

# WENDY'S

BRAND NEW 20-YEAR TRIPLE-NET (NNN) SALE LEASEBACK



# OFFERING MEMORANDUM



4037 32nd Avenue, Hudsonville, MI 49426

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# Table of Contents

Investment Highlights	4
Financial Analysis & Investment Summary	5
Concept Overview	6
Surrounding Area	7
Location Overview	8
Regional Map	9
Demographics	10





## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to be Open in July 2018
- ✓ Less than 15 Miles Southwest of Grand Rapids, MI | Second Largest City in the State
- ✓ Outpad to a Newly Constructed Meijer Store
- ✓ Highly Trafficked Location | Easily Accessible Via Interstate 196 | I-196 Experiences Average Daily Traffic Counts of Approximately 56,000 Vehicles
- ✓ Affluent Population | Average Household Income within a Five Mile Radius is Approximately \$82,000

## LEASE

### LEASE STRUCTURE

- ✓ Brand New 20-Year Sale Leaseback
- ✓ Triple Net (NNN) Lease with Zero Landlord Responsibilities
- ✓ Attractive Rental Increases | Lesser of Change in CPI or One and a Quarter Percent (1.25%) Annually Starting in Year 3
- ✓ Six (6) Tenant Renewal Periods of Five (5) Years Each

## TENANT

### TENANT / GUARANTOR

- ✓ Meritage Hospitality Group is an Experienced 310 Unit Operator
- ✓ Premier, National Growing Franchise | Second Largest Franchise in the Wendy's System | Operations in 16 States
- ✓ Expansion into Key Markets
- ✓ Proven Track Record with Operational History of Multiple High-Volume Locations throughout the Country
- ✓ Public Company Guarantee (MHGU)
- ✓ Strong Brand Recognition | Wendy's is the World's Number Three Hamburger Chain
- ✓ Founded in 1986



# Financial Analysis & Investment Summary *Wendy's*

PURCHASE PRICE: \$2,086,957 | CAP RATE: 5.75% | RENT: \$120,000

## THE OFFERING

Purchase Price	\$2,086,957
CAP Rate	5.75%
Annual Rent	\$120,000
Price / SF	\$789
Rent / SF	\$45.35

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	4037 32nd Avenue
City, State ZIP	Hudsonville, MI 49426
Building Size (SF)	2,646
Lot Size (Acres)	0.85
Type of Ownership	Fee Simple

## LEASE SUMMARY

Property Type	Net-Leased Restaurant
Ownership	Public (OTCQX: MHGU)
Tenant / Guarantor	Meritage Hospitality Group
Lease Term	20 Years
Lease Commencement	Day Following Close of Escrow
Lease Expiration	20 Years from Close of Escrow
Lease Term Remaining	20 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Six (6), Five (5) Year Option Periods
Rental Increases	Lessor of Change in CPI or 1.25% Annually Starting Year 3

## RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation
Year 1	\$120,000	\$10,000.00	-
Year 2	\$120,000	\$10,000.00	-
Year 3	\$121,500	\$10,125.00	1.25%
Year 4	\$123,019	\$10,251.56	1.25%
Year 5	\$124,556	\$10,379.71	1.25%
Year 6	\$126,113	\$10,509.45	1.25%
Year 7	\$127,690	\$10,640.82	1.25%
Year 8	\$129,286	\$10,773.83	1.25%
Year 9	\$130,902	\$10,908.50	1.25%
Year 10	\$132,538	\$11,044.86	1.25%
Year 11	\$134,195	\$11,182.92	1.25%
Year 12	\$135,872	\$11,322.71	1.25%
Year 13	\$137,571	\$11,464.24	1.25%
Year 14	\$139,291	\$11,607.55	1.25%
Year 15	\$141,032	\$11,752.64	1.25%
Year 16	\$142,795	\$11,899.55	1.25%
Year 17	\$144,580	\$12,048.29	1.25%
Year 18	\$146,387	\$12,198.90	1.25%
Year 19	\$148,217	\$12,351.38	1.25%
Year 20	\$150,069	\$12,505.77	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 4037 32nd Avenue, Hudsonville, MI. The property consists of 2,646 square feet of building space and is situated on approximately 0.85 acres of land.

The tenant will enter into a brand new, 20-year triple-net (NNN) lease with absolutely no landlord responsibilities upon the day following the close of escrow. The lease will call for rental increases that will be the lesser of the change in CPI or 1.25% annually starting in Year 3. The rental increases will continue through the base term and into the six, five-year tenant renewal options. The lease will carry a guaranty from Meritage Hospitality Group, an experienced ~310 unit operator and the second largest franchisee in the Wendy's system.



