.2%	1.6%
Hospitals and nursing homes	6,309,435	6,688,001	6.0%	4.2%
Colleges and universities	16,528,053	17,370,984	5.1%	2.5%
Primary and secondary schools	6,910,091	7,155,399	3.5%	1.0%
In-transit restaurant services (airlines)	2,547,995	2,644,054	3.8%	1.3%
Recreation and sports centers	7,017,572	7,422,714	5.8%	3.3%
TOTAL MANAGED SERVICES	\$51,132,992	\$53,575,724	4.8%	2.3%
LODGING PLACES				
Hotel restaurants	\$34,008,228	\$35,466,161	4.3%	1.8%
Other accommodation restaurants	567,207	593,479	4.6%	2.1%
TOTAL LODGING PLACES	\$34,575,435	\$36,059,640	4.3%	1.8%
Retail-host restaurants ⁷	\$40,886,776	\$42,307,860	3.5%	0.9%
Recreation and sports ⁸	16,658,164	17,672,724	6.1%	3.6%
Mobile caterers	917,824	967,249	5.4%	2.8%
Vending and nonstore retailers ⁹	13,670,965	14,259,911	4.3%	1.6%
TOTAL — GROUP I	\$705,743,179	\$736,322,100	4.3%	1.7%
GROUP II — NONCOMMERCIAL RESTAURANT SERVICES¹⁰				
Employee restaurant services ¹¹	\$407,762	\$411,369	0.9%	-0.3%
Public and parochial elementary, secondary schools	7,328,914	7,546,374	3.0%	0.4%
Colleges and universities	8,242,407	8,581,027	4.1%	1.5%
Transportation	2,451,554	2,501,983	2.1%	0.2%
Hospitals ¹²	17,707,203	18,387,810	3.8%	2.8%
Nursing homes, homes for the aged, blind, orphans and the mentally and physically disabled ¹³	9,337,930	9,549,435	2.3%	1.1%
Clubs, sporting and recreational camps	8,487,869	8,797,322	3.6%	1.2%
Community centers	3,684,201	3,875,780	5.2%	1.6%
TOTAL — GROUP II	\$57,647,840	\$59,651,100	3.5%	1.6%
TOTAL — GROUPS I AND II	\$763,391,019	\$795,973,200	4.3%	1.7%
GROUP III — MILITARY RESTAURANT SERVICES¹⁴				
Officers' and NCO clubs (Open mess)	\$1,786,999	\$1,833,998	2.6%	0.2%
Military exchanges	866,349	899,271	3.8%	1.0%
TOTAL — GROUP III	\$2,653,348	\$2,733,269	3.0%	0.5%
GRAND TOTAL	\$766,044,367	\$798,706,469	4.3%	1.7%

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National Restaurant Association

	State Economic Indicators <i>Projected percent change, 2016-2017</i>			Restaurant Sales (\$000)		
	Total employment	Real disposable personal income	Total population	2016	2017	Percent change
Iowa	1.1%	1.7%	0.1%	\$4,203,504	\$4,356,317	3.6%
Kansas	1.0%	1.7%	0.6%	\$4,610,080	\$4,788,148	3.9%
Minnesota	1.4%	2.1%	0.6%	\$9,416,774	\$9,733,433	3.4%
Missouri	1.2%	1.8%	0.4%	\$10,132,856	\$10,480,847	3.4%
Nebraska	1.0%	1.6%	0.6%	\$2,842,526	\$2,953,163	3.9%
North Dakota	0.8%	1.5%	0.8%	\$1,273,746	\$1,304,402	2.4%
South Dakota	1.4%	2.0%	0.7%	\$1,277,695	\$1,332,782	4.3%
West North Central	1.2%	1.8%	0.5%	\$33,757,182	\$34,949,092	3.5%

Source: National Restaurant Association

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National Restaurant Association

- 61% of adults say they would rather spend money on an experience such as a restaurant compared to purchasing an item from a store
- 60% to 68% of restaurant operators expect increasing sales in the next year (depending on type of restaurant)
 - 27% to 32% expect the same sales
 - 2% to 6% expect declining sales
- 50% to 59% of restaurant operators expect increased profitability in the next year (depending on type of restaurant).
 - 35% to 41% expect the same profitability
 - 6% to 9% expect decreased profitability

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National Restaurant Association

- 39% of adults say they are not eating at restaurants as much as they would like

All adults	39%
Age group	
Millennials (18-36)	31
Generation X (37-52)	39
Baby boomers (53-71)	46
Household income	
Less than \$35,000	57
\$35,000 to \$49,999	40
\$50,000 to \$74,999	21
\$75,000 to \$99,999	26
\$100,000 or more	22
Employment status	
Employed	30
Retired	47
Currently not employed	55
Housing status	
Own	34
Rent	46

Source: National Restaurant Association, National Household Survey, 2016

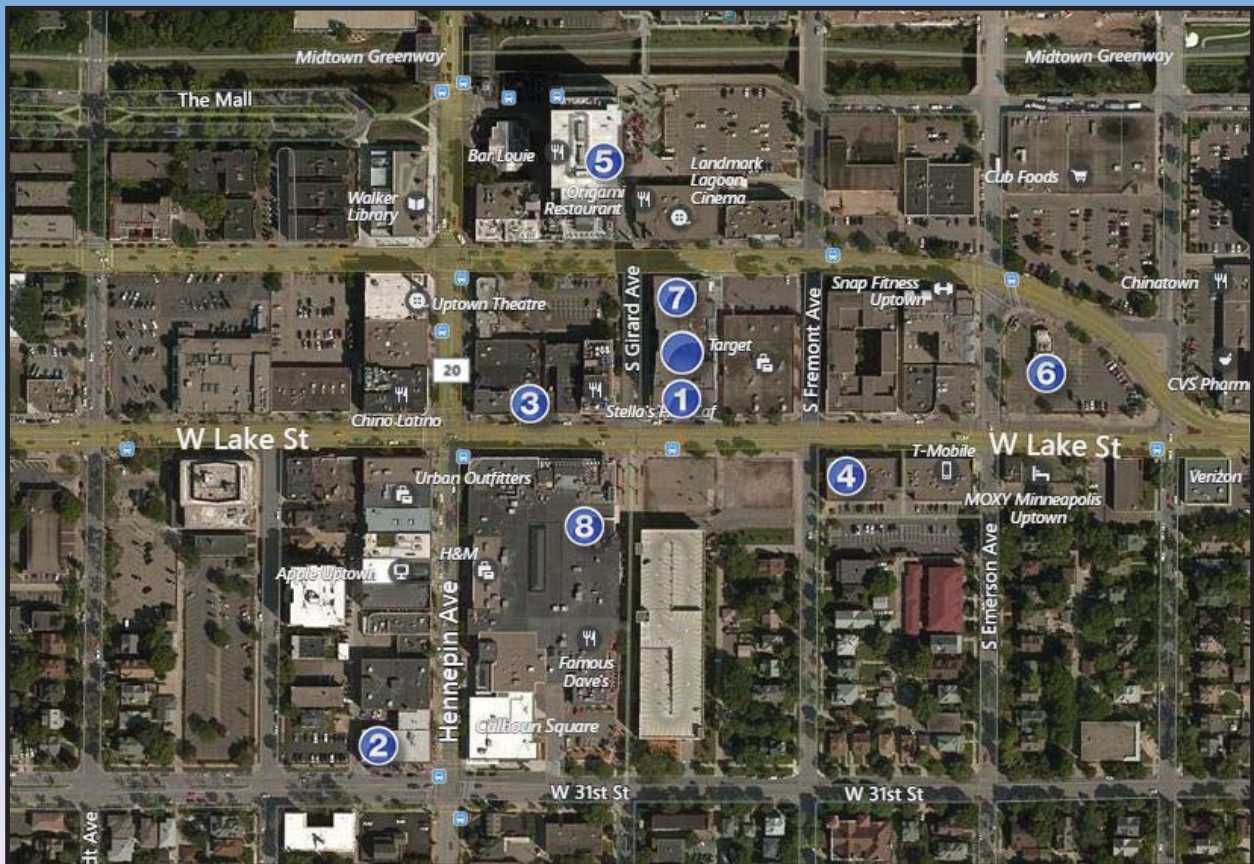
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Challenges in the Restaurant Industry

