

New Unit Investment – 2023

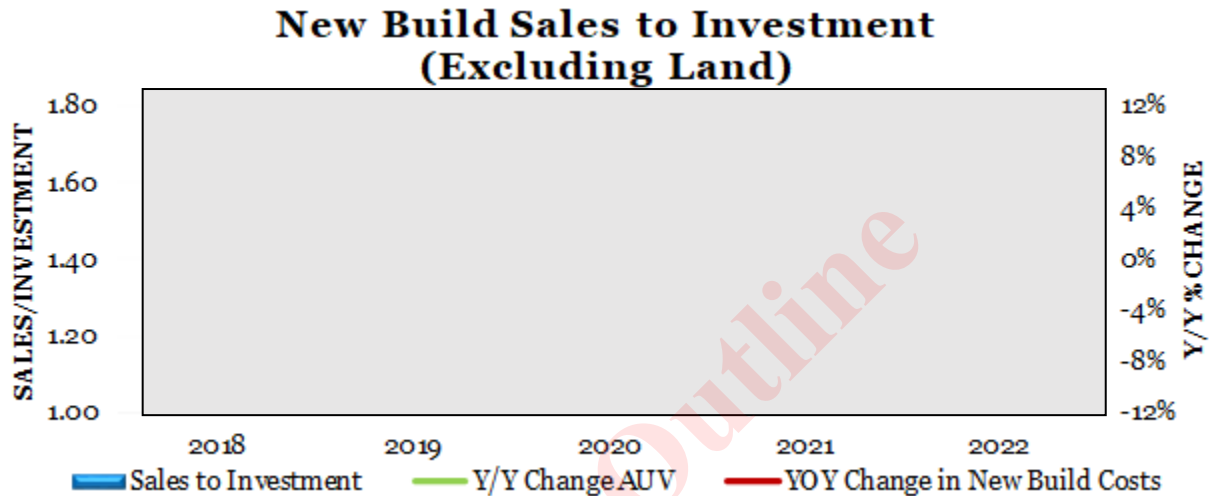
Key Points

(1) The 2022 sales-to-investment ratio (excluding land) for the \$1B+ chains continued to deteriorate as unprecedented construction cost inflation and longer project completion times have more than off-set strong growth in new build AUVs over the last 2 years & franchisor incentives; (2) shrinking unit level EBITDAR margins pushed the 2022 new build ROI to a record low; (3) RR's New Build vs. Buy Ratio increased significantly, partially reflecting a decline in M&A EBITDA multiples aggravated by higher new build costs & deteriorating unit level profitability; and (4) 20 (35% of the \$1B+ Chains) introduced a new prototype or significant building modifications. *Please note RR's new build cost estimates do not account for many of the new building design enhancements which are still prototypes.*

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Data in spreadsheet form available at http://www.ChainRestaurantData.com		

Sales to Investment

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-



Average Sales to Investment without Land Summary					
	2018	2019	2020	2021	2022
New Build AUV Index					
<i>YOY Change in New Build AUV</i>					
New Build Cost Index					
<i>YOY Change in New Build Costs</i>					
Sales to Investment					

Index: 2011 = 100

Sales to Investment without Land by Segment						
	2018	2019	2020	2021	2022	22/21 Change
Sub-Sandwich						
Chicken						
Family						
Fast Casual						
Casual						
Coffee/Bakery						
Sandwich						
Pizza						
Average						

