

Marcus & Millichap

EXCLUSIVE NET-LEASE OFFERING

PANERA BREAD SALE LEASEBACK



OFFERING MEMORANDUM



2871 East Main Street, St Charles, IL 60174



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2871 East Main Street, St Charles, IL 60174

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Investment Highlights

PRICE: \$3,495,146 | CAP: 5.15% | RENT: \$180,000



About the Investment

- ✓ Long-Term, 20-Year Absolute Triple Net (NNN) Lease
- ✓ Lease Commencement Upon Close of Escrow
- ✓ One and Three Quarter (1.75%) Annual Rental Increases Starting in Year 6
- ✓ Six (6), Five (5)-Year Tenant Renewal Options, Bringing the Potential Lease Term to 50 Years

About the Location

- ✓ Extremely Affluent Community | Average Income Within a 3-Mile Radius Exceeds \$117,000
- ✓ Dense Suburban Population | Population Exceeds 110,000 Individuals Within a 5-Mile Radius
- ✓ Dense Retail Corridor | Surrounded By Walmart, Walgreens, CVS, Target, TJ-Maxx, Petco, Dollar Tree, Kohl's & Many More
- ✓ Strong Traffic Counts | East Main Street & Kirk Road | 39,597 and 28,367 Daily Vehicles Respectively
- ✓ O'Hare International Airport | Serves An Average of 102 Million Passengers Annually | Located Within a 24 Mile Radius of Subject Property

About the Tenant / Brand

- ✓ Panera has been one of the most successful restaurant companies in history
- ✓ Panera is the best-performing restaurant stock when measured over the last 20 years; delivering a total shareholding return of 9,753% from April 18, 1997 to April 24, 2017, compared to 210% for the S&P 500 during the same time period
- ✓ Named "Sales Leader" by Nation's Restaurant News in the Bakery-Café Group – June 2017
- ✓ Pioneer in Advanced Technology – Driver of Ongoing Sales Growth and Improved Delivery-Catering Initiatives
- ✓ Recently acquired by JAB Holdings, a European conglomerate that owns Krispy Kreme, Keurig, Peet's Coffee, among other assets; positioning the chain for continued growth and long-term returns





Financial Analysis

PRICE: \$3,495,146 | CAP: 5.15% | RENT: \$180,000



Property Description

Property	Panera Bread
Property Address	2871 East Main Street
City, State, ZIP	St Charles, IL 60174
Year Built / Renovated	2000
Building Size	4,629
Lot Size	+/- 1.22 Acres
Type of Ownership	Fee Simple

The Offering

Purchase Price	\$3,495,146
CAP Rate	5.15%
Annual Rent	\$180,000
Price / SF	\$755.05
Rent / SF	\$38.89

Lease Summary

Property Type	Net Leased Casual Dining Restaurant
Tenant/Guarantor	Franchisee
Original Lease Term	20.0 Years
Lease Commencement	Upon Close of Escrow
Lease Expiration	20 Years from Close of Escrow
Lease Term Remaining	20 Years from Close of Escrow
Lease Type	Triple Net
Roof & Structure	Tenant Responsible
Rental Increases	1.75% Annually Starting Year 6
Options to Renew	Six, Five-Year

RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation (%)
Years 1-5	\$180,000	\$15,000	-
Year 6	\$183,150	\$15,263	1.75%
Year 7	\$186,355	\$15,530	1.75%
Year 8	\$189,616	\$15,801	1.75%
Year 9	\$192,935	\$16,078	1.75%
Year 10	\$196,311	\$16,359	1.75%
Year 11	\$199,746	\$16,646	1.75%
Year 12	\$203,242	\$16,937	1.75%
Year 13	\$206,799	\$17,233	1.75%
Year 14	\$210,418	\$17,535	1.75%
Year 15	\$214,100	\$17,842	1.75%
Year 16	\$217,847	\$18,154	1.75%
Year 17	\$221,659	\$18,472	1.75%
Year 18	\$225,538	\$18,795	1.75%
Year 19	\$229,485	\$19,124	1.75%

INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for a Panera Bread located at 2871 East Main Street in St. Charles, IL. This is a rare investment opportunity to participate in a direct sale leaseback with Hamra Enterprises. This café consists of roughly 4,629 rentable square feet of building space on estimated 1.22 acre parcel of land.