- Supply
- Increasing Food Costs
- New Forms of Competition
 - Blue Apron, HelloFresh, Plated
 - Increase in Grocery Stores
- Rising Labor Costs
- Economy/Unemployment Rate

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Challenges in the Restaurant Industry



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Valuation of a Restaurant

- Income vs. Sales vs. Cost Approach
- Cost Approach
- Outstate locations have many fee simple sales
- Most investors look at the Income Approach

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Income Capitalization Approach

- Types of Rent
 - Net
 - Gross
 - Percentage Rent

Percentage Rent: Rental income received in accordance with the terms of a percentage lease, typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.

Natural Breakpoint: The level of sales at which the percentage rent equals the base rent as specified in a lease. It can be calculated by dividing the base rent by the state percentage.

Overage Rent: The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume. (The Dictionary of Real Estate Appraisal, 6th Edition)

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Income Capitalization Approach

- 8,000 square foot restaurant with a rent of \$30.00 psf or \$240,000 annually
- Lease states that the tenant pays the greater of \$240,000 annually or 8% of gross sales.
- Minimum rent of \$240,000 is based upon sales of \$3,000,000 ($\$240,000 / 8\%$)

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Income Capitalization Approach

- Minnesota Applebee's
- 4,800 SF
- Built/Lease Commencement in 2015
- Rent of \$38 PSF Net, with 10% increase every five years
- 4, 5-Year Options
- 15 Year Lease with 12 years remaining

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Income Capitalization Approach

APPLEBEE'S RENT COMPARABLES				
#	Area (SF)	Remaining Lease Term	Current Net Rent PSF	Lease Commencement
1	4,581	15 Years	\$42.41	2017
2	5,150	20 Years	\$38.71	2017
3	5,042	10 Years	\$47.06	2016
4	5,554	10 Years	\$41.03	2015
5	5,453	9 Years	\$38.12	2015
6	7,298	15 Years	\$31.05	2017
7	5,020	20 Years	\$37.86	2015
8	5,015	18 Years	\$46.01	2016
9	4,374	20 Years	\$40.97	2017
10	5,273	14 Years	\$43.47	2015
11	4,831	15 Years	\$45.52	2011
MIN	4,374	9	\$31.05	2011
MAX	7,298	20	\$47.06	2017
MEAN	5,236	15	\$41.11	2016
Subject	4,800	12 Years	\$38.00	2015

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Income Capitalization Approach

- Rent to Sales Ratio: Annual Rent / Annual Sales
- Brokers indicated 7% to 10% is standard
- 2008 Dollars & Cents of Shopping Centers, published by the Urban Land Institute
 - 5.02% to 10.96%

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Income Capitalization Approach

- Comparables:
 - 4.75% to 9.29%

RENT TO SALES RATIO COMPARABLES		
#	Data Year	Rent To Sales Ratio
1	2017	7.50%
2	2016	9.29%
3	2015	7.10%
4	2017	4.75%
5	2013	6.21%
6	2011	6.50%
Subject	2017	8.41%

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Income Capitalization Approach

- Subject Historical Rent to Sales Ratio:

HISTORICAL GROSS SALES				
Year	Annual Sales	Sales PSF	% Change	Rent to Sales
2015	\$2,070,000	\$431.25	--	8.81%
2016	\$2,110,000	\$439.58	1.93%	8.64%
2017	\$2,170,000	\$452.08	2.84%	8.41%
Average			2.39%	8.62%

- Subject Projection

RENT TO SALES RATIO MARKET RENT PROJECTION		
Projected Annual Gross Sales		\$2,225,000
Multiplied by: Rent to Sales Ratio	x	8.50%
Market Rent Projection by the Rent to Sales Method		\$189,125
PSF		\$39.40

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Income Capitalization Approach

- Vacancy Rate
 - Twin Cities: January 2018 The Compass, Published by Cushman Wakefield/Northmarq
 - Retail Vacancy Rate of 8.3%
 - Neighborhood/Community Centers: 7.1% to 8.3%
- Subject
 - Good Credit, 12 Year Term Remaining
 - Guaranteed lease (one of 477 restaurants operated under the Apple American Group)

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Income Capitalization Approach

- Capitalization Rate
 - Term
 - Credit
 - Location
 - Sales

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Income Capitalization Approach

- Market Data

- Q1 2018 The Net Lease Casual Dining Market Report, Published by The Boulder Group
 - Applebee's Median Price: \$3,047,878
 - Casual Dining Median Asking Cap Rate in the Midwest: 6.35%
 - Casual Dining Median Actual Cap Rate: 5.85%

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Income Capitalization Approach

- Comparables

APPLEBEE'S CAPITALIZATION RATE COMPARABLES SUMMARY CHART											
No.	Property/Location	Sale Date		Sale Price	NRA (SF)	Sale Price PSF NRA	Age at Sale Year Built	Remaining Lease Term	Occupancy at Sale	NOI or Rent PSF NRA	Pre-mngt fee Cap. Rate
		Month	Year								
1	Applebee's Nebraska	11	2017	\$2,878,000	4,581	\$628.25	18	15 Years	100%	\$42.41	6.75%
							1999				
2	Applebee's Wisconsin	9	2017	\$2,560,000	4,374	\$585.28	17	20 Years	100%	\$40.97	7.00%
							2000				
3	Applebee's Minnesota	7	2017	\$4,300,000	5,156	\$833.98	22	10 Years	100%	\$54.15	6.49%
							1995				
4	Applebee's Florida	6	2017	\$4,852,500	4,942	\$981.89	12	25 Years	100%	\$56.48	5.75%
							2005				
5	Applebee's Wisconsin	4	2017	\$2,375,000	5,259	\$451.61	24	20 Years	100%	\$26.15	5.79%
							1993				
6	Applebee's Virginia	4	2017	\$3,800,000	5,002	\$759.70	22	12 Years	100%	\$43.91	5.78%
							1995				
7	Applebee's Wisconsin	3	2017	\$2,911,781	4,787	\$608.27	18	20 Years	100%	\$38.93	6.40%
							1999				
8	Applebee's Wisconsin	3	2017	\$4,475,000	7,298	\$613.18	29	15 Years	100%	\$35.26	5.75%
							1988				
9	Applebee's Arizona	1	2017	\$3,820,000	5,273	\$724.45	19	14 Years	100%	\$43.47	6.00%
							1998				
10	Applebee's Texas	12	2016	\$3,425,000	5,150	\$665.05	0	20 Years	100%	\$38.71	5.82%
							2016				
AVERAGE				\$3,539,728	5,182	\$685.16	1999	17	100%	\$42.04	6.15%

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Income Capitalization Approach

PRO FORMA INCOME AND EXPENSE ANALYSIS

Subject Income Summary

Contract Rent	[4,800 sf X \$38.00 psf] =	\$182,400	
Recoverable Expenses		\$87,600	
Potential Gross Income			\$270,000
Less: Market Vacancy and Credit Loss at 0.00%			\$0
Effective Gross Income			\$270,000
<u>Operating Expenses</u>			
<u>Recoverable Operating Expenses</u>			
Real Estate Taxes	[\$8.75 psf]	\$42,000	
Insurance	[\$1.50 psf]	\$7,200	
Utilities	[\$5.75 psf]	\$24,000	
Repairs and Maintenance	[\$3.00 psf]	\$14,400	
Total Recoverable Operating Expenses	[\$18.25 psf]		\$87,600
Net Operating Income	[\$38.00 psf]		\$182,400

