



Red Lobster
20831 State Route 3
Watertown, New York 13601

Representative Photo



OFFERING MEMORANDUM

Marcus & Millichap

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Executive Summary | Investment Highlights

Property Name	Red Lobster
Location	20831 State Route 3, Watertown, NY 13601
Price	\$3,732,487
CAP Rate	6.40%
NOI ¹	\$238,879
Price Per SF	\$595
Building Size	6,276 sq ft
Lot Size	2.09 acres
Year Opened	1993

Marcus & Millichap is pleased to present the exclusive listing for Red Lobster located at 20831 New York Route 3 in Watertown, New York. The property is 6,276 square feet and is situated on approximately 2.09 acres of land.

This Red Lobster is subject to a 25-year triple-net (NNN) lease, with roughly 20 years remaining on the lease. Current annual rent is \$238,879. The rent is scheduled to increase by two percent annually, including through the four, five year tenant renewal options.

Red Lobster is the largest seafood restaurant concept in the world and is an iconic full service brand with broad demographic appeal and significant advertising budget. Red Lobster is led by an experienced management team with a history of success leading the brand (average 27+ years experience across executive team). The company generates \$2.5 billion in revenue and is the 5th largest casual dining concept in North America. Red Lobster was recently acquired by Golden Gate Capital.

1 NOI Based on August 2019 Rental Increase

Long-Term Triple-Net Lease | Above Market Lease Term

This Red Lobster is subject to a brand new 25-year absolute triple-net (NNN) lease, with 20 years remaining.

Corporate Guarantor | 704 Locations in the US & Canada

The lease is subject to a corporate guarantee, adding additional security throughout the term of the lease, through 704 corporate locations.

Attractive Rental Increases & Renewal Options

The rent will increase by two percent annually, including through the four, five year tenant renewal options, providing investors with a strong inflation hedge.



Financial Offering Summary

Property Name	Red Lobster
Property Type	Net Leased Restaurant
Ownership	Private
	Private Equity Sponsor
Tenant	Red Lobster Hospitality, LLC
Guarantor	Red Lobster Intermediate Holdings, LLC
Lease Term	25 Years
Lease Commencement	7/28/2014
Lease Expiration	7/31/2039
Lease Term Remaining	20 Years
Lease Type	Triple-Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Four, Five Year Option Periods
Rental Increases	Two Percent Annually

Annualized Operating Data

Rent Increases	Annual Rent	Monthly Rent
Year 6	\$238,879	\$19,907
Year 7	\$243,657	\$20,305
Year 8	\$248,530	\$20,711
Year 9	\$253,500	\$21,125
Year 10	\$258,570	\$21,548
Year 11	\$263,742	\$21,978
Year 12	\$269,017	\$22,418
Year 13	\$274,397	\$22,866
Year 14	\$279,885	\$23,324
Year 15	\$285,483	\$23,790
Year 16	\$291,192	\$24,266
Year 17	\$297,016	\$24,751
Year 18	\$302,957	\$25,246
Year 19	\$309,016	\$25,751
Year 20	\$315,196	\$26,266
Year 21	\$321,500	\$26,792
Year 22	\$327,930	\$27,327
Year 23	\$334,488	\$27,874
Year 24	\$341,178	\$28,432
Year 25	\$348,002	\$29,000
Annual Rent	\$238,879	
CAP Rate	6.40%	
Price	\$3,732,487	



- Red Lobster is the largest seafood restaurant concept in the world and is an iconic full service brand with broad demographic appeal and a significant advertising budget (2nd largest in casual dining).
- The Company was founded in 1968 and currently operates 704 restaurants throughout the United States and Canada and has 43 franchised restaurants in international markets.
- Red Lobster is led by an experienced management team with a history of success leading the brand (average 27+ years experience across executive team).
- The company generates \$2.5B in revenue and is the 6th largest casual dining concept in North America.

The Transaction

- On July 28th, 2014, Golden Gate Capital (“GGC”) acquired Red Lobster from Darden Restaurants.
- Red Lobster is now an independently owned company, completely separate from Darden Restaurants.
- Red Lobster is well capitalized with >\$200M of liquidity.
- Golden Gate Capital has a long, successful track record and significant experience with multi-unit restaurant and retail businesses.