Chicago Bread, LLC will enter into a brand new 20-year triple-net (NNN) sale leaseback with the purchaser upon close of escrow. The initial annual rent will be \$180,000 and will increase by one and three quarter percent (1.75%) annually starting in year 6 and continuing throughout the term of the lease and in each option period. There will be six (6), five (5)-year tenant renewal options, extending the total possible lease term to 50 years.



Concept Overview



About Panera Bread

Thirty years ago, at a time when quick service meant low quality, Panera set out to challenge this expectation. They believed that food that was good and that you could feel good about, served in a warm and welcoming environment by people who cared, could bring out the best in all of us. To them, that is food as it should be and that is why they exist. So they began with a simple commitment: to bake fresh bread every day in their bakery-cafes. No short cuts, just bakers with simple ingredients and hot ovens. Each night, any unsold bread and baked goods were shared with neighbors in need.

These traditions carry on today, as they have continued to find ways to be an ally to its guests. That means crafting a menu of soups, salads and sandwiches that they are proud to feed their families. Like poultry and pork raised without antibiotics on our salads and sandwiches. A commitment to transparency and options that empower their guests to eat the way they want. Seasonal flavors and whole grains. And a commitment to removing artificial additives (flavors, sweeteners, preservatives and colors from artificial sources) from the food in its bakery-cafes. Why? Because they think that simpler is better and they believe in serving food as it should be. The company is also focused on improving quality and convenience. With investments in technology and operations, they now offer new ways to enjoy your Panera favorites -- like mobile ordering and Rapid PickUp for to-go orders -- all designed to make things easier for its guests.

As of February 2018, there are more than 2,360 bakery-cafes in 46 states and in Ontario, Canada operating under the Panera Bread(R), Saint Louis Bread Co. (R) or Paradise Bakery & Cafe(R) names.

For more information, visit panerabread.com or find them on Twitter (@panerabread), Facebook ([facebook.com/panerabread](https://www.facebook.com/panerabread)) or Instagram (@panerabread).

About JAB Holding Company

JAB Holding, a privately held company and investment arm of the wealthy Reimann family, is no stranger to the coffee business. It began building its position in coffee and breakfast in 2012 when it took a stake in D.E. Master Blenders and bought Peet's Coffee & Tea, a premier specialty coffee and tea company, for \$974 million and Minnesota-based Caribou Coffee, a specialty retailer of high-quality premium coffee products, for \$340 million. In the years that followed, the European company would go on to spend billions expanding its coffee empire. Eventually in 2013, JAB agreed to pay \$9.8 billion to purchase D.E. Master Blenders. That company became Jacobs Douwe Egberts (JDE) when JAB merged it with the coffee division of Mondelez International in 2015, which it bought for around \$4 billion, becoming the largest pure-play FMCG coffee company in the world. In 2014, JAB scooped up Einstein Bagels' parent company, Espresso House and Baresso Coffee and in 2015, the company purchased Keurig Green Mountain, a leader in single-serve coffee and beverage technologies, for \$14 billion along with coffee roaster and retailer Stumptown Coffee and coffee bar chain Intelligentsia coffee. Krispy Kreme, a global specialty retailer and wholesaler of premium-quality sweet treats, was added to the portfolio in 2016 and later completed its acquisition of Panera Bread Company in July 2017 for \$7.5 billion and Au Bon Pain (304 units) for an undisclosed sum later that year. Panera Bread's acquisition of Au Bon Pain brings the two companies together again since having split in 1999 and offers a strategic opportunity for the company. Today, the caffeine-fueled company, which has been steadily building a coffee and breakfast empire over the last five years, announced early April 2018 that it has expanded its coffee empire, making a major investment in the launch of online craft coffee retailer "Trade". Trade's website features more than 400 roasts, each with a description of where the coffee was sourced, its flavor profile and how best to brew it. Investing in Trade gives JAB one more foothold in the coffee market, this time online.