DIRECT CAPITALIZATION

Net Operating Income	\$182,400
Divided by: Capitalization Rate	6.25%
Leased Fee Market Value Indication	\$2,918,400
Rounded To	\$2,920,000
Price PSF of NRA	\$608.33

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Income Capitalization Approach

- Leased Fee was \$2,920,000. Now \$2,490,000 (adjustment of -15%)

PRO FORMA INCOME AND EXPENSE ANALYSIS: FEE SIMPLE SCENARIO #1

Subject Income Summary

Contract Rent	[4,800 sf X \$38.00 psf] =	\$182,400	
Recoverable Expenses		\$87,600	
Potential Gross Income			\$270,000
Less: Market Vacancy and Credit Loss at 10.00%			<u>(\$27,000)</u>
Effective Gross Income			\$243,000

Operating Expenses

<u>Recoverable Operating Expenses</u>			
Real Estate Taxes	[\$8.75 psf]	\$42,000	
Insurance	[\$1.50 psf]	\$7,200	
Utilities	[\$5.75 psf]	\$24,000	
Repairs and Maintenance	[\$3.00 psf]	\$14,400	
Total Recoverable Operating Expenses	[\$18.25 psf]		\$87,600
Net Operating Income	[\$32.38 psf]		\$155,400

DIRECT CAPITALIZATION

Net Operating Income	\$155,400
Divided by: Capitalization Rate	6.25%
Hypothetical Fee Simple	\$2,486,400
Rounded To	\$2,490,000
Price PSF of NRA	\$518.75

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Income Capitalization Approach

- Leased Fee was \$2,920,000. Now \$2,070,000 (adjustment of -29%)

PRO FORMA INCOME AND EXPENSE ANALYSIS: FEE SIMPLE SCENARIO #2

Subject Income Summary

Contract Rent	[4,800 sf X \$38.00 psf] =	\$182,400	
Recoverable Expenses		<u>\$87,600</u>	
Potential Gross Income			\$270,000
Less: Market Vacancy and Credit Loss at 10.00%			<u>(\$27,000)</u>
Effective Gross Income			\$243,000

Operating Expenses

<u>Recoverable Operating Expenses</u>			
Real Estate Taxes	[\$8.75 psf]	\$42,000	
Insurance	[\$1.50 psf]	\$7,200	
Utilities	[\$5.75 psf]	\$24,000	
Repairs and Maintenance	[\$3.00 psf]	<u>\$14,400</u>	
Total Recoverable Operating Expenses	[\$18.25 psf]		<u>\$87,600</u>
Net Operating Income	[\$32.38 psf]		\$155,400

DIRECT CAPITALIZATION

Net Operating Income	\$155,400
Divided by: Capitalization Rate	<u>7.50%</u>
Hypothetical Fee Simple	\$2,072,000
Rounded To	\$2,070,000
Price PSF of NRA	\$431.25

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Income Capitalization Approach

- Leased Fee was \$2,920,000. Now \$1,320,000 (adjustment of -55%)

PRO FORMA INCOME AND EXPENSE ANALYSIS: FEE SIMPLE SCENARIO #3

Subject Income Summary

Contract Rent	[4,800 sf X \$25.00 psf] =	\$120,000	
Recoverable Expenses		<u>\$87,600</u>	
Potential Gross Income			\$207,600
Less: Market Vacancy and Credit Loss at 10.00%			<u>(\$20,760)</u>
Effective Gross Income			\$186,840

Operating Expenses

<u>Recoverable Operating Expenses</u>			
Real Estate Taxes	[\$8.75 psf]	\$42,000	
Insurance	[\$1.50 psf]	\$7,200	
Utilities	[\$5.75 psf]	\$24,000	
Repairs and Maintenance	[\$3.00 psf]	<u>\$14,400</u>	
Total Recoverable Operating Expenses	[\$18.25 psf]		<u>\$87,600</u>
Net Operating Income	[\$20.68 psf]		\$99,240

DIRECT CAPITALIZATION

Net Operating Income	\$99,240
Divided by: Capitalization Rate	<u>7.50%</u>
Hypothetical Fee Simple	\$1,323,200
Rounded To	\$1,320,000
Price PSF of NRA	\$275.00

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Income Capitalization Approach

- Leased Fee was \$2,920,000. Now \$710,000 (adjustment of -76%)

PRO FORMA INCOME AND EXPENSE ANALYSIS: FEE SIMPLE SCENARIO #4			
Subject Income Summary			
Contract Rent	[4,800 sf X \$18.00 psf]	=	\$86,400
Recoverable Expenses			<u>\$87,600</u>
Potential Gross Income			\$174,000
Less: Market Vacancy and Credit Loss at 15.00%			<u>(\$26,100)</u>
Effective Gross Income			\$147,900
Operating Expenses			
<u>Recoverable Operating Expenses</u>			
Real Estate Taxes	[\$8.75 psf]		\$42,000
Insurance	[\$1.50 psf]		\$7,200
Utilities	[\$5.75 psf]		\$24,000
Repairs and Maintenance	[\$3.00 psf]		<u>\$14,400</u>
Total Recoverable Operating Expenses	[\$18.25 psf]		\$87,600
Net Operating Income	[\$12.56 psf]		\$60,300
DIRECT CAPITALIZATION			
Net Operating Income			\$60,300
Divided by: Capitalization Rate			<u>8.50%</u>
Hypothetical Fee Simple			\$709,412
Rounded To			\$710,000
Price PSF of NRA			\$147.92

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Examples from Class?

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Reverse Build to Suit

Arrangement where the tenant constructs the building utilizing funds from the landlord. Upon completion of the building the tenant occupies the building under a lease.

- Raising Cane's Constructed in 2017
- Land and Construction Costs were around \$3,500,000
- Sold in February of 2018 for \$4,458,333 or a 6.00% capitalization rate
- Sales Price is \$1,562 PSF and rent of \$93.72 psf
- Profit of 27% of cost



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Example of Above Market Rent

- New Construction Multi-Tenant Retail Center
- Multiple restaurant related tenants
- Rents range from \$35 to \$45 psf net, or \$43 to \$53 psf gross
- Operating Expenses started around \$8 per square foot.
- Sells to an investor for well in excess of \$500 psf
 - Investor sees it as fully leased with long term leases and average expenses
- After the sale and stabilization expenses go to \$25 per square foot
- New gross rents: \$60 to \$70 psf
- Looked at 19 actual restaurant rents from the area:
 - \$13 to \$40 psf net, with an average of \$26 psf net
- Looked at 18 asking rents from the immediate area
 - Net: \$16 to \$35 psf, with an average of \$26 psf
 - Gross: \$28 to \$50 psf, with an average of \$39 psf
- Rent to Sales Ratios: Less than \$20 to \$25 psf

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Capitalization Rates and Term

Q1 2018 Median Asking Capitalization Rates for Casual Dining Restaurants

CORPORATE LEASED PROPERTIES MEDIAN ASKING CAP RATE			
Tenant	Q1 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Buffalo Wild Wings	6.25%	6.15%	-10
Chill's (GL)	5.25%	5.50%	+25
Hooters	6.15%	6.25%	+10
IHOP	5.90%	6.00%	+10
Outback Steakhouse	5.15%	5.28%	+13
Red Lobster	5.83%	5.85%	+2
Texas Roadhouse (GL)	4.73%	4.90%	+17
All Corporate Casual Dining	5.75%	5.90%	+15