New Build Costs Excluding Land - 2022

Concept	Current Building Design Name	Intro Year	Building Format	Annual Sales Per New Unit	Building & Site	Equipment & Signs	Construction & Initial Start-up Costs ⁽¹⁾				Total Invest. No Land	Building Requirements			Sales and Investment Ratios (No Land)			
							Small Wares & Inventory	Soft Costs ⁽²⁾	Franchise Fee	Franchisor Incentives ^(3,4)		Land (Sq. Ft.)	Building (Sq. Ft.)	Seats	Avg. Sales Per Sq. Ft.	Total Invest. Per Sq. Ft.	Sales to Invest.	
Chipotle																		
Qdoba																		
Moe's Southwest Grill																		
Panera Bread																		
Fast Casual																		
Applebee's																		
BJ's Restaurants																		
Buffalo Wild Wings																		
Chili's Grill & Bar																		
T.G.I. Friday's																		
Texas Roadhouse																		
Casual																		
Cracker Barrel																		
Denny's																		
Golden Corral																		
IHOP																		
Perkins																		
Family																		
Firehouse Subs																		
Jersey Mike's																		
Jimmy John's																		
Subway																		
Sub-Sandwich																		
Domino's																		
Little Caesars																		
Papa John's																		
Pizza Hut																		
Pizza																		
Bojangles'																		
Church's																		
KFC																		
Wingstop																		
Popeyes																		
Chicken																		
Dunkin'																		
Dutch Bros Coffee																		
Tim Horton's																		
Coffee/Bakery																		
Arby's																		
Burger King																		
Carl's Jr.																		
Checkers/ Rally's																		
Culver's																		
Del Taco																		
Dairy Queen																		
Five Guys																		
Hardee's																		
Jack in the Box																		
McDonald's																		
Sonic Drive-In																		
Taco Bell																		
Zaxby's																		
Wendy's																		
Sandwich																		
OSR																		
FSR																		
Average																		

(1) For a 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, 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) NPV rate assumption:

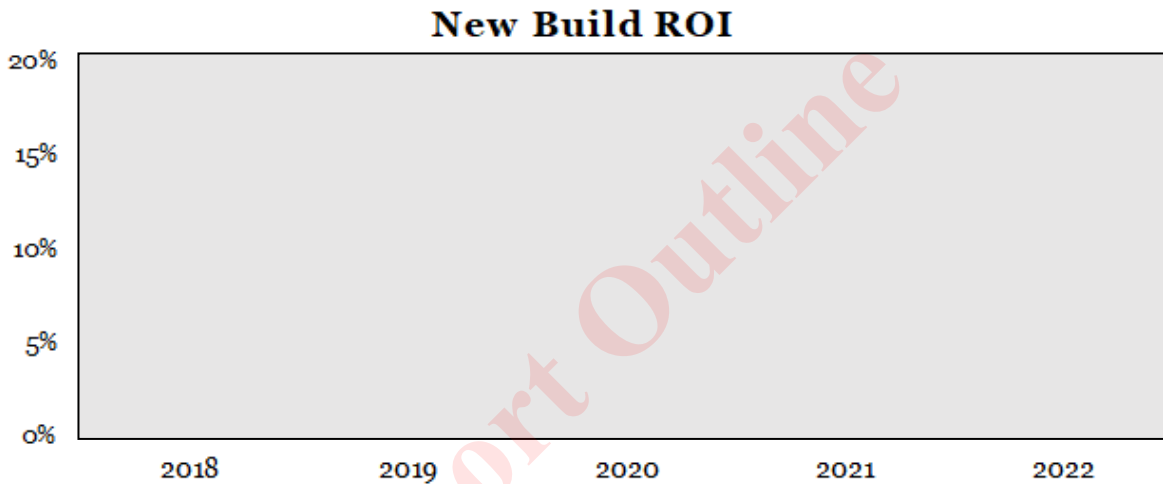
5.0%

**2022 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
Moe's Southwest Grill					
Panera Bread					
Qdoba					
Fast Casual					
Applebee's					
Buffalo Wild Wings					
Chili's Grill & Bar					
T.G.I. Friday's					
Texas Roadhouse					
Casual					
Denny's					
Golden Corral					
IHOP					
Perkins					
Family					
Firehouse Subs					
Jersey Mike's					
Jimmy John's					
Subway					
Sub-Sandwich					
Domino's					
Little Caesars					
Papa John's					
Pizza Hut					
Pizza					
Bojangles'					
Church's					
KFC					
Popeyes					
Chicken					
Dunkin'					
Dutch Bros Coffee					
Tim Horton's					
Coffee/Bakery					
Arby's					
Burger King					
Carl's Jr.					
Checkers/ Rally's					
Dairy Queen					
Del Taco					
Five Guys					
Hardee's					
Jack in the Box					
McDonald's					
Sonic Drive-In					
Taco Bell					
Wendy's					
Zaxby's					
Sandwich					
QSR					
FSR					
Average					

