



***EPK National Restaurant Appraisal, Inc.***

*In conjunction with*

***Market Pulse Partners***



***The Restaurant Market Pulse 25<sup>th</sup> Annual Edition  
2013 Year In Review***

***Complimentary Version***

Each year since 1988 our research team has published a comprehensive survey of commonly relied upon Restaurant Finance and Investment Indices.

These Indices are routinely used by market participants in their investment, valuation and underwriting decisions.

The results of our annual survey of these Indices have proven, over the last three decades, to be a good barometer of where the market has been and have often served as a harbinger of “things to come”.

As usual, one of the more interesting aspects of the annual Restaurant Market Pulse have been the unsolicited commentary submitted by various respondents including operators, lenders, investors and other industry participants. Many of these comments offer unvarnished insights into the workings of the market, a perspective not captured by just “looking at the data”. Once again, these comments have proved to be interesting, to say the least.

Commentaries from respondents have once again run the gamut - ranging from many long serving industry veterans who indicated that they were experiencing a rebound in their recently moribund operations to investors who complained of a lack of “good quality investment options”. Many others were “tired of the sellers’ market” and the “cap rate compression that has depressed their returns”. Others cited the continued quantitative easing as the source of their troubles.

Conversely, several seasoned operators who executed long planned exit strategies during the course of the concluded year expressed relief that they were able to satisfactorily execute their plans before “the bottom dropped out”.

It appears that perspective is the operative concept when expressing a view of the current state of the market – some things apparently do not change over the years.

The overarching sentiment we detected from our analysis of the current crop of commentary was that we may have turned the corner and could look forward to an improving Restaurant Finance market into 2014 and beyond.

Only time will tell.

On the pages that follow you will find highlights from our 25<sup>th</sup> Annual Edition of the **Restaurant Market Pulse**, our annual review of the Restaurant Finance, Investment and Development market. Also included are the results of our 2013 Market Participant Survey.

This Complimentary Version features highlights of selected data from our subscription only publication, which is released to subscribers during the fourth quarter of each year.

Enjoy!