FRANCHISEE LEASED PROPERTIES MEDIAN ASKING PRICE			
Tenant	Q1 2017 (Previous)	Q1 2018 (Current)	Basis Point Change
Applebees	6.29%	6.70%	+46
Denny's	5.60%	5.70%	+10
IHOP	6.20%	6.40%	+20
All Franchisee Casual Dining	6.25%	6.50%	+25

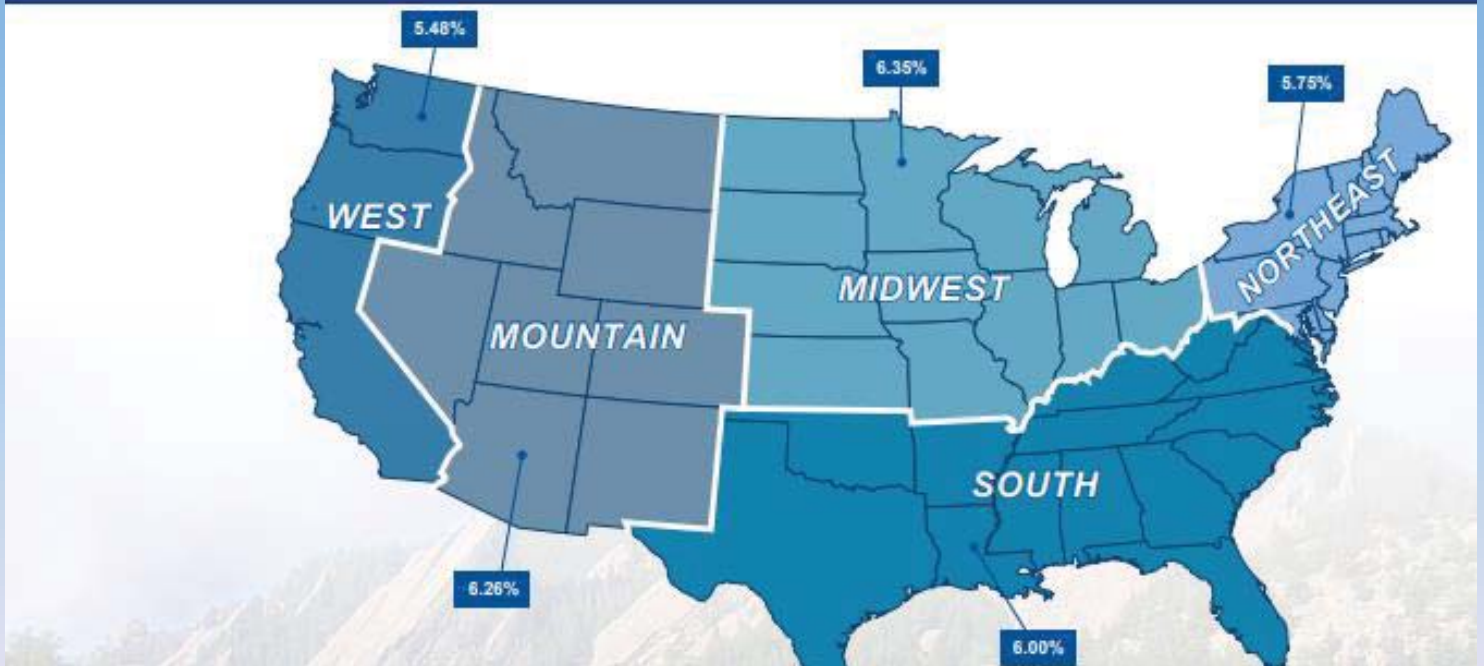
Source: The Boulder Group Q1 2018 [The Net Lease Casual Dining Market Report](#)

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Capitalization Rates and Term

Q1 2018 Median Asking Capitalization Rates for Casual Dining Restaurants

CASUAL DINING MEDIAN ASKING CAP RATE BY REGION

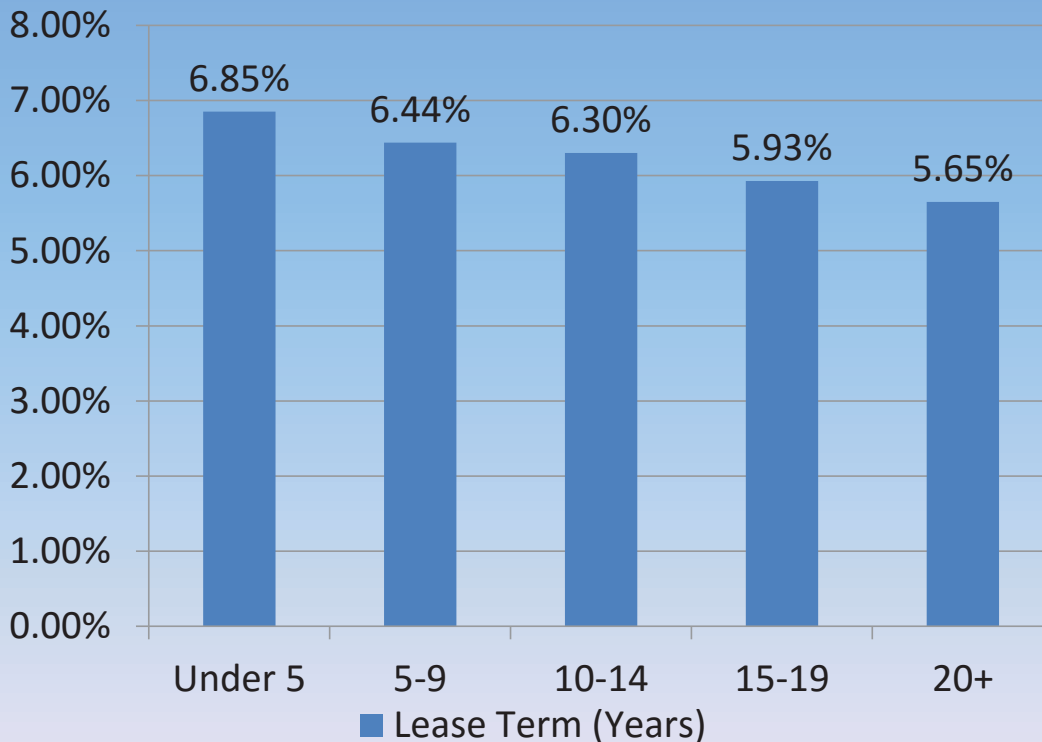


Source: The Boulder Group Q1 2018 The Net Lease Casual Dining Market Report

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Capitalization Rates and Term

Q1 2018 Median Asking Capitalization Rates for Casual Dining Restaurants



Source: The Boulder Group Q1 2018 The Net Lease Casual Dining Market Report

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Leased Fee Vs. Fee Simple Examples

Sonic Restaurant in West St. Paul

- Ground leased property sells for \$1,681,875 or \$973 psf of NRA
- Area is successful and has numerous QSR restaurants around it
- Sonic vacates and the property sells in fee five years later for \$850,000 or \$492 psf of NRA (\$19.08 psf of land area)
- Buyer develops a Raising Cane's
- Price discount of 50%

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Leased Fee Vs. Fee Simple

Wendy's in Minneapolis

- Sold in 2016. Wendy's (3,575 square feet) property purchased along with a vacant big box store. Lease rate was \$20.98 psf. At time of sale, Wendy's had less than six months remaining on their lease. Wendy's property had an allocated value of \$1,170,000 or a capitalization rate of 6.41% ($\$75,000/\$1,170,000$).
- Wendy's signed a new 20 year lease in 2017 at a new rent of \$35.65 psf. Anticipated new capitalization rate is 5.75% or a value of \$2,220,000 in 2017 ($\$127,500/\$2,220,000$).
- Value increase in one year is an adjustment of 90%. New leased fee value to fee simple value is 47%
- Capitalization Rate of 6.41% versus 5.75%. Adjustment of 10% from leased fee to fee simple ($\$17.39$ vs. $\$15.60$).