New Build ROI

-
-
-
-



-

New Build ROI by Segment						
	2018	2019	2020	2021	2022	22/21 Change
Sub-Sandwich						
Fast Casual						
Casual						
Chicken						
Coffee/Bakery						
Family						
Sandwich						
Pizza						
Average						

2022 New Store Construction ROI (Sorted by ROI)

Concept	New Build Format	New Store AUV	Total Construction Costs (Ex. Land) ⁽²⁾	2022 EBITDAR Margin ⁽³⁾	Annual Rent Cost/ AUV	Per Unit G&A %	EBITDA (Post G&A) %	Year 1 Unlevered ROI ⁽⁴⁾
Chipotle								
Panera Bread								
Moe's Southwest Grill								
Qdoba								
Fast Casual								
Texas Roadhouse								
Buffalo Wild Wings								
Applebee's								
T.G.I. Friday's								
Chili's Grill & Bar								
Casual								
Denny's								
Denny's								
IHOP								
Cracker Barrel								
Perkins								
Family								
Pizza Hut								
Papa John's								
Domino's								
Little Caesars								
Pizza								
Jersey Mike's								
Firehouse Subs								
Jimmy John's								
Subway								
Sub-Sandwich								
Dutch Bros Coffee								
Dunkin'								
Coffee/Bakery								
KFC								
Wingstop								
Popeyes								
Bojangles'								
Church's								
Chicken								
Five Guys								
Taco Bell								
Culver's								
McDonald's								
Wendy's								
Del Taco								
Zaxby's								
Arby's								
Jack in the Box								
Carl's Jr.								
Checkers/ Rally's								
Dairy Queen								
Sonic Drive-In								
Burger King								
Hardee's								
Sandwich								
QSR								
FSR								
Average								

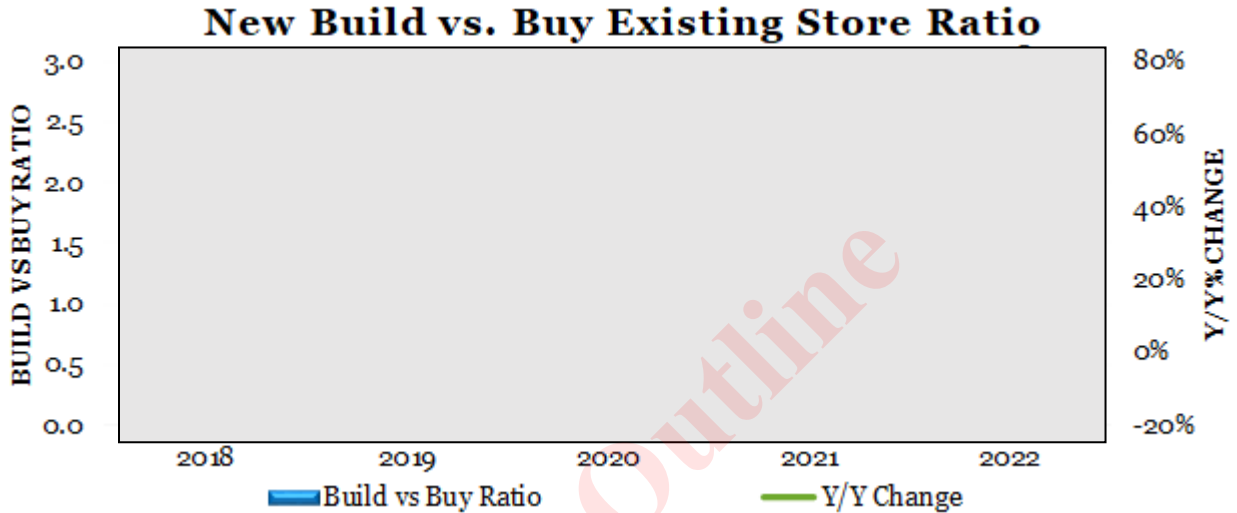
(1) Annual freestanding ground rent = annual rent/acre of land * # of acres required. Annual in-line rent = annual rent/sq. ft. * building size.

(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.

New Build vs. Buy Ratio



Build vs. Buy Ratio by Segment						
	2018	2019	2020	2021	2022	% Change 22/21
Fast Casual						
Sub-Sandwich						
Coffee/Bakery						
Chicken						
Casual						
Sandwich						
Family						
Pizza						
\$1B+ Chain Avg.						