*Ed Karabedian*

Edward Karabedian

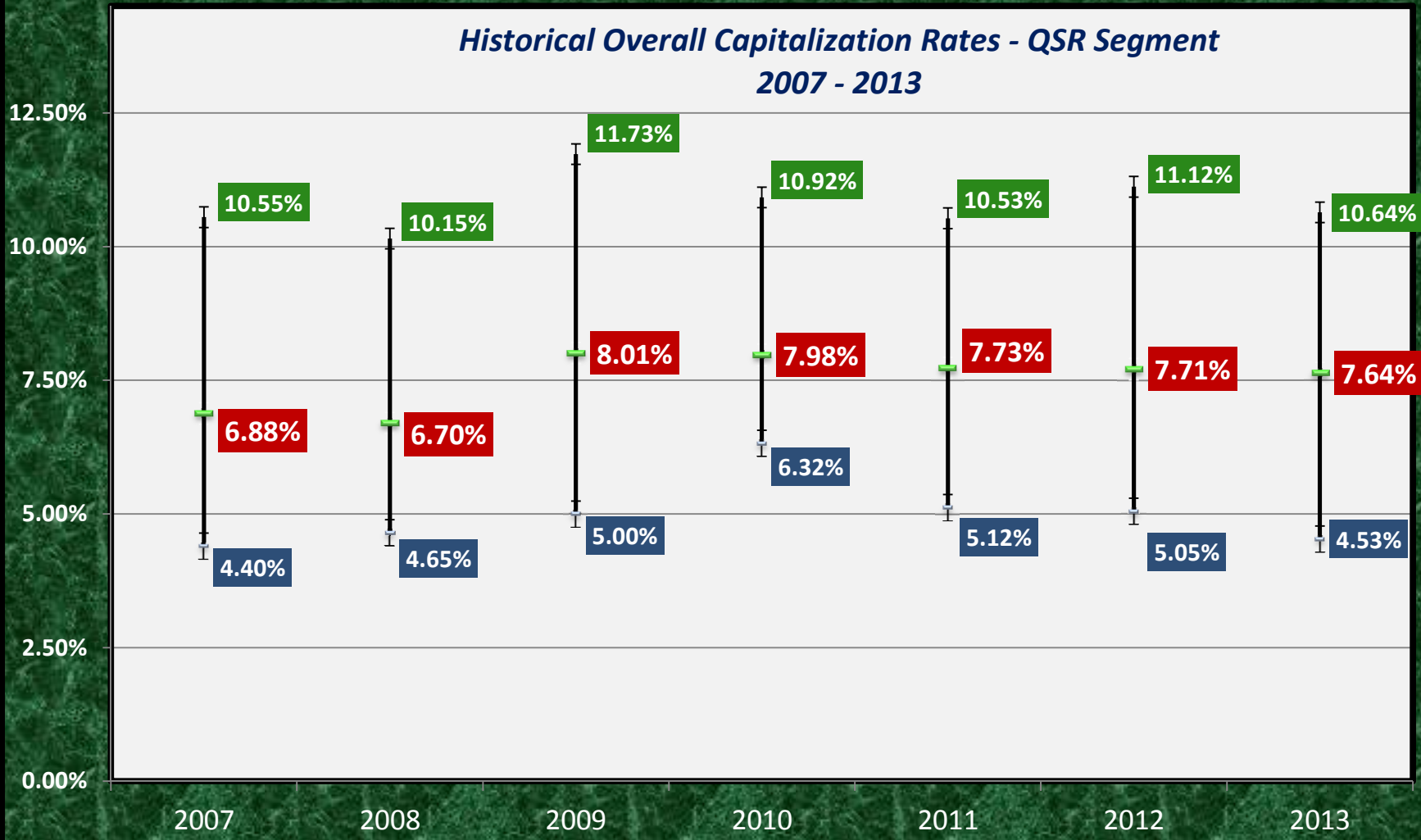


*Please note the following:*

- *All presented Restaurant Market Pulse transaction and summary data is believed representative of single unit arms length secondary market transactions only. Aggregate or multiple unit sale leaseback financing or acquisition transactions are not included in the survey data.*
- *All data has been obtained from publicly available sources in conjunction with confidential discussions with various confidential market participants deemed reliable for purposes of this informational product but not warranted by EPK National Restaurant Appraisal, Inc. or Market Pulse Partners as to their accuracy for purposes of this presentation.*
- *All data has been developed through review of publicly available sources, proprietary and confidentially developed survey data and subscription services, as applicable, to the extent possible.*
- *The survey data has been presented in an illustrative format only and is not intended or designed to be relied upon as investment advice, USPAP, GAAP, FAS or any regulatory authority compliant source data or as the basis for any valuation, financial analysis or specific course of action or decision making by the reader. The data summary set forth herein is presented for illustrative and entertainment purposes only and we make no warranties, either explicit or implied, regarding the accuracy of the data or the trends indicated herein.*
- *The level of disclosure in this illustrative entertainment presentation has been intentionally limited and is not intended to, nor does it comply with, any regulatory reporting requirement of any agency or professional trade association or regulatory group. This article and transmittal of the results of our proprietary market research is not, and is not intended to be, construed as a scientific survey.*