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Leased Fee Vs. Fee Simple



Hardees in Twin Cities

- Purchased along with 10 other Hardee's in January of 2018. Price was \$1,075,000 or \$384 psf
- Underperforming QSR that closed
- Now listed for \$745,000 or \$266 psf
- Listing rent is \$24 psf net (9% cap rate on list price)
- Leased fee to fee simple adjustment of 31%

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Leased Fee Vs. Fee Simple

Former Pizza Hut in Twin Cities

- Sold 2/2018 for \$380,000 or \$105 psf
- Buyer plans to convert to laundromat
- Sale price based upon land value plus building shell
- Not a good indication of fee simple value for a restaurant

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Outstate Restaurant Valuation

- Sales Comparison Approach
 - Expand Scope
 - Look at leased fee and fee simple sales
 - Fee Simple Sales
 - Why was the property vacant?
 - Location?
 - Land to building ratio?
 - Highest and best use change?
 - FF&E included?
 - Business value?

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Outstate Restaurant Valuation

- Notfoolinganybody.com

LA GONDOLA



BUSINESS: La Gondola Spaghetti House

LOCATION: North Water Street, Decatur, Illinois

USED TO BE A: KFC

CREATIVE INTERPRETATION: Hey who wants to come over for a GIANT BUCKET OF SPAGHETTI?????

PHOTO: Michael R. Allen & Claire Nowak-Boyd

[Comment](#)



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Outstate Restaurant Valuation

- Notfoolinganybody.com

GILSTRAP CHIROPRACTIC



BUSINESS: Gilstrap Chiropractic

LOCATION: 71st and Elm Streets, Broken Arrow, Oklahoma

USED TO BE A: KFC

CREATIVE INTERPRETATION: Um, Mr. Gilstrap... I don't know how to tell you this... but there's a giant bucket of chicken attached to your sign! Winner of NFA's "Most Audacious Conversion" award, hands down.

NOTE: See [this](#) article!

PHOTO: Lee Sanders

[Comment](#)

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Outstate Restaurant Valuation

OUTSTATE RESTAURANT SALES

No.	Property Name/Location	Sale Date	Sale Price	NRA (SF)	Sale Price PSF NRA	Sale Price PSF of Land Area	Year Built	Comments
1	Former Boston's Faribault, MN	For Sale	\$964,000	6,815	\$141.45	\$7.93	--	Hardee's sold on 1/18 for \$661 psf or \$29.68 psf of land area.
2	Full Service Restaurant Waverly, MN	For Sale	\$695,000	6,816	\$101.97	\$15.19	2007	
3	Former Zorba's Rochester, MN	4/18	\$299,000	1,657	\$180.45	\$11.83	1964	Closed in 2014. To be demolished.
4	Sportsman's Grille Owatonna, MN	3/18	\$750,000	5,843	\$128.36	\$10.90	2004	--
5	Porch and Cellar Rochester, MN	6/17	\$1,100,000	5,488	\$200.44	\$48.52	1900	Previously El Loro Mexican Restaurant.
6	Boomer's Lounge Rochester, MN	5/17	\$600,000	4,096	\$146.48	\$9.43	2004	--
7	Former Cone Castle St. Joseph, MN	4/18	\$190,000	864	\$219.91	\$8.56	--	To be Grilled Cravings & Quality Ice Cream.
8	Former Pizza Hut Sauk Centre, MN	3/18	\$155,000	1,676	\$92.48	\$4.29	1979	List price was \$284,920 or \$170 psf.
9	KFC Rochester, MN	3/18	\$620,000	2,634	\$235.38	\$24.88	1987	Leased property.
10	Powerhouse Bar and Grill Northhome, MN	3/18	\$180,000	3,000	\$60.00	\$0.61	2007	Fee simple sale.

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Outstate Restaurant Valuation

- Income
 - Asking and actual rents
 - Retail and multi-tenant retail
 - Analyze sales
 - Project a market vacancy
 - Capitalization Rates
 - Adjustments for Credit/Term
 - Multi-Tenant Retail
 - Survey Data-RERC

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Outstate Restaurant Valuation

- RERC: Look at 2nd and 3rd Tier Data
 - First Tier: “Best quality assets in largest markets.”
 - Second Tier: “Aging, former first-tier properties, in good to average locations.”
 - Third Tier: “Older properties with functional inadequacies and/or in marginal locations.”

Midwest Investment Criteria			
Neighborhood/Commercial Retail - Capitalization Rates			
	<u>First Tier</u>	<u>Second Tier</u>	<u>Third Tier</u>
Range	6.0% to 9.0%	6.8% to 9.5%	7.8% to 10.6%
Average	7.4%	8.1%	9.0%

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Questions?

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Examples from Class?

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Beginning of Gas

- In the very beginning people would buy gasoline in cans which were often sold in pharmacies.
- Motorists filled their own tanks at curbside drive ups from around 1905 up until the 1920's.
- The first drive-in style service station opened in Pennsylvania in 1913.



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Service Stations



Municipalities realized having flammable liquid dispensers next to traffic wasn't smart.

In 1920 larger cities introduced fire safety ordinances banning curbside fueling.

This led to drive-in stations with Gas Attendants.



Branching Out

- **1916 -The First Canopy was installed by Standard Oil of Ohio. It was a prefabricated prototype.**
- **1925 - To maximize additional investment, service stations began offering additional services.**
 - **Mechanical repairs**
 - **Oil changes**
 - **Car washes**
 - **Tire sales**
 - **Battery sales & accessories.**



Location

- With the growth of the automobile and the evolution of service states, location becomes more important.
- Gas stations begin to resemble surrounding houses to appease zoning concerns.

Gas Stations

- 1980's – 1990's
 - Shift away from full-service model
 - Loss of service mark-up on fuel
 - Pay at the pump starts eating away at margins
 - 2-4% fees on each transaction
 - More efficient vehicles eliminated need to top-off/check fluid's
 - Gas station owners need to find additional offerings for consumers to spend money

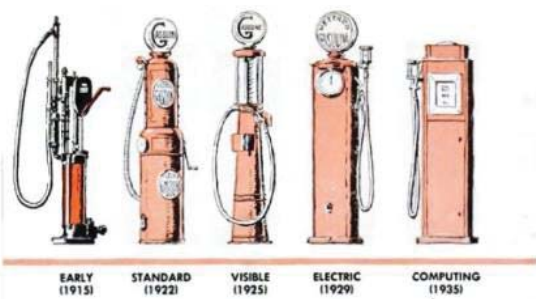


Convenience Store Cont.