# Concept Overview



## About Wendy's

**Wendy's** is an American international fast food chain restaurant founded by Dave Thomas on November 15, 1969, in Columbus, Ohio. The company moved its headquarters to Dublin, Ohio on January 29, 2006. The Wendy's chain offers made-to-order burgers and fries as well as such alternative menu items as baked potatoes, chili, and salads. The chain is known for its square hamburgers, sea salt fries and the Frosty, a form of soft serve ice cream mixed with frozen starches. As of 2018, Wendy's is the world's number three hamburger chain in terms of locations (only behind McDonald's and Burger King), with approximately 6,600 franchise and Company-operated restaurants in the United States and 30 countries and U.S. territories worldwide.

## About Meritage Hospitality Group

**Meritage Hospitality Group** is one of the nation's premier restaurant operators and is the nation's only publicly-traded Wendy's restaurant franchisee (OTCQX: MHGU). As of April 1, 2018, the Company operated 310 restaurants across 16 states: Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Missouri, Mississippi, North Carolina, South Carolina, Ohio, Oklahoma, Tennessee, Texas and Virginia. Meritage is headquartered in Grand Rapids, Michigan, and has a workforce of ~9,400 employees.

## Full-Year Outlook: Strong Sales & Earnings Growth Ahead:

- ✓ Sales growth of +40% to 50%
- ✓ Earnings from Operations growth of +55% to 65%
- ✓ Net Earnings growth of +40% to 50%
- ✓ EBITDA growth of +40% to 50%
- ✓ Common stock dividend growth +50% to 100%



*"The first quarter of 2018 was quite eventful, completing four acquisitions, along with the subsequent integration of 56 Wendy's located across four states and the opening of seven newly built or renovated restaurants. Our operating teams performed exceptionally well integrating all of these new locations into our operating platform, which resulted in first quarter record sales of nearly \$100 million. We plan to accelerate our investment spending in 2018 with a goal of 32 additional reimaged and newly built Wendy's restaurants. Our new and newly renovated Wendy's restaurants continue to out-perform, positioning the Company for transformational sales and earnings growth ahead."*

- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





# Surrounding Area

Wendy's





# Location Overview

This Wendy's property is located at 4037 32nd Avenue, Hudsonville, MI. Hudsonville is a city in Ottawa County and is approximately 15 miles southwest of Grand Rapids, MI.