**Build vs. Buy Ratio Excluding Land
(Sorted by 2022 Low to High)**

Concept	2018	2019	2020	2021	2022
Panera Bread					
Qdoba					
Moe's Southwest Grill					
Fast Casual					
Texas Roadhouse					
Buffalo Wild Wings					
Chili's Grill & Bar					
Applebee's					
Casual					
Denny's					
IHOP					
Family					
Domino's					
Little Caesars					
Papa John's					
Pizza Hut					
Pizza					
Jimmy John's					
Jersey Mike's					
Firehouse Subs					
Subway					
Sub-Sandwich					
Wingstop					
KFC					
Popeyes					
Bojangles'					
Church's					
Chicken					
Dunkin Donuts					
McDonald's					
Five Guys					
Taco Bell					
Culver's					
Zaxby's					
Wendy's					
Arby's					
Del Taco					
Carl's Jr.					
Dairy Queen					
Checkers/ Rally's					
Burger King					
Sonic Drive-In					
Jack in the Box					
Hardee's					
Sandwich					
QSR					
FSR					
\$1B+ Chain Avg.					

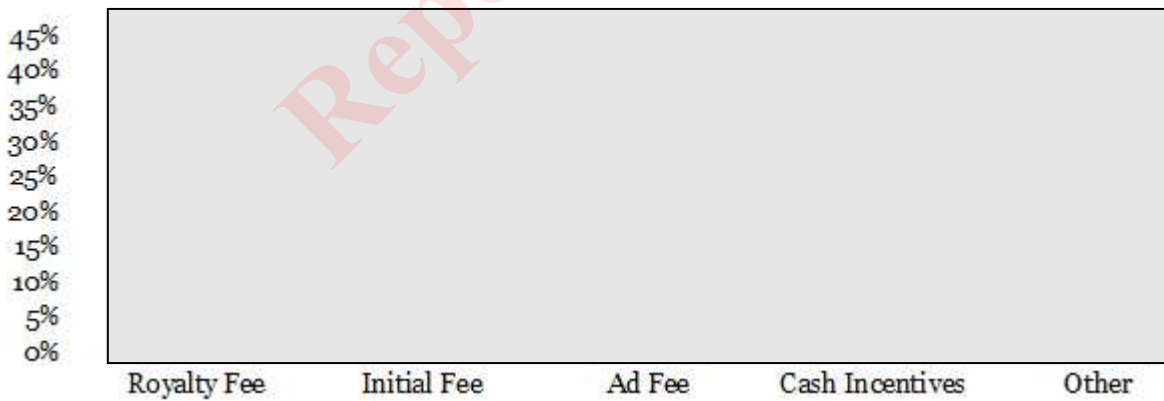
Franchisor Incentives

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% of Franchisors Offering New Build Incentives



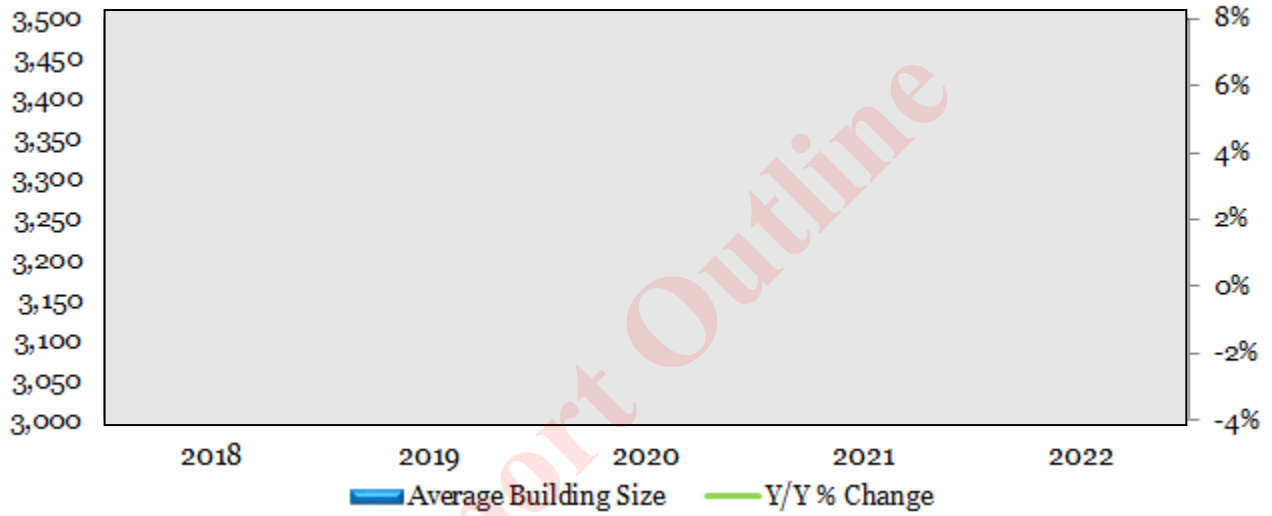
2022 - 2023 New Build Incentive Composition