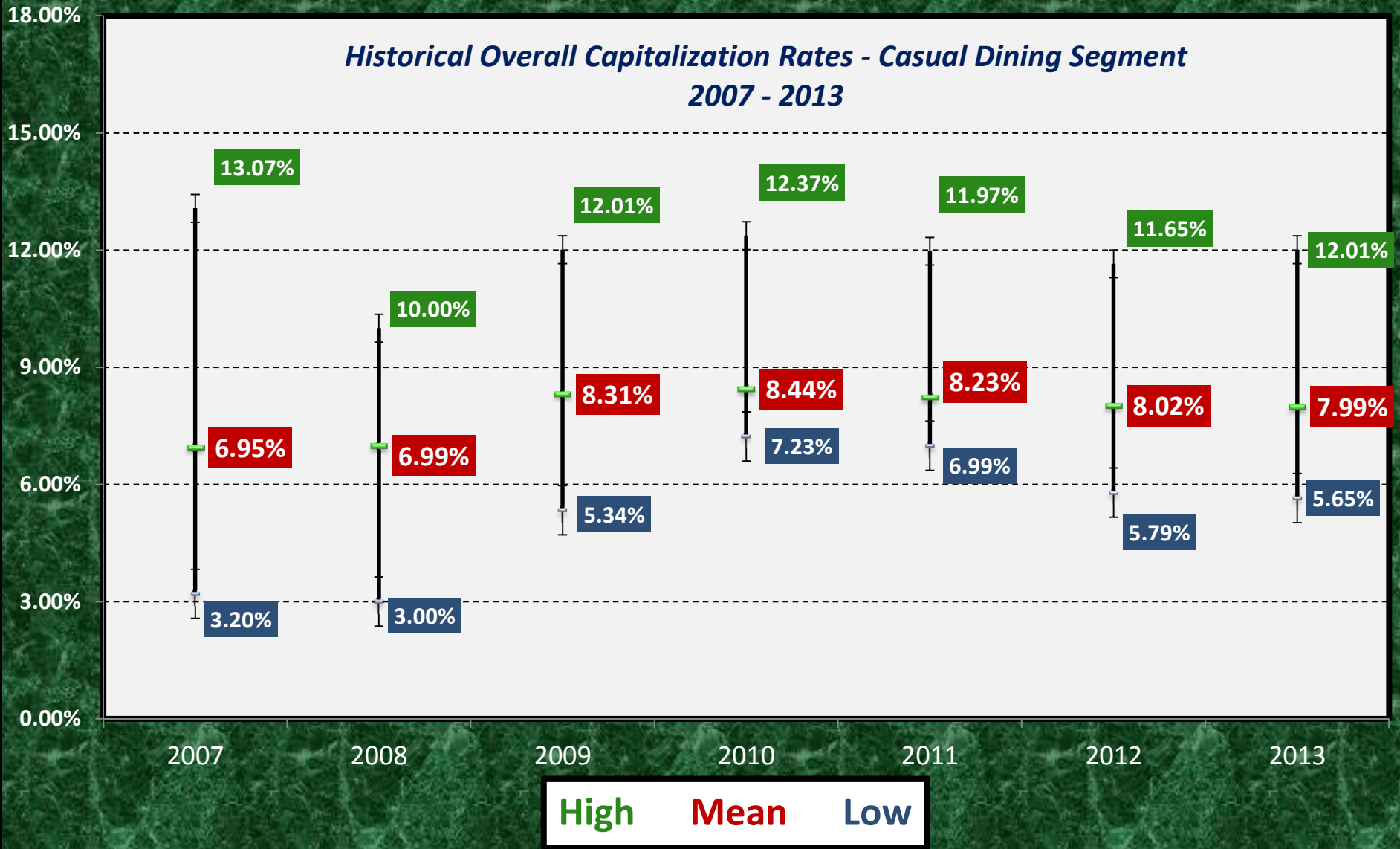
# 2013 Restaurant Market Pulse

*Historical Overall Capitalization Rates - QSR Segment  
2007 - 2013*

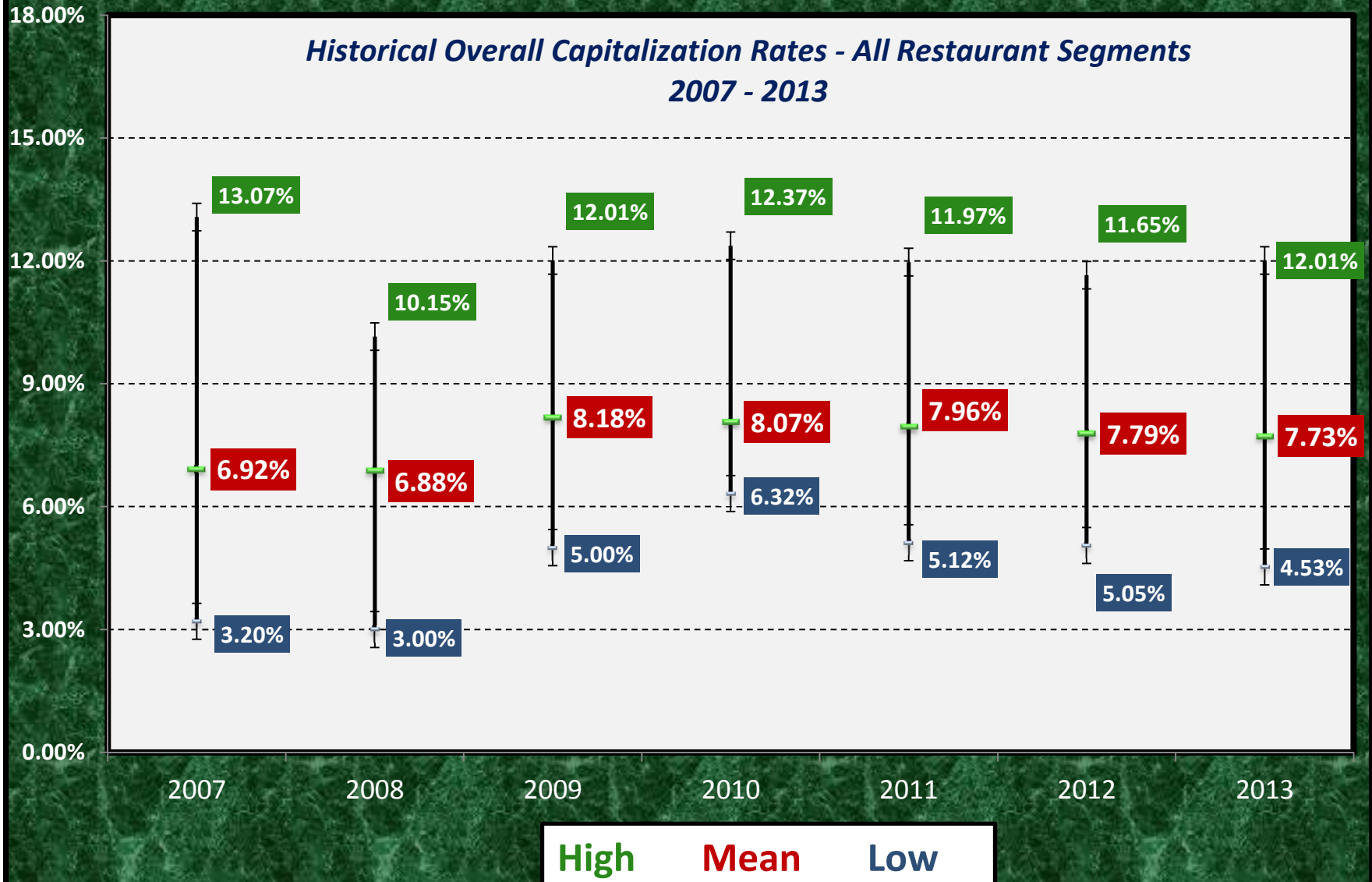


**High**   **Mean**   **Low**

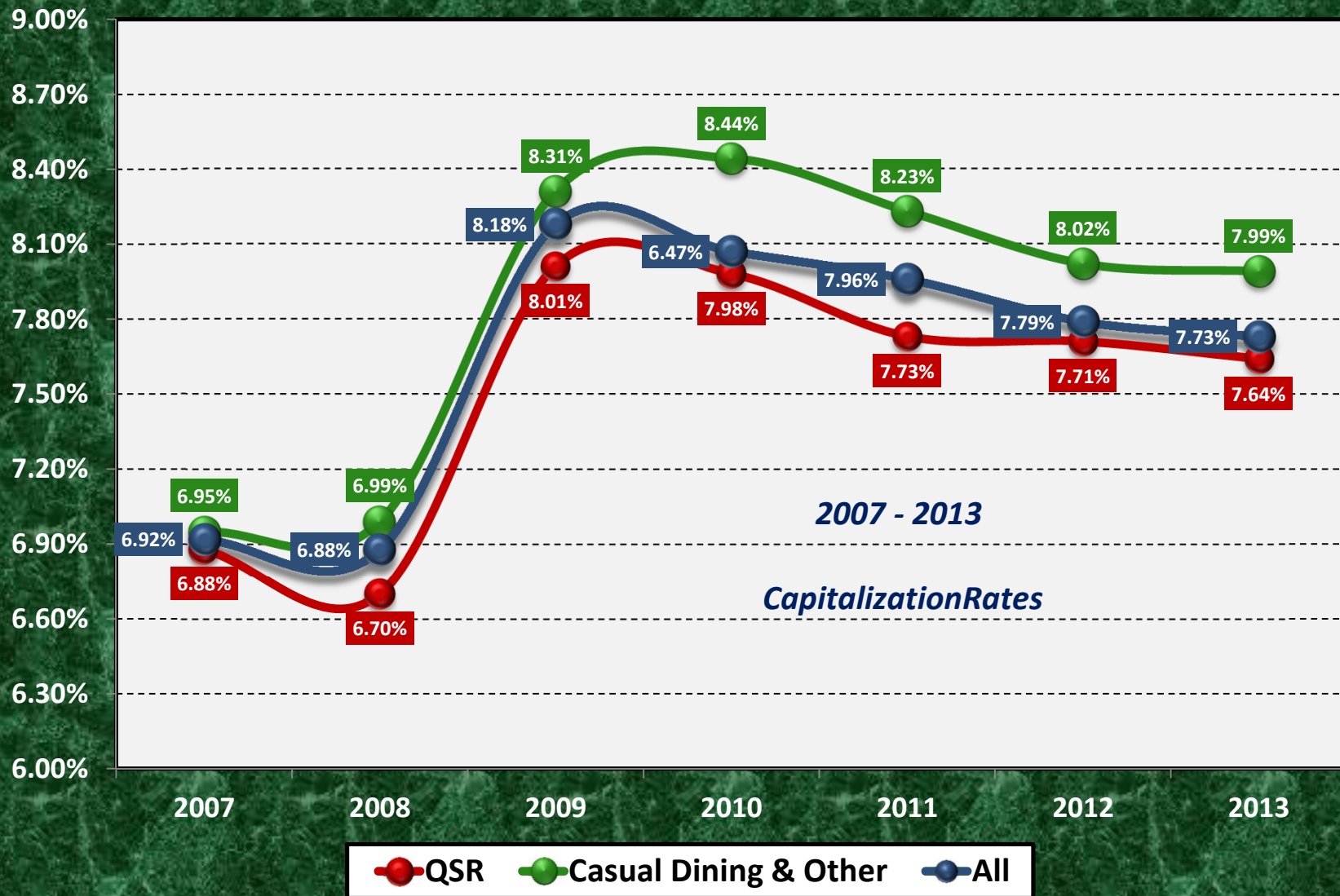
# 2013 Restaurant Market Pulse



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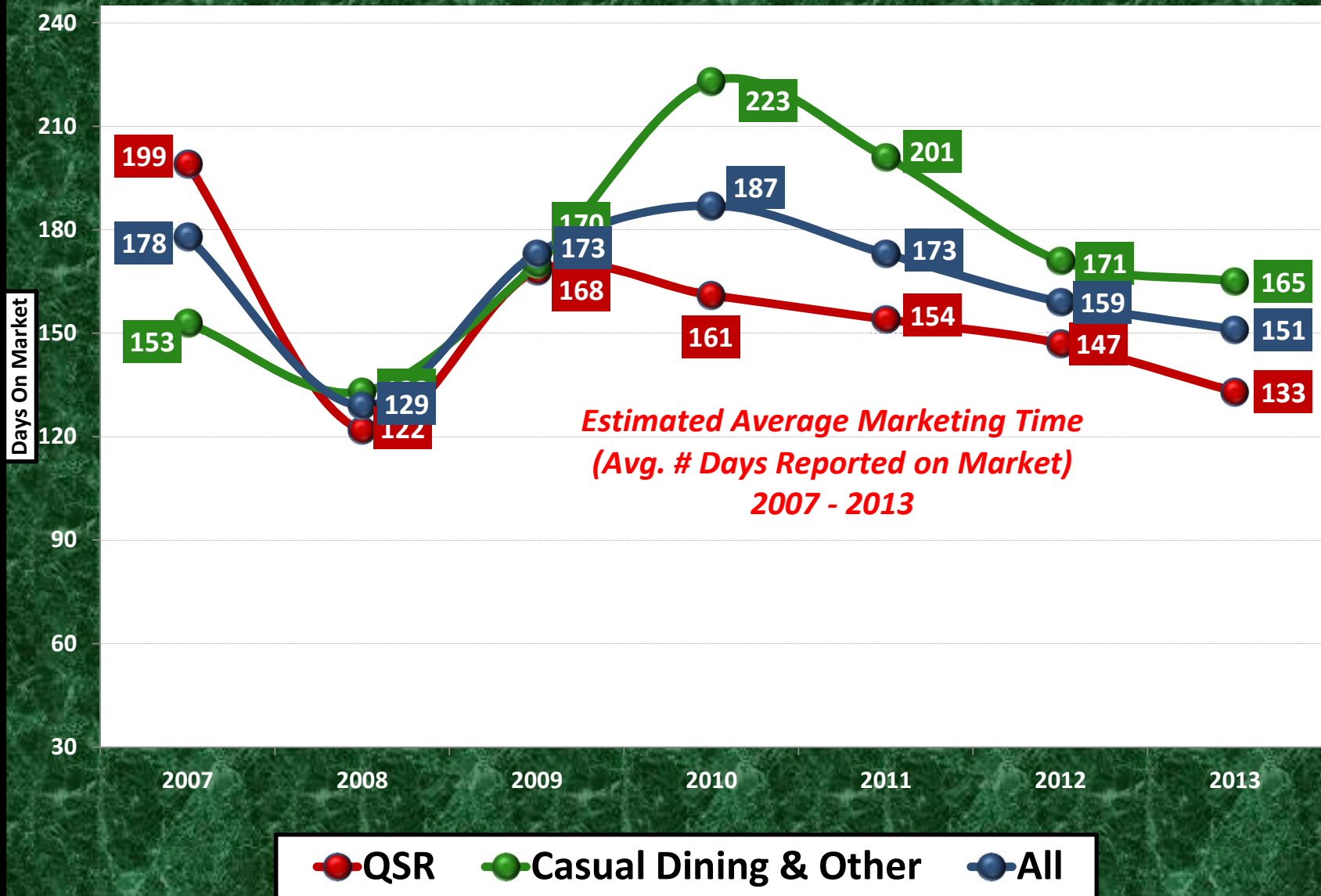


# 2013 Restaurant Market Pulse





# 2013 Restaurant Market Watch





## 2013 RESTAURANT MARKET PARTICIPANT SURVEY RESULTS

*Survey Note: The survey results were compiled from responses we obtained via e-mail, website submission and return mail sources during the months of February through October 2013. Only one response per e-mail or physical mail address was tabulated.