OUR HISTORY

FRESH IS IN OUR FOOD

Each day, you'll find an updated selection of fresh fish on our Today's Fresh Fish menu, not to mention live Maine lobster, freshly baked Cheddar Bay Biscuits™, crisp salads and a host of fresh seafood recipes waiting to be explored.

FRESH IS IN OUR KNOWLEDGE

No one knows seafood better than we do. As global seafood buyers, we have employees stationed throughout the world who inspect our seafood the moment it comes out of the water. They ensure it meets standards that are second to none. Then, the renowned chefs at our culinary center deliver the fresh expertise that turns it all into something truly special.

FRESH IS IN OUR DEDICATION

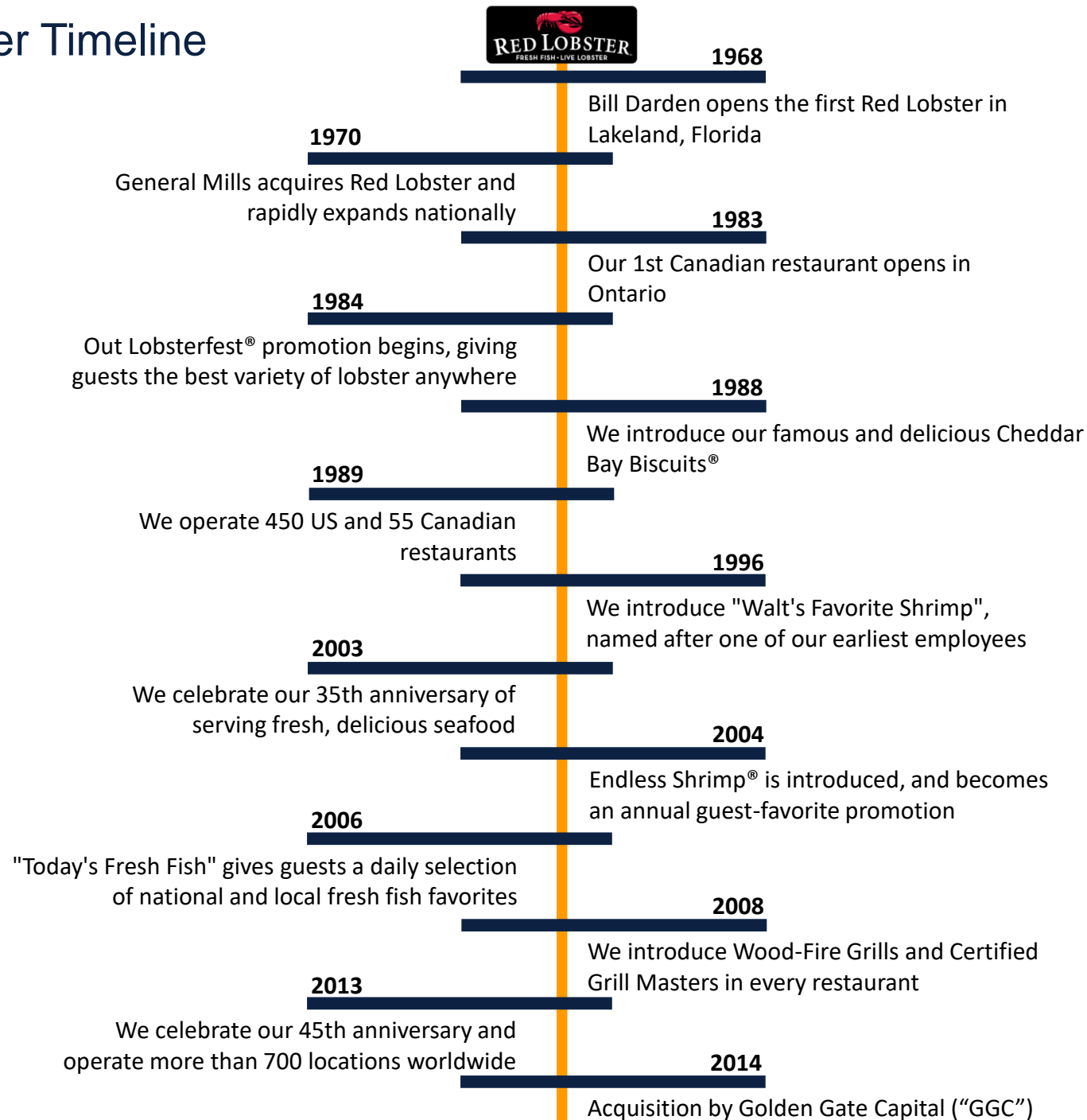
We hold ourselves to the highest standards for service, quality and a welcoming atmosphere. And we're focused on doing what's right – for our employees, in our communities and in the world.