## SURROUNDING RETAIL & POINTS OF INTEREST

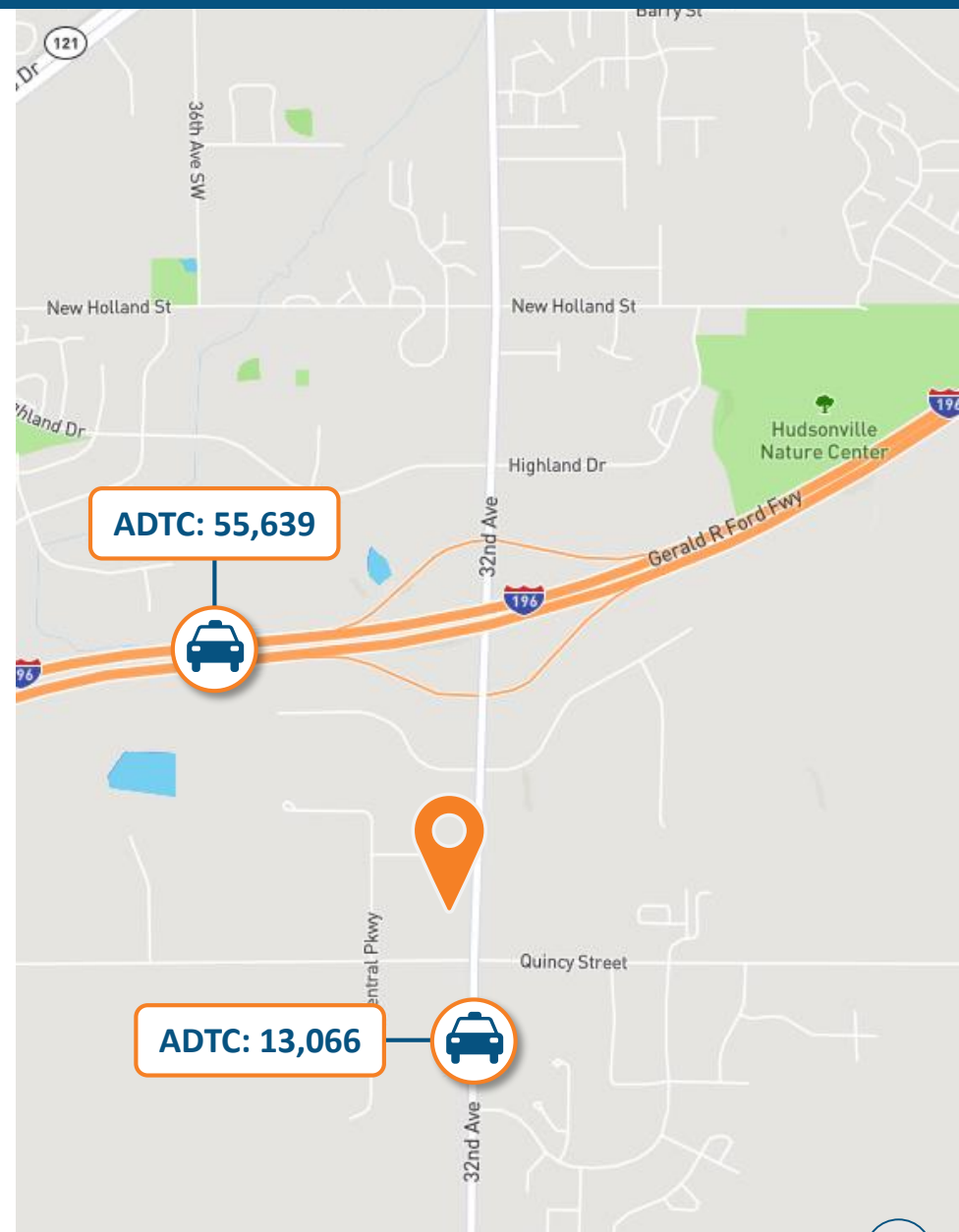
The subject property is an outpad to a newly constructed Meijer store and is surrounded by other major national retailers that include: McDonald's, Burger King, Arby's, Little Caesar's Pizza, Subway and several others. The property is well-positioned as one of the first stops off of the exit ramp of Interstate 196, which links the cities of Benton Harbor, South Haven, Holland, and Grand Rapids together.

## TRAFFIC COUNTS & DEMOGRAPHICS

The property has approximately 16,691 people residing within a three-mile radius and 52,583 people within a five-mile radius. The property is located along 32nd Avenue which experiences average daily traffic counts of 13,066 vehicles. Additionally, the property benefits from its close proximity to Interstate 196, which provides easy and direct access to Grand Rapids and brings an additional 55,639 vehicles through the immediate area daily.

## GRAND RAPIDS, MI

Grand Rapids is the second-largest city in Michigan and the largest city in West Michigan. A historic furniture-manufacturing center, Grand Rapids is home to five of the world's leading office furniture companies, and is nicknamed Furniture City. Its more common modern nickname of River City refers to the landmark river, the Grand River, for which it was named. The city and surrounding communities are economically diverse, based in the health care, information technology, automotive, aviation, and consumer goods manufacturing industries, among others. Additionally, the city is home to a number of well-known companies that include Bissell, Alticor/Amway, Highlight Industries, Spartan Stores, Meijer, GE Aviation, Wolverine World Wide and Spectrum Health, the city's largest employer. The Gerald R. Ford International Airport is about 25 minutes from the property where seven airlines operate over 150 flights daily to 23 nonstop destinations across the United States and Canada.