For more information about JAB investments, please visit the company's website: <http://www.jabholco.com>
Additional Source: <https://www.cnbc.com/2018/04/05/jab-expands-coffee-empire-with-investment-in-online-coffee-shop-trade.html> Published 10:20 AM ET Thu, 5 April 2018 Updated 7:57 PM ET Thu, 5 April 2018 CNBC.com



Concept Overview: In Recent News

Restaurant Business names Panera Bread's Ron Shaich 2018 Restaurant Leader of the Year

"Panera has been the best-performing public restaurant stock of the past 20 years, generating annualized returns in excess of 25% over the past two decades and delivering a total shareholder return 44 times better than the S&P 500 from 1997 to 2017, when we undertook a deal to go private," said Shaich. "Most importantly, we continue to make a positive difference in the lives of all of our stakeholders."



FEB 15^h. Ron Shaich, the serial innovator who changed the restaurant business through the founding and constant re-invention of Panera Bread, has been named the 2018 Restaurant Leader of the Year, presented by Restaurant Business.

The honor recognizes Shaich for his visionary leadership of the chain, a pioneer of the fast-casual segment. Now the chairman of Panera, Shaich kept the concept a step ahead of the market for almost four decades, most recently with the transformation known as Panera 2.0.

That aggressive update of the already powerful brand involved such steps as installing self-order kiosks, which can now be found in a host of limited-service brands, and adding delivery, another amenity widely available today in part because Panera proved it could work.

The brand has also been a leader in offering clean, healthful menus, having stripped additives and artificial ingredients out of its recipes over roughly a two-year period. Brands that subsequently scrubbed their menus include McDonald's, Subway, Starbucks and Dunkin' Donuts.

The innovations have kept Panera ahead of most limited-service chains in sales growth, right through the downturn still sapping the business.

Today, Panera has more than 2,300 units, 100,000 associates and nearly \$6 billion in annual systemwide sales. Its appreciation from the days of being known as St. Louis Bread Co. was dramatically illustrated last summer when JAB Holding agreed to buy the brand for \$7.5 billion.

"Panera has been the best-performing public restaurant stock of the past 20 years, generating annualized returns in excess of 25% over the past two decades and delivering a total shareholder return 44 times better than the S&P 500 from 1997 to 2017, when we undertook a deal to go private," said Shaich. "Most importantly, we continue to make a positive difference in the lives of all of our stakeholders."

"It is a great honor to be recognized for work that I am extremely proud of and have always viewed as my great privilege to do," he added.

Shaich opted at the end of 2017 to relinquish his CEO duties to longtime lieutenant Blaine Hurst. He remains active in helping set the direction of the chain, as well as working with JAB on strategic issues.

"Ron is an innovator and leader in the truest sense of the words," said Sarah Lockyer, SVP of content for Winsight LLC, the parent of Restaurant Business. "With

the founding and constant reinvention of Panera Bread, he disrupted the restaurant industry and led the way from menu to marketing and from in-store service to investments in technology. His dedication to social consciousness has also created a company culture of inclusion and success."

Past Restaurant Leaders of the Year award winners have included Paul Brown, CEO of Arby's and Buffalo Wild Wings' parent Inspire Brands; Greg Flynn, founder and CEO of Panera and Applebee's franchisee Flynn Restaurant Group; and Danny Meyer, CEO of Union Square Hospitality Group and the founder of Shake Shack.

"Our winners are the game changers who refused to believe the restaurant industry is a mature business, instead looking to growth and innovation," said Chris Keating, group president of restaurant media and events for Winsight. "No one embodies that drive like Ron Shaich, a leader who believes in re-inventing his charge often. We look forward to celebrating his passion and leadership at the 20th anniversary of Restaurant Leadership Conference."

The Restaurant Leader of the Year award presentation, sponsored by PepsiCo Foodservice, was held Tuesday, April 17 at the 2018 Restaurant Leadership Conference in Phoenix, Ariz., April 15 – 17.

Tenant Overview

Hamra Enterprises is a dynamic organization owned and founded in 1975 by the Hamra family. They own 25 Wendy's International, 53 Panera Bread, 18 Noodles & Company and one Holiday Inn Express & Suites locations throughout the United States. Their goal is to provide the highest quality products and services within the hospitality industry. Over the years they have created exceptional experiences for people and communities throughout the world.