FRESH IS IN OUR COMMITMENT

You deserve the freshest food and thinking. So every time you visit one of our seafood restaurants or our online seafood store, you'll find an uncommon commitment to deliver the best of the sea with fresh energy and fresh ideas that we hope will make you want to come back again and again.

We invite you to come in and experience our commitment to quality for yourself. Whether it's choosing your favorite fresh fish from our "Today's Fresh Fish" menu, or selecting your favorite seafood to be prepared over our wood-fired grill, Red Lobster is the place you can enjoy fresh, delicious seafood now and for generations.

Red Lobster Timeline

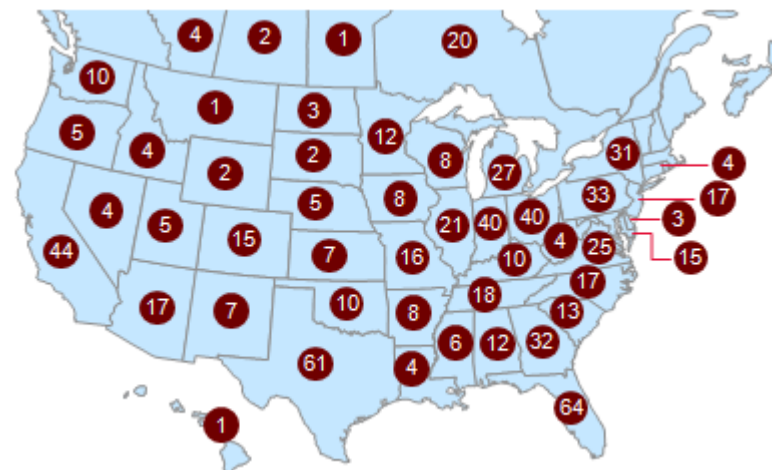


Tenant Overview

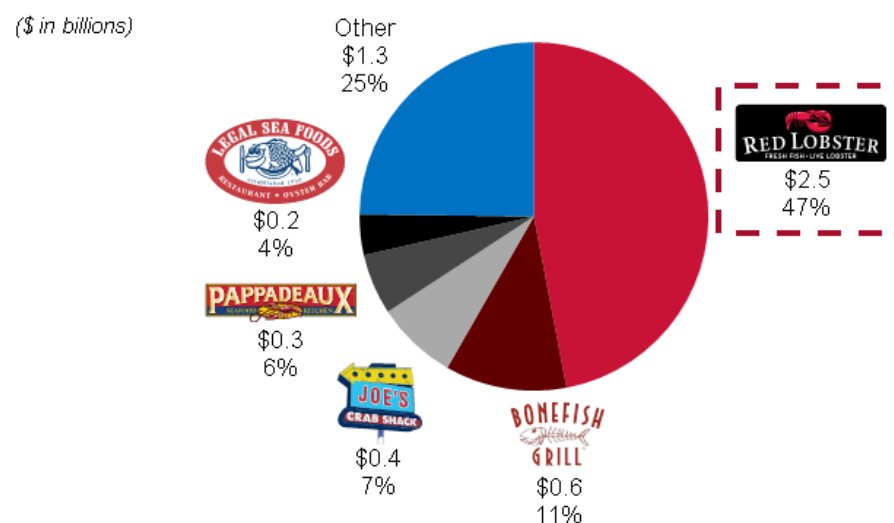
Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world with over \$2.5 billion in annual sales and 704 restaurants.
 - \$2.5B LTM Sales.
 - \$3.5M AUV.
- The Company is the category killer in the seafood casual dining space, holding almost 50% market share.
 - Largest share of any restaurant concept in any segment.
- 6th largest overall casual dining concept in the US.