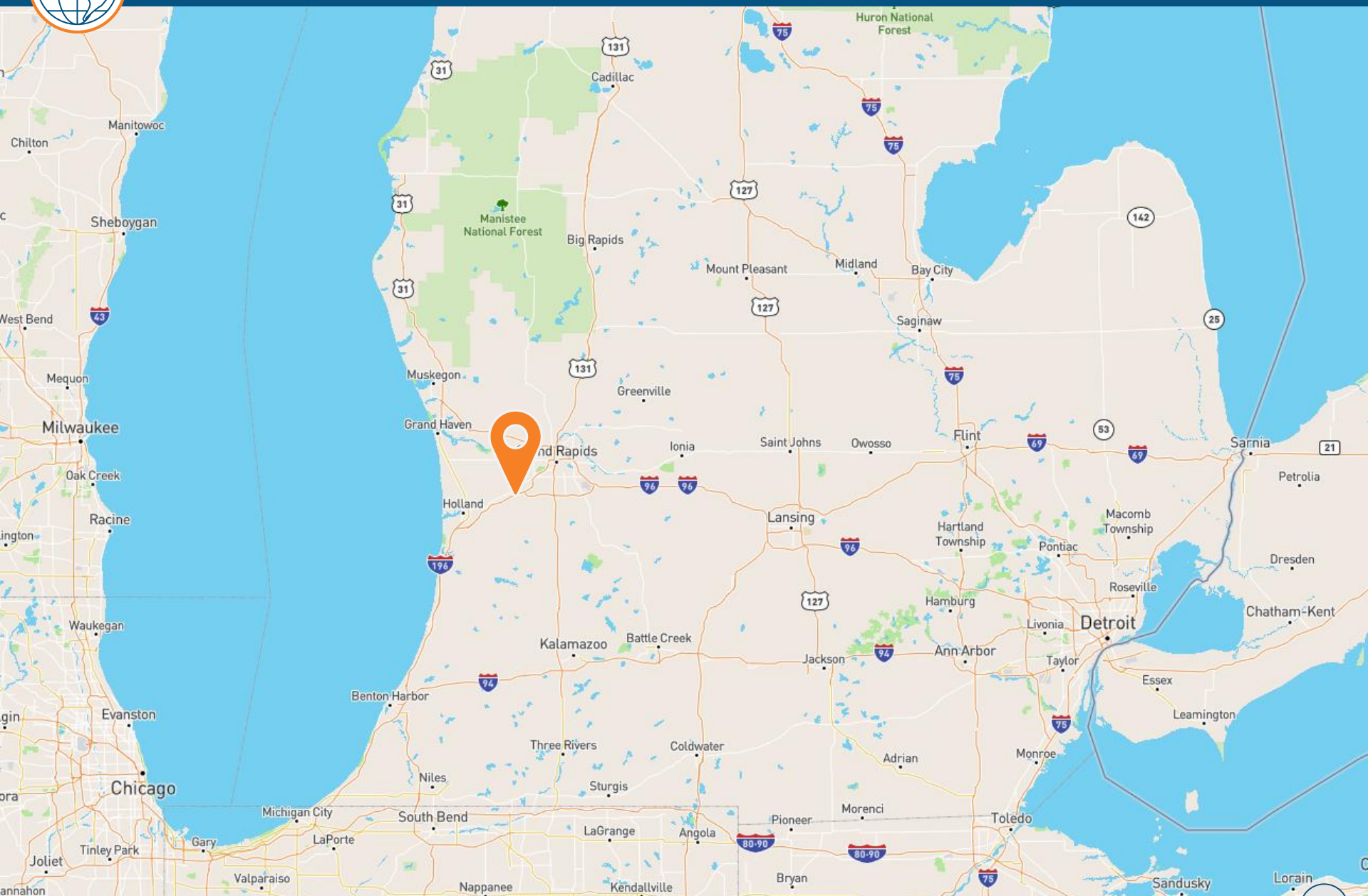






# Regional Map

Wendy's





Employer	# of Employees
Hi-TEC Building Services Inc	475
Royal Technologies Corporation	450
Site 240b	250
Koleaseco Inc	210
Hudsonville Community Fair	174
Walmart	150
Laurels of Hudsonville The	125
Creme Curls Bakery Inc	120
McDonald's	114
Accurate Sorting & Quality	110
Sunrise Acres	108
A Luurtsema Truck Lines	100

# of Employees based on 5 mile radius

## DEMOGRAPHICS

Population	1 Mile	3 Miles	5 Miles
2022 Projection	3,045	17,689	55,762
2017 Estimate	2,746	16,691	52,583
2010 Census	2,365	14,931	48,294
2000 Census	1,443	11,970	42,409
Income			
Average	\$81,571	\$81,896	\$86,966
Median	\$72,935	\$69,813	\$72,072
Per Capita	\$26,672	\$28,167	\$30,045
Households			
2022 Projection	1,013	6,169	19,535
2017 Estimate	897	5,719	18,135
2010 Census	771	5,110	16,641
2000 Census	440	3,922	14,000
Employment			
2017 Daytime Population	3,983	18,680	41,116
2017 Unemployment	2.72%	2.68%	2.64%
2017 Median Time Traveled	21 Mins	21 Mins	22 Mins



Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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