They are world-class leaders diverse in talent and collaborative in voice. The company stands for each other being empowered and engaged in moving business forward. They stand for people living a life they love, and are committed to development and growth through training, coaching and learning from one another. Hamra Enterprises prides itself on being authentic in their speaking and generous in listening. They are accountable for generating profit as a catalyst for growth and endless possibilities.

Hamra Enterprises supports several organizations in the communities where they live and do business, including Boston Children's Hospital, Make-A-Wish Foundation, Children's Miracle Network Hospitals, St. Jude Children's Research Hospital, The Dave Thomas Foundation for Adoption and Big Brothers Big Sisters of the Ozarks.

The Hamra Enterprises legacy started in 1975 when Sam F. Hamra, Founder and Chairman entered a franchise agreement with Wendy's International. The first store was opened in 1976 on West Sunshine Street in Springfield, Missouri and is still a part of their Wendy's group today. In 1998 Hamra entered into a development plan with Panera Bread® within greater Chicago area and opened the company's first Panera Bread (St. Louis Bread Co.) in Deerfield, IL.

In 2013 Sam F. Hamra received the Wendy's International "Hall of Fame Award," the highest honor awarded to a Wendy's franchisee each year. Wendy's® "Hall of Fame" honorees who receive The Wendy's Company "Hall of Fame Award" annually, are Wendy's Franchisees and Wendy's key company employees who are recognized for their extraordinary efforts and significant achievements in support of the Wendy's system.

On April 30, 2014, Hamra Enterprises introduced Noodles & Company to Massachusetts and New Hampshire by opening the first Noodles & Company restaurant in Shrewsbury, MA. Additional locations in Massachusetts and New Hampshire opened a couple of months later. In 2014 they also acquired seven franchised Noodles & Company locations in Missouri.

In May of 2015, the family-owned Hamra Enterprises opened the doors and officially kicked off the grand opening celebration of their 100th unit, a Panera Bread in Tinley Park, Ill. This was a significant milestone for the multi-unit franchisee of Wendy's, Panera Bread, Noodles & Co. and Holiday Inn Express and Suites.





Surrounding Area

Property Address: 2871 East Main Street, St Charles, IL 60174





Location Overview

Property Address: 2871 East Main Street, St Charles, IL 60174



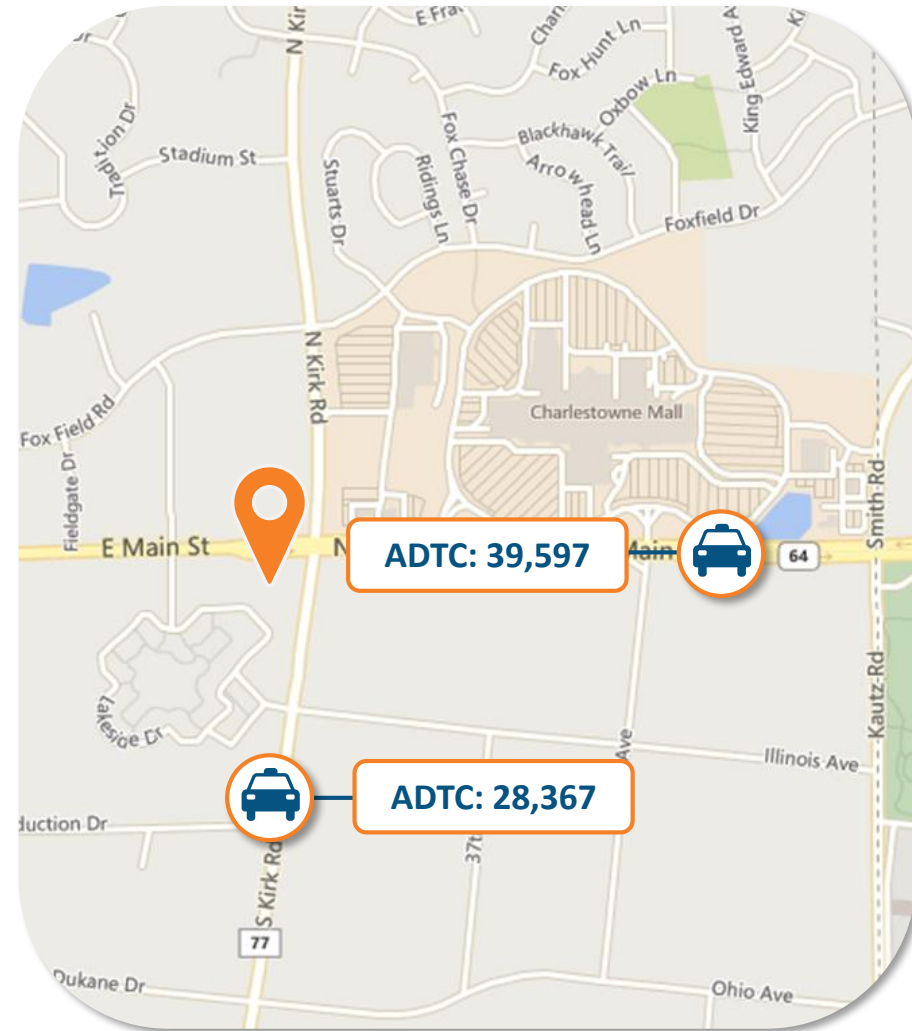
The subject Panera Bread is located in St. Charles, Illinois, in DuPage and Kane counties and is less than 40 miles west of Chicago, which is among the largest cities in the United States. St. Charles is part of the Tri-Cities Area which is situated between the large cities of Aurora and Elgin, Illinois, and encompasses the cities of Batavia, Geneva and St. Charles. The combined area is home to four universities and two community colleges.