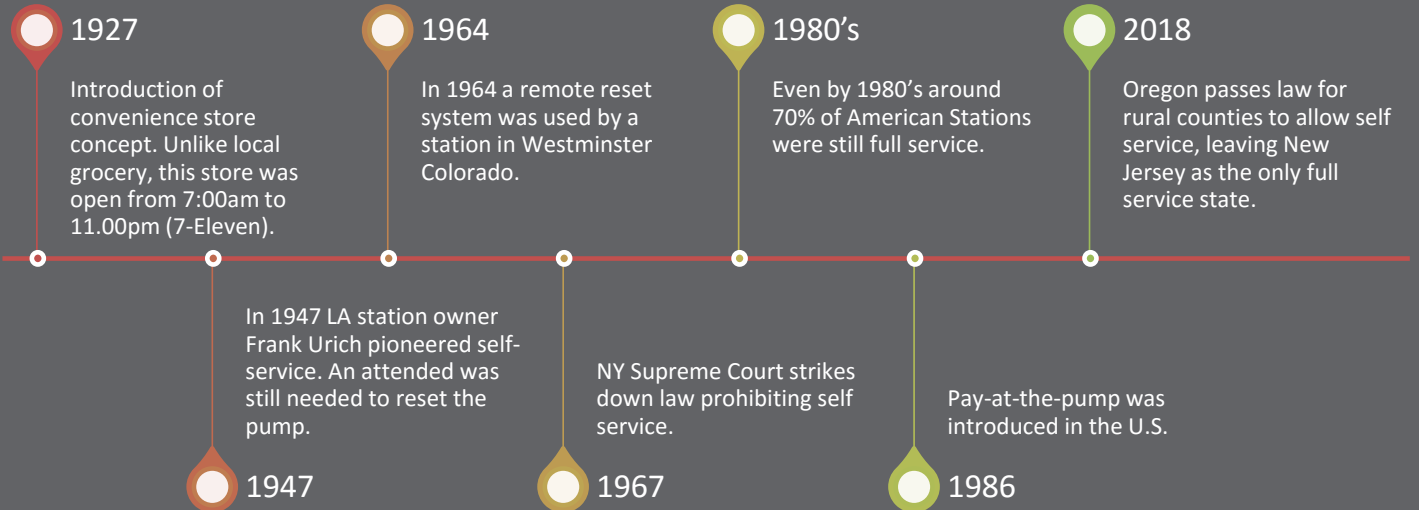
2000's

- Megastores dominate the market.
- Lot sizes increase to over 1 acre.
- Fuel sales become secondary to food, tobacco, alcohol etc.
- Store sizes as large as 4,000 to 5,000 sf.





Service Stations Cont.



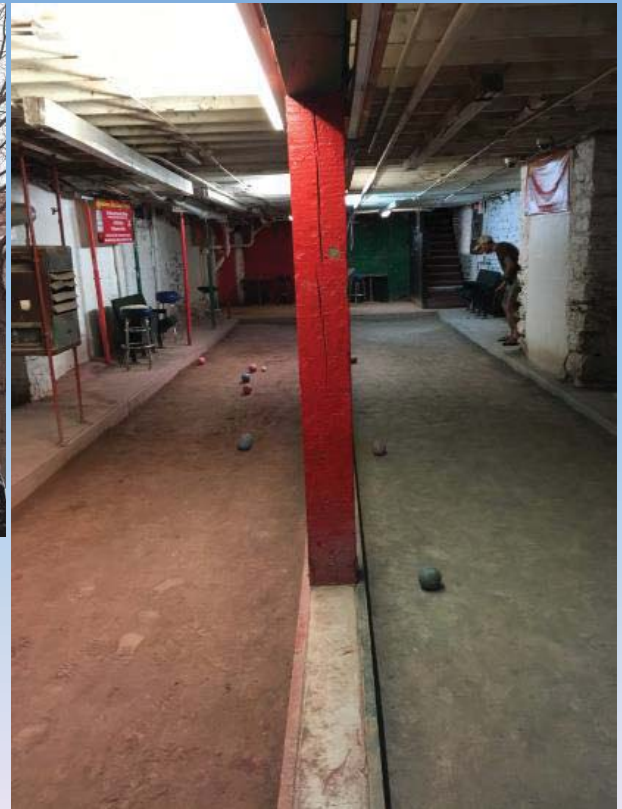
Scott Frayn, MAI

- Cushman & Wakefield
Valuation & Advisory
Retail Practice Group
- Specializes in gas station
valuation
- New Hire of the Year,
Midwest Region, 2012
- Northern Illinois
University



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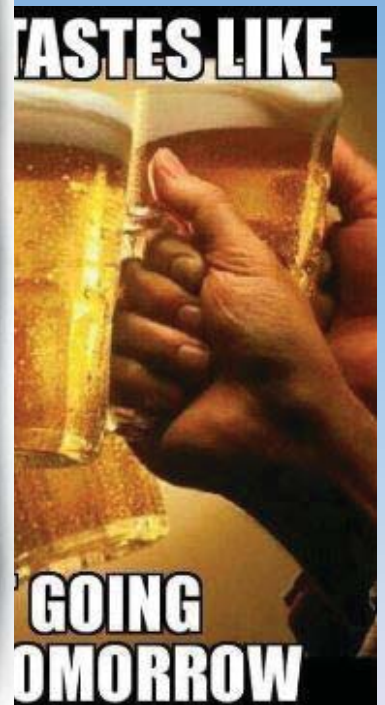
Half Time Rec



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CAMBRIDGE BP



**DICKEY'S
BARBECUE
PIT
NOW OPEN!**

7AM TO 9PM EVERY DAY

CIA Valuations Committee

Scott C. Frayn, MAI

scott.frayn@cushwake.com | 312-203-9590

- Tax appeal appraiser - 2008
- Gas stations appraisal specialist - 2013
- Gas station owner - 2015

CIA Valuations Committee

January 2016



CIA Valuations Committee

April 2018



CIA Valuations Committee

Agenda

- Location & Physical Characteristics
- Valuation Methods
 - Cost Approach
 - Income Capitalization Approach
 - Sales Comparison Approach
- Questions

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Location Characteristics

- Traffic Volume
- Corner versus Interior
- Regional Accessibility
- Household Income
- Trade Area – 2 to 10 minute drive-time
- Population Density per Gas Station
 - Approximately 1,100 People per Gas Station
 - Hypermarkets and Mega-stores

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Physical Components

- Convenience Store
- Canopy
- Underground Storage Tanks (USTs)
- Asphalt & Concrete
- Yard Lighting
- Signage
- Fuel Dispensers/MPDs
- Air/Vacuum Dispensers
- Furniture, Fixtures & Equipment (FF&E)

Physical Components

Convenience Store / Building Size

- Kiosk: 800 SF
- Mini Convenience Store: 1,200
- Limited Selection: 2,000
- Traditional: 2,500
- Expanded/Mega: 5,000
- Hyper Convenience Store: Big-box Partnership

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Convenience Store - Old



Convenience Store - New



Canopy - Old



Canopy - New

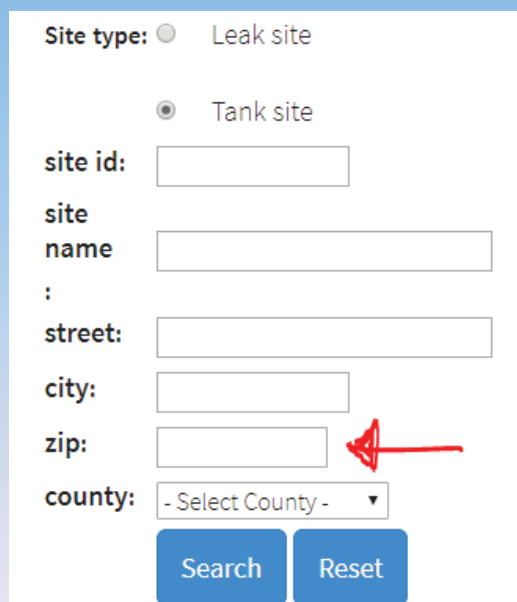


Physical Components

Underground Storage Tanks

- All Minnesota UST data is available online:

https://cf.pca.state.mn.us/programs/tank_leak/index.cfm



The screenshot shows a search form for Underground Storage Tanks (UST) in Minnesota. The form includes the following fields and controls:

- Site type:** Radio buttons for "Leak site" (unselected) and "Tank site" (selected).
- site id:** Text input field.
- site name:** Text input field.
- :** A colon separator.
- street:** Text input field.
- city:** Text input field.
- zip:** Text input field, with a red arrow pointing to it from the right.
- county:** Dropdown menu with the text "- Select County -".
- Search:** Blue button.
- Reset:** Blue button.