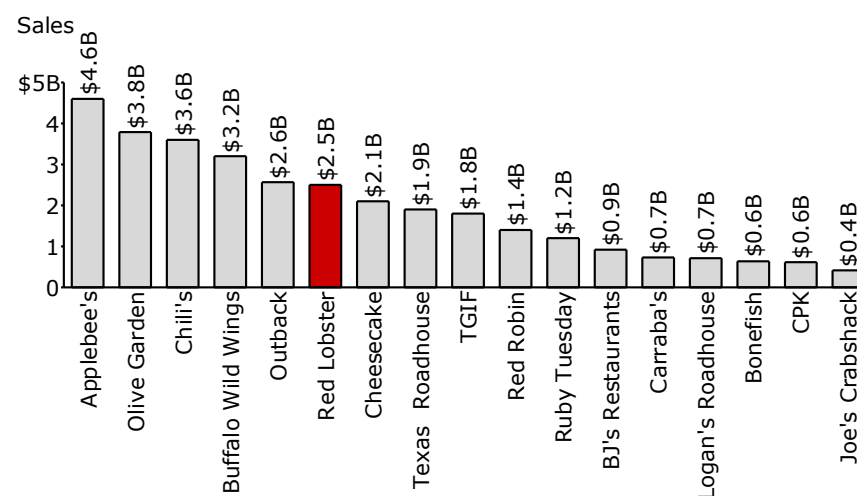
Significant Scale With Broad Geographic Reach



~50% Share in Seafood Casual Dining



6th Largest Casual Dining Concept in the US



Tenant Overview

Iconic Brand With Unparalleled Customer Loyalty

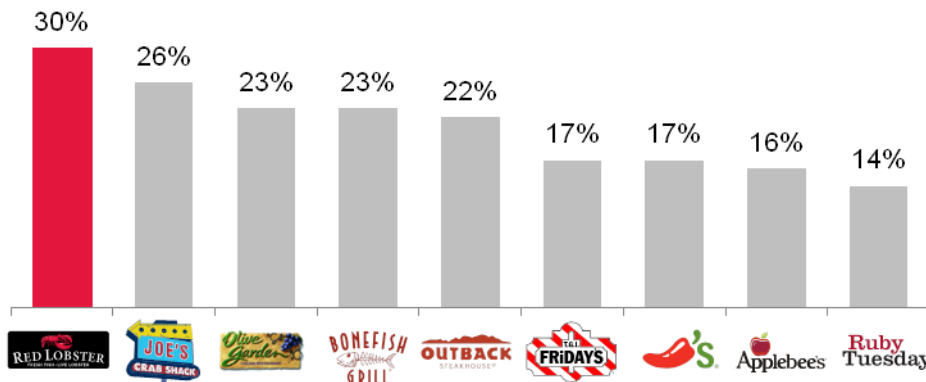
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster is the clear leader in casual dining seafood, and the most indispensable brand among major casual dining concepts, further indicating strong consumer loyalty.

Healthy and Recently Remodeled Restaurant Base

- Over \$320 million invested in remodels covering >90% of restaurants over the past 8 years.
- \$1.4 billion in overall capital expenditure investment over the past 10 years.
- New Bar Harbor format has strong appeal across customer base.
- 100% of restaurants are cash flow positive.

Indispensability vs. Peers

Indispensability (How difficult it would be for me to ‘give up’ ever going there again)
- % very difficult (10 out of 10) shown









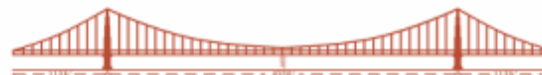
New Bar Harbor Format



Tenant Overview

Red Lobster is led by an experienced management team with prior success leading the company.

	Name <i>Title</i>	Industry Tenure <i>(Darden)</i>	Biography
	Kim Lopdrup <i>CEO</i>	31 (15)	<ul style="list-style-type: none"> • Recently served as President of Specialty Restaurant Group and New Business – high growth area of strong brands for Darden • Served as President of Red Lobster from 2005 to 2011, a period of rapidly-rising guest satisfaction and record profitability • Prior to joining Darden, served as EVP and COO of North America for Burger King and CEO of the International Division of Dunkin' Brands • BBA degree, College of William and Mary; MBA with distinction, Harvard University
	Salli Setta <i>President</i>	28 (28)	<ul style="list-style-type: none"> • Became President of Red Lobster in July 2013 • Prior to becoming President, served as Red Lobster's EVP of Marketing for 8 years • From 1990 to 2005, held various management positions at Olive Garden, during which time she was instrumental to the brand's turnaround • Named <i>Restaurant Business</i>' "Menu Strategist of the Year" in 2003 • Bachelor's degree, University of Central Florida; MBA, Florida Institute of Technology
	Bill Lambert <i>Chief Financial Officer</i>	12 (12)	<ul style="list-style-type: none"> • Bill served as CFO of LongHorn Steakhouse since 2010 • Prior to leading LongHorn, Bill served as CFO of Red Lobster from 2006 through 2010 • Previously, Bill spent 21 years with Macy's • BS, Duke University; MBA, University of Michigan
	Chip Wade <i>EVP, Operations</i>	30 (16)	<ul style="list-style-type: none"> • Served as EVP of Operations for Red Lobster since 2012 • Served as COO of Legal Sea Foods from 2004-2006 • Bachelor's degree, Widener University; MBA, University of Texas
	Tom Gathers <i>Chief People Officer</i>	37 (28)	<ul style="list-style-type: none"> • Recently served as SVP HR for Specialty Restaurant Group and LongHorn Steakhouse • Served as EVP of HR for RARE Hospitality International from 1998 to 2007 • Bachelor's degree, Indiana University of Pennsylvania; Master's degree, University of Miami
	Horace Dawson <i>EVP, General Counsel</i>	20 (13)	<ul style="list-style-type: none"> • Recently served as VP and Division General Counsel Employment and Litigation of Darden • Bachelor's degree, JD and MBA, Harvard University