The Panera Bread in St. Charles is located in a busy retail area with surrounding national retailers including Walmart Supercenter, Old Time Pottery, Dollar Tree, Sears, Ace Hardware, Advance Auto Parts, Walgreens, PNC Bank, Dunkin Donuts, Starbucks, McDonald's, Papa John's Pizza, Chili's, Olive Garden and many more. The subject property is two miles from DuPage County Airport and 10 miles from Wheaton College.

Downtown St. Charles was named one of the region's Top 10 by the Chicago Tribune for fine dining, arts and entertainment, recreational opportunities, unique shopping, and a lively nighttime personality. Family Circle magazine named St. Charles number one in its 2011 Annual Survey of Best Towns and Cities for Families. The comprehensive survey included communities from across the country. The magazine's annual roundup of perfect places to call home combine affordable housing, good neighbors, green spaces, strong public school systems and giving spirits.

The subject property is located on Main Street/North Avenue which connects it directly to Chicago. The property is located within close proximity to Interstate 355 and Interstate 88, two major roadways in the area.

St. Charles is part of the Chicago metropolitan statistical area (MSA), often referred to as Chicagoland, which has a population of nearly 10 million and is the third-largest MSA in the United States and the 22nd largest in the world. The city of Chicago is home to eleven Fortune 500 companies, while the rest of the metropolitan area hosts an additional 21 Fortune 500 companies. In 2014, the Chicago area had more than 50 million visitors.