*

*(All Percentages are Rounded and may not equal 100%)*

1. In what segment of the restaurant market do you operate?

46%	QSR/Fast Food
24%	Casual Dining
10%	Family
2%	Buffet
5%	Non-traditional/alternative
14%	Other/Not Answered

2. What item has had the greatest effect on your bottom line during the past twelve months?

28%	Occupancy expense
39%	Cost of goods sold
30%	Labor
4%	G & A

3. What item do you expect to have the greatest effect on your bottom line during the next twelve months?

25%	Occupancy expense
44%	Cost of goods sold
41%	Labor
1%	G & A

4. What item do you expect to have the most control over during the next twelve months?

45%	Occupancy expense
27%	Cost of goods sold
20%	Labor
10%	G & A

5. What item do you expect to have the least control over during the next twelve months?

7%	Occupancy expense
48%	Cost of goods sold
41%	Labor
5%	G & A

6. During the next twelve months do you intend to:

23%	Expand the number of units you operate
17%	Reduce the number of units you operate
41%	Remain stable
20%	Don't know

7. During the next twelve months do you intend to:

19%	Increase the number of employees
37%	Reduce the number of employees
45%	Employment will remain stable

8. What item do you expect to have the greatest effect on your labor and employment decisions during the next twelve months?

29%	Wages
44%	Health insurance and related mandates
15%	Unit sales performance
13%	All of the above

9. During the next twelve months I expect:

- 28% That financing will be easier to obtain
- 23% That financing will be more difficult to obtain
- 39% That my ability to obtain financing will remain stable
- 10% Do not require financing at this time

10. During the next twelve months I expect:

- 16% That our cost of financing will increase
- 26% That our cost of financing will decrease
- 53% That our cost of financing will remain the same
- 5% Don't know at this time