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Underground Storage Tank - Steel





Physical Components

Furniture Fixtures & Equipment

- Most appraisers identify fueling components (canopy, MPDs, USTs) as site improvements, and therefore, real estate:

“We have classified the subject’s canopy, underground storage tanks, pumps and dispensers as site improvements, as opposed to FF&E, which is the suggested methodology by the Appraisal Institute’s textbook titled *Convenience Stores and Retail Fuel Properties: Essential Appraisal Issues*.”

- Therefore, FF&E typically only applies to shelving, food equipment, garbage cans, etc.

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Highest & Best Use

- Financially Feasible
 - Land Value < Improved Value
- Not Financially Feasible
 - Land Value > Improved Value
 - Occurs often in urban areas due to not being able to develop anything above the fueling operations

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Extraordinary Assumptions

- *“The property is currently being used for the sale of petroleum products. We have not made a soil test or test of underground water. Identifying site and soil contaminants or environmental issues is beyond the scope of this appraisal and the appraiser’s qualifications. Unless otherwise stated, this appraisal is based on the assumption that the site and property are uncontaminated and unaffected by environmentally hazardous materials or substances. No responsibility is assumed by the appraiser for contamination issues and no warranties are implied by this opinion of value. No consideration of existing or proposed regulations of the Environmental Protection Agency, nor any other government agency, has been made. No statement of the subject property’s compliance or noncompliance with the regulations or requirements of any government agency has been made by, or implied. If the subject's site has environmental issues the value conclusions presented in this appraisal would change. The client is advised to obtain the services of qualified environmental services contractors.”*

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Questions?



Approaches to Value

- Methods
 - Cost Approach
 - Income Capitalization Approach
 - Sales Comparison Approach

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Cost Approach



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Cost Approach

- Cost Approach = Land Value + RCN – Depreciation
- Useful due to
 - Special use property type
 - Land is a Large Value Component
 - Often an assessor will not have detailed historical operating financials and/or no lease

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Cost Approach

- Land Value
 - Land Sales Comparison Approach
 - Include traffic counts and corner versus interior
 - Site Size: 0.5 acres (kiosk) to 2.0 acres (mega-store)

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Cost Approach

Replacement Cost New

- Cost Comparables
- Marshall Valuation Service (MVS)
 - Convenience Store: Section 13, Page 22
 - Canopy: Section 64, Page 2
 - USTs: Section 61, Page 5
 - Asphalt & Concrete: \$4 to \$8 PSF
 - Yard Lighting: \$2,000 each
 - Signage: \$20,000 to \$40,000 each
 - Fuel Dispensers/MPDs: \$24,000 each
 - Air/Vacuum Dispensers: \$1,500 each
 - FF&E: \$25,000 to \$150,000 (typically excluded from non-going concern)

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Cost Approach

- Physical Depreciation Schedule
 - Convenience Store: 40 to 50 years
 - Canopy: 25 to 30 years
 - USTs: 30 (single wall steel) to 40+ (double wall fiberglass) years
 - Asphalt & Concrete: 12 years
 - Yard Lighting: 20 years
 - Signage: 12 years
 - Fuel Dispensers/MPDs: 15 years
 - Air/Vacuum Dispensers: 15 years
 - FF&E: 20 years

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Cost Approach

- External Obsolescence
 - Cost Approach > Income Capitalization Approach
 - Population density < 1,100 per gas station
 - Nearby hypermarket or mega-store
- Functional Obsolescence
 - Building size is most common

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Cost Approach Summary

- Formula: Cost Approach = Land Value + RCN – Depreciation
 - Land Value: Land sales comparison approach
 - RCN: Cost comparables or MVS
 - Depreciation: Age-life, external obsolescence, functional

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Income Capitalization Approach



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Income Capitalization Approach

- Fee Simple or Leased Fee (Non Going Concern)
 - Develop market rent for the subject
 - Develop Pro Forma
 - Develop market capitalization rate for the subject

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Income Capitalization Approach

- Methods to Develop Market Rent
 - Rent Comparables
 - Return on Cost
 - Business/Going Concern EBITDAR to Rent Ratio

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Income Capitalization Approach

- Rent Comparables
 - Properties available for sale
 - Recent sale comparables
 - Interviews with owners, etc

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Income Capitalization Approach

- Return on Cost
 - (Cost Approach Value) x (Rate of Return)
 - Discuss investors and developers on their expected unleveraged rates of return
 - Typically slightly higher than a NNN capitalization rate

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Income Capitalization Approach

Return on Cost Example

DISCUSSIONS WITH MARKET PARTICIPANTS

In our analysis of establishing market-based rates of return and lease structures regarding gas station facilities, we contacted market participants regarding their viewpoint as a basis of this study. Based on these discussions, it became evident that a return on cost approach was the most common methodology. Reportedly, required capitalization rates ranged from 8.00 to 11.00 percent, assuming triple-net leases and terms ranging from 5 to 15 years.

RETURN ON COST METHODOLOGY

Following the return on cost methodology and applying rates of 8.00 to 11.00 percent to the Cost Approach fee simple value of \$760,000, results in a range of rent from \$60,800 to \$83,600, annually. Centering on the mid-point of this indicated range, it is our opinion that the market rental value for the subject property is \$75,000, annually.

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Income Capitalization Approach

- Operating Business EBITDAR to Rent Ratio
 - Operating Business EBITDAR is currently, on average, approximately 5% of total revenue.
 - Rent is typically ~65% of EBITDAR
 - EXAMPLE: If a property has top line business revenue of \$5,000,000, then it would be expected to have EBITDAR of \$250,000, and therefore would have a market rent of approximately \$162,500.

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Income Capitalization Approach

- Pro Forma
 - Capitalization rates for gas stations do not incorporate vacancy and collection loss or any expenses in their calculations.
 - EXAMPLE: If a gas station sold for \$1,000,000 with rental revenue of \$70,000, it would have a capitalization rate of 7.00%.
 - Therefore, simply capitalize the rental rate, without any V&C or OPEX.

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Income Capitalization Approach

SUMMARY OF REVENUE AND EXPENSES			
Stabilized Year For Direct Capitalization:		Year One	
REVENUE		Annual	% of EGI
Base Rental Revenue (Market Rental Rate)		\$75,000	
Reimbursement Revenue			
Property Insurance		\$6,143	
Common Area Maintenance		16,380	
Real Estate Taxes		9,500	
Subtotal		\$32,023	
POTENTIAL GROSS REVENUE		\$107,023	
Total Vacancy and Collection Loss	0.0%	\$0	
EFFECTIVE GROSS REVENUE		\$107,023	100.00%
EXPENSES			
Property Insurance	\$1.50/sf	\$6,143	5.74%
Management Fees	0.0% EGI	0	0.00%
Common Area Maintenance	\$4.00/sf	16,380	15.31%
Total Operating Expenses		\$22,523	21.04%
Real Estate Taxes	Projected	\$9,500	8.88%
TOTAL EXPENSES		\$32,023	29.92%
NET OPERATING INCOME		\$75,000	70.08%

Compiled by Cushman & Wakefield

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Income Capitalization Approach

- Capitalization Rate
 - Recent sales
 - Listing data bases
 - Typically range from 5.50% to 8.50%

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Income Capitalization Approach