New Prototypes

-
-

Average Building Size (Sq. Ft.)



New Building Prototypes

Applebee's

Report Outline

Bojangles'

Report Outline

Carl's Jr.

Checkers

Report Outline

Chili's

Report Outline

Chipotle

Hardee's

Report Outline

IHOP

Report Outline

Jack in the Box

Report Outline

KFC

Report Outline

McDonald's

Report Outline

Panera

Report Outline

Outback

Report Outline

Perkins

Report Outline

Red Robin

Report Outline

Subway

Tim Horton's

Report Outline

TGI Friday's

Wendy's

Report Outline

Zaxby's

Report Outline

New Franchisee Requirements
Target Market Demographics

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

Source: Company websites

Development Incentives ⁽¹⁾

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

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs Family
Denny's	
Golden Corral	
IHOP	
Perkins	

Report Outline

Development Incentives ⁽¹⁾

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

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Little Caesars	<p style="text-align: center;">Pizza</p>
Papa John's	
Pizza Hut	
Chicken	
Bojangles'	
Church's	
KFC	
Popeyes	

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Wingstop	
Coffee/Bakery	
Dunkin'	

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs Sandwich/Burger
Arby's	
Burger King	
Carl's Jr.	

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Hardee's	
Checkers/ Rally's	
Chick-fil-A	
Culver's	
Dairy Queen	

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Del Taco	
Five Guys	
Jack in the Box	
McDonald's	

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Sonic Drive-In	
Taco Bell	

Report Outline

Development Incentives ⁽¹⁾

Concept	Development Incentives/Unique Programs
Wendy's	
Zaxby's	

Source: FDDs & Company Websites

(1) Development incentives with specific performance dates are typically pulled forward each year.

Report Outline

Franchise Fees & Terms (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
Church's									
KFC									
Popeyes									
Wingstop									
Chicken									
Dunkin'									
Krispy Kreme									
Tim Horton's									
Coffee/Bakery									

Franchise Fees & Terms (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
Arby's									
Burger King									
Carl's Jr.									
Checkers/ Rally's									
Chick-fil-A									
Culver's									
Dairy Queen									

Report Outline

Franchise Fees & Terms (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
Del Taco									
Five Guys									
Hardee's									
Jack in the Box									
McDonald's									
Sonic Drive-In									
Taco Bell									

Report Outline

Franchise Fees & Terms (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
Wendy's									
Zaxby's									
Sandwich									

Source: FDD, company reports and websites.
Based on most recent FDD (2022 was not yet available).

Report Outline

Restaurant Research Coverage

Concept Reports	Industry Data Reports
Applebee's Arby's Burger King Carl's Jr. Chili's Grill & Bar Church's Denny's Domino's Hardee's IHOP Jack in the Box KFC McDonald's Panera Bread Papa John's Pizza Hut Popeyes Sonic Drive-In Subway Taco Bell Wendy's	Restaurant Lending & 2nd Half Unit Valuations Ad Spending Menus & Promotions Unit Growth & Sales Analysis Unit Economics 1st Half Unit Valuations & Lending Update New Build Costs & Franchise Fees Remodeling
	Databases & Special Reports
	RR Databook (Annual Data Summary 50+ Chains) RR LTOverview (Monthly Promotions 50+ Chains) FDD Library (40+ Chains) Concept Updates (Quarterly 20+ Public Chains) Same Store Sales Database (Quarterly 25+ Chains) New Store ROI Model
	www.ChainRestaurantData.com

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