GOLDEN GATE CAPITAL

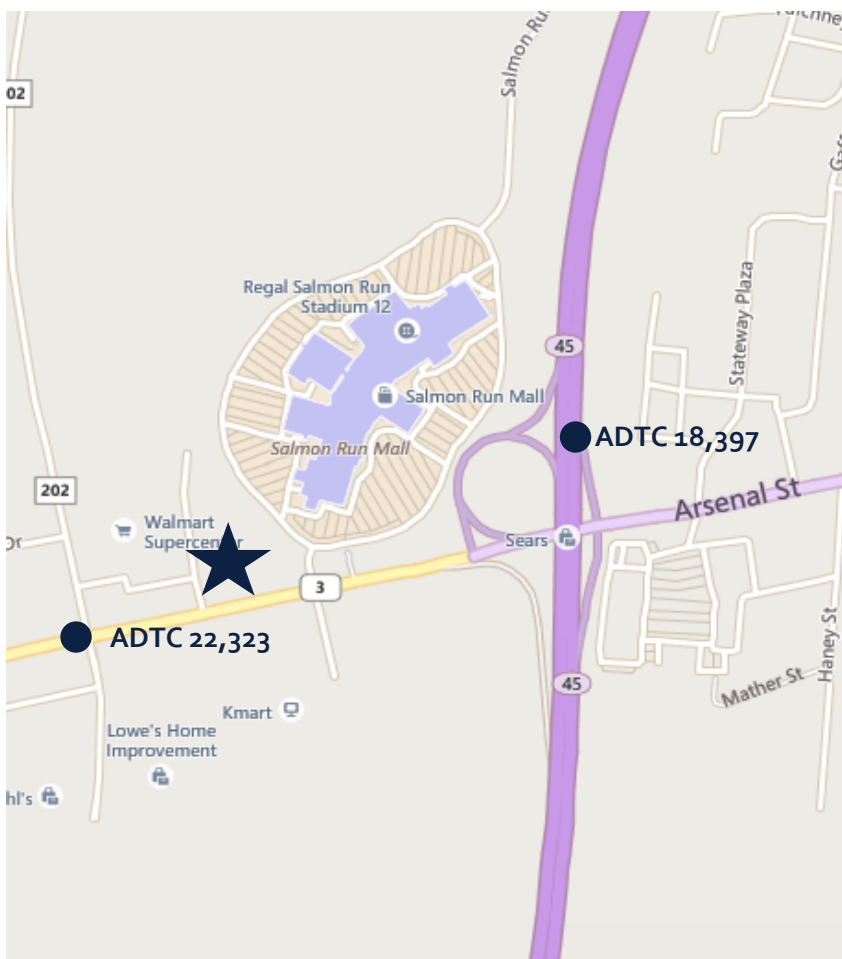
- *Golden Gate Capital (GGC) is a San Francisco-based Private Equity firm with over \$15 billion of capital under management.*
- *GGC has been one of the most active acquirers of multi-unit restaurant and retail companies.*
 - *Over the past 10 years, GGC has invested in restaurant and retail companies with annual revenues in excess of \$15 billion.*
- *GGC's investors include leading educational endowments, non-profit foundations, and selected entrepreneurs and managers.*
- *Investment approach is to partner with strong management teams to acquire strong, established brands with an opportunity to grow earnings through better execution, productivity improvements and unit growth.*
- *Excellent track record with acquiring and growing divisions of corporations.*