CONVENIENCE STORES WITH GAS SALES SUMMARY									
No.	Location	Brand	Sale Status	Property Rights	Sale Date	Building Size (SF)	Sale Price	Net Income	Cap Rate
1	Loveland, OH	Major Oil Brand	Recorded Sale	Leased Fee	Mar-17	3,080	\$1,076,100	\$76,188	7.08%
2	Brookfield, WI	BP & 7-Eleven	Recorded Sale	Leased Fee	Dec-16	3,960	\$2,473,000	\$127,360	5.15%
3	Memphis, TN	Major Oil Brand	Recorded Sale	Leased Fee	Dec-16	3,269	\$1,268,270	\$117,315	9.25%
4	Springfield, MO	Major Oil Brand	Recorded Sale	Leased Fee	Dec-16	3,250	\$798,000	\$66,154	8.29%
5	Sussex, WI	BP & 7-Eleven	Recorded Sale	Leased Fee	Nov-16	2,652	\$2,769,000	\$145,373	5.25%
6	Decatur, IL	Major Oil Brand	Recorded Sale	Leased Fee	Oct-16	2,700	\$3,392,500	\$245,956	7.25%
7	Bloomington, IL	Major Oil Brand	Recorded Sale	Leased Fee	Oct-16	3,200	\$3,470,500	\$195,736	5.64%
8	Rochester, MN	Major Oil Brand	Recorded Sale	Leased Fee	Sep-16	6,234	\$1,550,000	\$95,945	6.19%
9	Lakeville, MN	Major Oil Brand	Recorded Sale	Leased Fee	Aug-16	4,768	\$4,438,305	\$261,860	5.90%
10	Pewaukee, WI	BP & 7-Eleven	Recorded Sale	Leased Fee	Jul-16	3,572	\$1,800,000	\$101,880	5.66%
11	Springfield, MO	Major Oil Brand	Recorded Sale	Leased Fee	Jul-16	2,500	\$410,000	\$31,160	7.60%
12	Plymouth, MN	Major Oil Brand	Recorded Sale	Leased Fee	Jun-16	4,308	\$2,776,566	\$152,711	5.50%
13	Plymouth, MN	SuperAmerica	Recorded Sale	Leased Fee	Jun-16	4,308	2,776,566	\$166,594	6.00%
14	Indianapolis, IN	Major Oil Brand	Recorded Sale	Leased Fee	May-16	2,500	\$7,500,000	\$618,750	8.25%
15	Greenville, MI	Major Oil Brand	Recorded Sale	Leased Fee	May-16	2,000	\$4,250,000	\$350,625	8.25%
16	Cordova, TN	Major Oil Brand	Recorded Sale	Leased Fee	May-16	1,920	\$730,000	\$58,400	8.00%
17	Collierville, TN	Major Oil Brand	Recorded Sale	Leased Fee	May-16	13,988	\$1,287,500	\$109,438	8.50%
18	Saint Clair Shores,	Kroger	Recorded Sale	Leased Fee	Aug-15	350	\$1,062,000	\$60,000	5.65%
19	Dearborn, MI	Kroger	Recorded Sale	Leased Fee	Jan-15	300	\$1,043,478	\$60,000	5.75%
STATISTICS									
Low					Jan-15	300	\$410,000	\$31,160	5.15%
Average					Jul-16	3,586	\$2,338,623	\$160,076	6.80%
High					Mar-17	13,988	\$7,500,000	\$618,750	9.25%

Compiled by Cushman & Wakefield

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Income Capitalization Approach

- Summary
 - Market rent for the subject
 - Pro Forma
 - Rent / Capitalization Rate

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Sales Comparison Approach

- Least Reliable Approach to Value
- Unit of Comparison: None (Price per Property)
- Elements of Comparison
 - Property Rights
 - Conditions of Sale
 - Financing
 - Market Conditions
 - Location
 - Building Size
 - Age, Quality & Condition
 - Land-to-Building
 - Utility

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Sales Comparison Approach

IMPROVED SALES												
PROPERTY INFORMATION						TRANSACTION INFORMATION						
No.	Property Name Address, City, State	Land (SF)	Land to Building Ratio	Building GBA	Year Built	Grantor	Grantee	Value Interest	Sale Date	Sale Price	\$/SF Land	\$/SF Bldg
S	Subject Property	15,246	3.72:1	4,095	1982							
1	Gas Station & Convenience Store 1401 Burton Street SE Grand Rapids, MI	21,557	8.04:1	2,680	1970	AGR Plaza LLC	Vikramjit Singh	Fee Simple	2/16	\$615,000	\$28.53	\$229.48
2	Gas Station & Convenience Store 3150 Michigan Avenue Ypsilanti, MI	121,967	26.51:1	4,600	2001	Petro Limited Group LLC	Group Ten Management	Fee Simple	2/16	\$1,700,000	\$13.94	\$369.57
3	Gas Station & Convenience Store 4558 W River Drive Comstock Park, MI	32,234	18.42:1	1,750	1969	Harry A Lane	American Gas & Oil Inc	Fee Simple	1/16	\$806,103	\$25.01	\$460.63
4	Gas Station, Convenience Store & Restaurant 1515 S Patterson Road Wayland, MI	90,082	16.80:1	5,363	1990	Weicks Realty Inc	Merle Boes Inc	Fee Simple	4/15	\$700,000	\$7.77	\$130.52
STATISTICS												
Low		21,557	8.04:1	1,750	1969				4/15	\$615,000	\$7.77	\$130.52
High		121,967	26.51:1	5,363	2001				2/16	\$1,700,000	\$28.53	\$460.63
Average		66,460	17.44:1	3,598	1983				11/15	\$955,276	\$18.81	\$297.55

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Sales Comparison Approach

IMPROVED SALE ADJUSTMENT GRID

ECONOMIC ADJUSTMENTS (CUMULATIVE)

No.	Sale Price	Sale Date	Property Rights Conveyed	Conditions of Sale	Financing	Market ⁽¹⁾ Conditions	Subtotal	Location	Size (GLA)	Age, Quality & Condition	Land-Building Ratio	Utility ⁽²⁾	Other	Adj. Price	Net Adj.	Overall
1	\$615,000	2/16	Fee Simple 0.0%	Arm's-Length 0.0%	0.0%	4.1%	\$640,215 4.1%	20.0%	5.0%	5.0%	-15.0%	5.0%	0.0%	\$768,258	20.0%	+
2	\$1,700,000	2/16	Fee Simple 0.0%	Arm's-Length 0.0%	0.0%	4.2%	\$1,771,400 4.2%	-20.0%	0.0%	-10.0%	-25.0%	-5.0%	0.0%	\$708,560	-60.0%	-
3	\$806,103	1/16	Fee Simple 0.0%	Arm's-Length 0.0%	0.0%	4.2%	\$839,959 4.2%	5.0%	5.0%	5.0%	-25.0%	0.0%	0.0%	\$755,963	-10.0%	-
4	\$700,000	4/15	Fee Simple 0.0%	Arm's-Length 0.0%	0.0%	6.0%	\$742,000 6.0%	25.0%	0.0%	-5.0%	-25.0%	5.0%	0.0%	\$742,000	0.0%	=
STATISTICS																
	\$615,000	4/15	- Low											Low -	\$708,560	-60.0%
	\$1,700,000	2/16	- High											High -	\$768,258	20.0%
	\$955,276	11/15	- Average											Average -	\$743,695	-12.5%

Compiled by Cushman & Wakefield

⁽¹⁾**Market Conditions Adjustment**

Compound annual change in market conditions: 2.00%
Date of Value (for adjustment calculations): 3/4/18

⁽²⁾**Utility Footnote**

Utility includes site layout, signage, visibility, etc.

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Questions

- Are increasing fuel prices beneficial for a gas station owner?
- How will self-driving cars affect the gas station market?
- How will electric cars affect the gas station market?
- What will be the profit generators for gas stations in the coming years?
- Why is Warren Buffett investing in truck stops?

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Thank You for Attending!



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