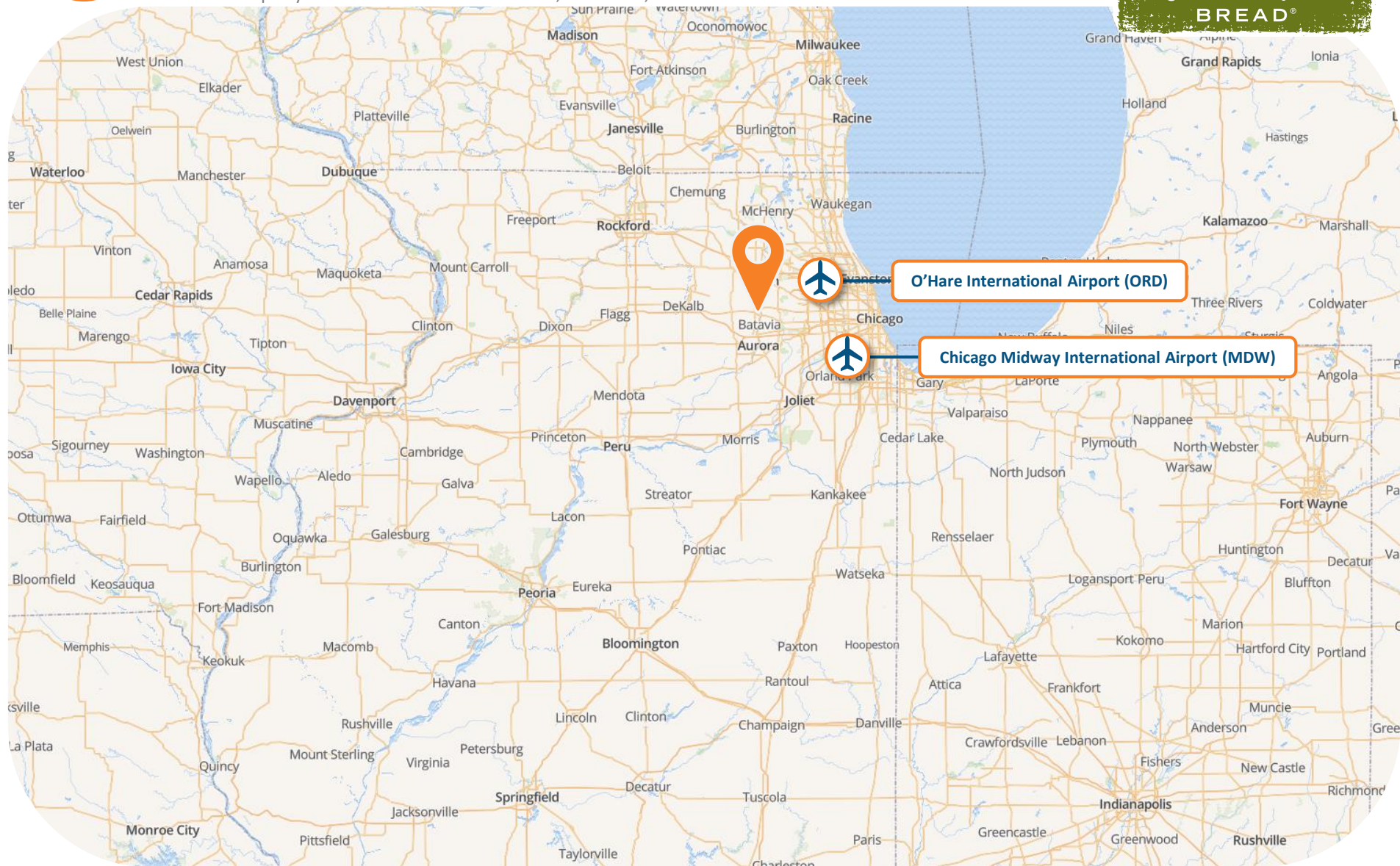
Property Photo





Local Map

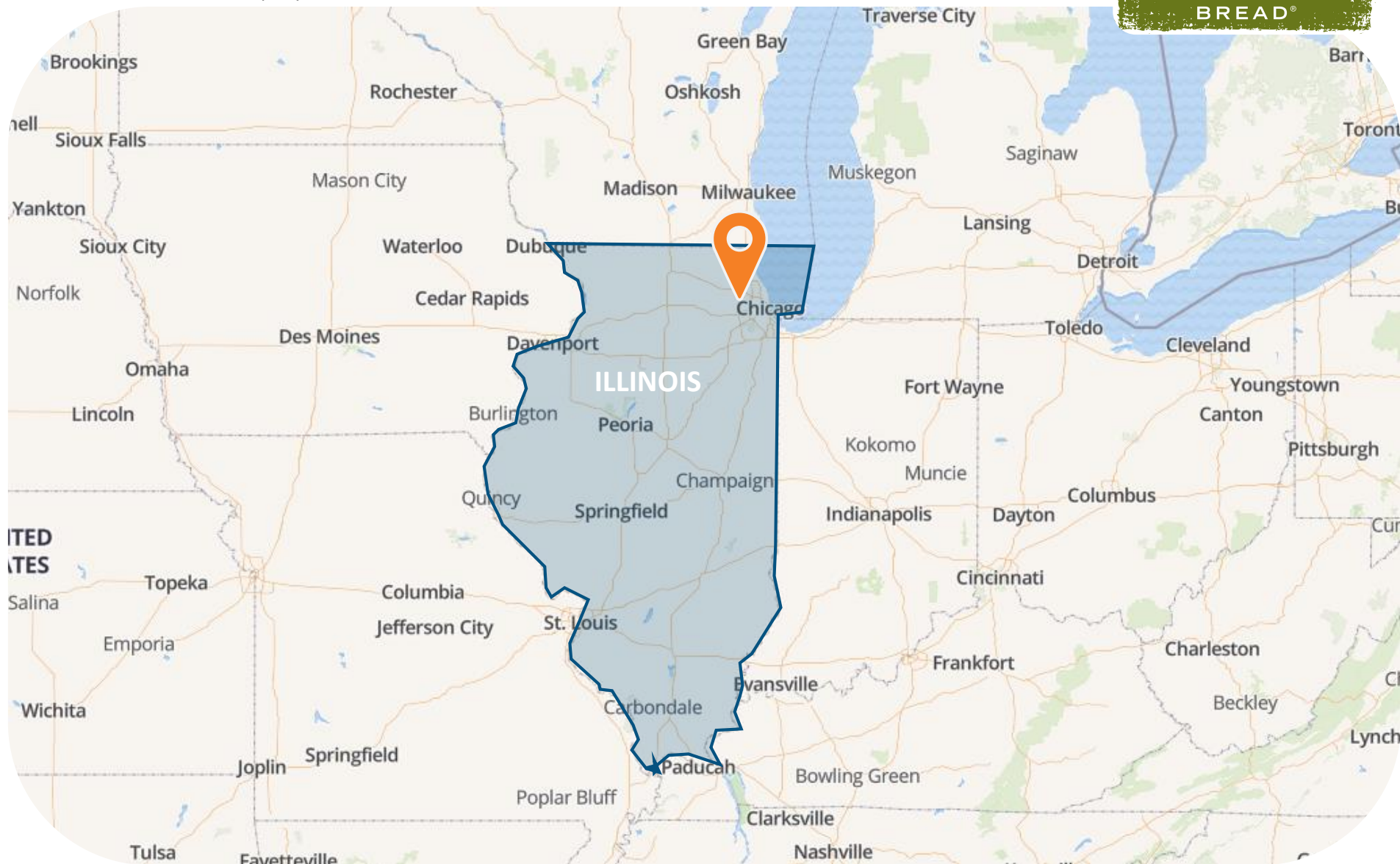
Property Address: 2871 East Main Street, St Charles, IL 60174





Regional Map

Property Address: 2871 East Main Street, St Charles, IL 60174





Demographics

Property Address: 2871 East Main Street, St Charles, IL 60174



3 Mile 5 Miles 10 Miles

Population Trends:

2022 Projection	40,121	112,113	625,459
2017 Estimate	39,397	110,091	616,887
2010 Census	39,169	108,118	605,946
Growth 2017 - 2022	1.84%	1.84%	1.39%
Growth 2010 - 2017	0.58%	1.82%	1.81%
2017 Population Hispanic Origin	3149	17310	146230

Population by Race (2017):

White	36,663	99,276	511,367
Black	485	2632	29773
American Indian & Alaskan	116	453	5966
Asian	1616	5990	57525
Hawaiian & Pacific Island	31	80	509
Other	486	1659	11747

Household Trends:

2022 Projection	15,320	39,156	213,234
2017 Estimate	15,039	38,420	210,264
2010 Census	14,977	37,737	206,561
Growth 2017 - 2022	1.87%	1.92%	1.41%
Growth 2010 - 2017	0.41%	1.81%	1.79%
Owner Occupied	11668	30139	165075
Renter Occupied	3371	8280	45189

Average Household Income (2017):