Select Restaurant and Retail Investments



Location Highlights | Property Description

- ❖ Strong Traffic Counts in the Area: State Route 3 and Interstate 81 | 22,323 and 18,397 Vehicles a Day Respectively
- ❖ Dense Retail Corridor with Major National Brands: Salmon Run Mall Anchored by Sears, Bon Ton, Burlington Coat Factory, Best Buy, Dick's Sporting Goods, JC Penney
- ❖ Dense Population: 26,097 People Within Three Miles and Over 37,900 Within Five Miles of Property
- ❖ Rich Public and Private Architectural Legacy



This Red Lobster property is located at 20831 State Route 3 in Watertown, New York. Watertown is a city in the state of New York and the county seat of Jefferson County. It is situated approximately 20 miles south of the Thousand Islands, and 70 miles north of Syracuse, NY. The U.S. Army post Fort Drum is near the city.

There are approximately 26,097 people within a three-mile radius of this property and more than 37,900 within a five-mile radius. The property is situated on State Route 3, with average daily traffic counts of over 22,323 vehicles. Adjacent to State Route 3 is Interstate 81, which brings in an additional 18,397 vehicles to the immediate area.

The subject property is well-positioned in a strong retail corridor benefitting from proximity to the Salmon Run Mall. The Salmon Run Mall is anchored by Sears, Bon Ton, Burlington Coat Factory, Best Buy, Dick's Sporting Goods and JC Penney. The mall contains over 85 stores and services including American Eagle, Aeropostale, DSW, Journey's, Victoria Secret, Kay Jewelers, Journey's, Bath & Body Works, Sprint, Payless, and GNC, which is a strong driver of traffic to this Red Lobster site. Target, Sam's Club, Kohl's, Old Navy, Walmart, Petco and Lowe's are among the nationally recognized retailers in the immediate area. Additional restaurants include Olive Garden, Texas Roadhouse, Applebee's, Taco Bell, Pizza Hut, TGI Friday's, Panera Bread, KFC, Chipotle and Sonic amongst others.

Named after the many falls located on the Black River, the city developed early in the 19th century as a manufacturing center. From years of generating industrial wealth, in the early 20th century the city was said to have more millionaires per capita than any other city in the nation. Residents of Watertown built a rich public and private architectural legacy. The city is known as the birthplace of the Five and dime and the safety pin, and is the home of Little Trees air fresheners. It manufactured the first portable steam engine. It has the longest continually operating county fair in the United States and holds the Red and Black football franchise, the oldest surviving semi-professional team in the United States.

Aerial Photo | Surrounding Area



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Property Photo

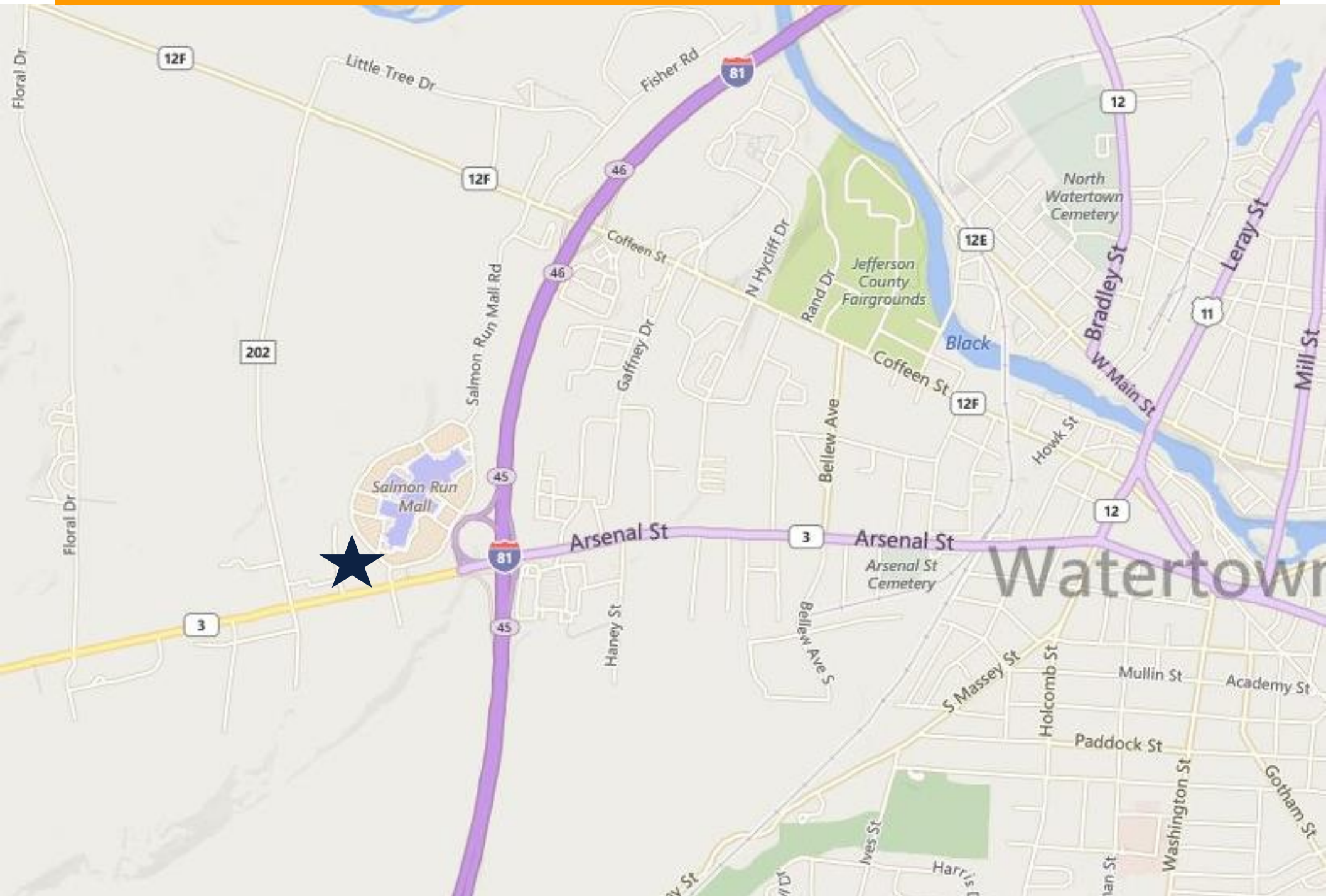


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Surrounding Area Photos



Local Map



Regional Map



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Demographic Summary Report



Population

In 2014, the population in your selected geography is 37,947. The population has changed by 6.41% since 2000. It is estimated that the population in your area will be 38,447 five years from now, which represents a change of 1.31% from the current year. The current population is 49.40% male and 50.59% female. The median age of the population in your area is 32.7, compare this to the Entire US average which is 37.3. The population density in your area is 481.99 people per square mile.

Income


In 2014, the median household income for your selected geography is \$41,426, compare this to the Entire US average which is currently \$51,972. The median household income for your area has changed by 32.93% since 2000. It is estimated that the median household income in your area will be \$47,814 five years from now, which represents a change of 15.41% from the current year.

The current year per capita income in your area is \$22,614, compare this to the Entire US average, which is \$28,599. The current year average household income in your area is \$54,168, compare this to the Entire US average which is \$74,533.


Employment

In 2014, there are 23,626 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 58.24% of employees are employed in white-collar occupations in this geography, and 41.81% are employed in blue-collar occupations. In 2014, unemployment in this area is 8.96%. In 2000, the average time traveled to work was 18.0 minutes.


POPULATION

		1-Mile	3-Mile	5-Mile
	2010	1,131	25,008	36,276
	2014	1,188	26,097	37,947
	2019	1,184	26,374	38,448

2014 HOUSEHOLD INCOMES

		1-Mile	3-Mile	5-Mile
	Average	\$51,034	\$53,023	\$54,168
	Median	\$41,727	\$39,151	\$41,427

TOP EMPLOYERS IN JEFFERSON COUNTY

	Employer	#Of Employees
	Fort Drum	21,955
	Samaritan Medical Center	2,500
	New York State	1,900

exclusively listed

Offering Memorandum | 20831 New York State Route 3, Watertown, NY 13601

Glen Kunofsky
Glen.Kunofsky@marcusmillichap.com
212.430.5115
NY: 49KU1129178

Matthew Anuszkiewicz
Matthew.Anuszkiewicz@marcusmillichap.com
212.430.5129
NY: 10401285141

Marcus & Millichap