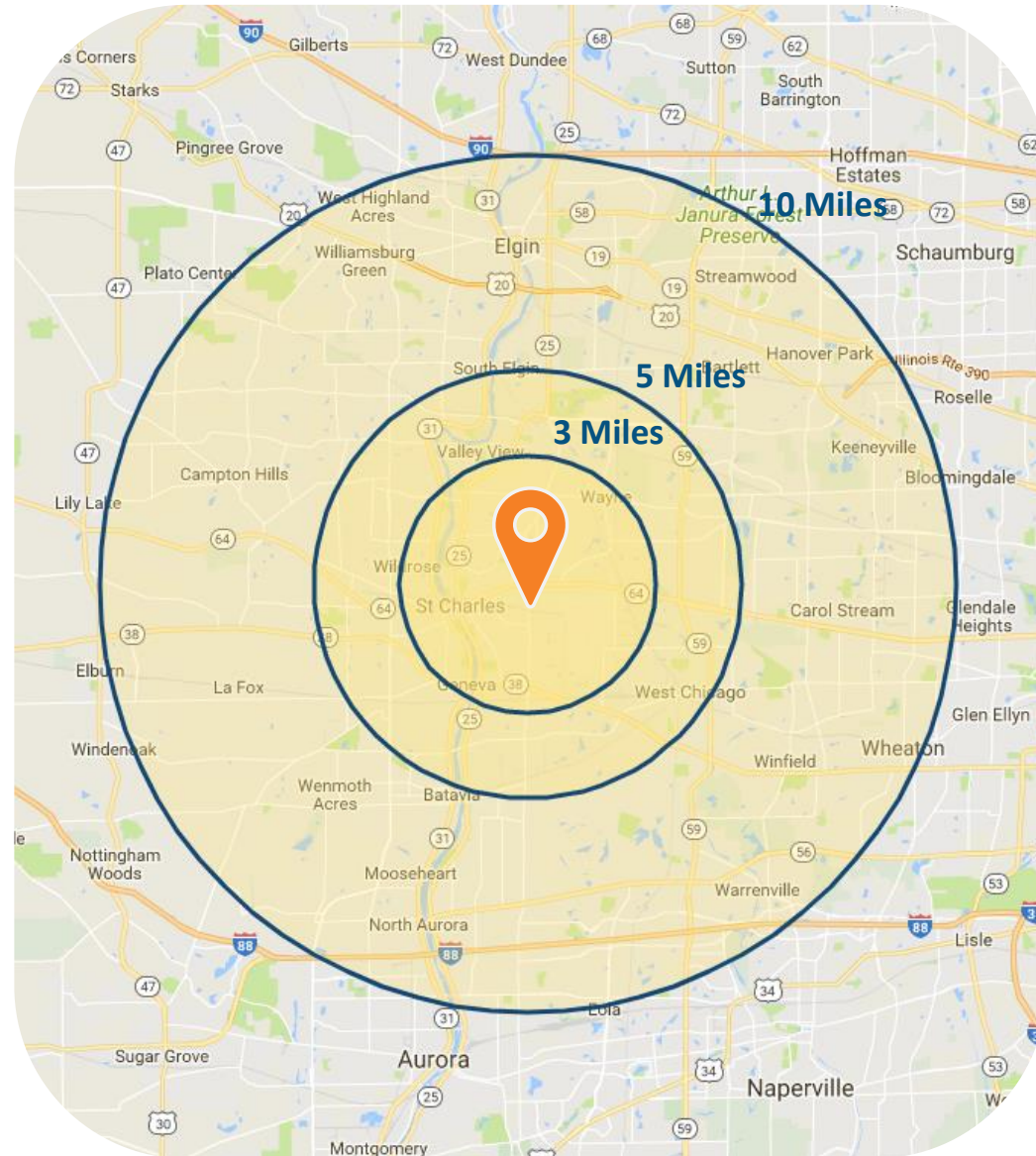
\$117,921 \$117,634 \$103,018

Households by Household Income (2017):

<\$25,000	1510	3939	25254
\$25,000 - \$50,000	2380	5788	35783
\$50,000 - \$75,000	2464	5826	35776
\$75,000 - \$100,000	1664	4573	28825
\$100,000 - \$125,000	1925	5048	26388
\$125,000 - \$150,000	1266	3501	17731
\$150,000 - \$200,000	1590	4331	20553

Median Household Income (2017):

\$92,517 \$94,989 \$82,214





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