

# RED LOBSTER

EXCLUSIVE NET-LEASE OFFERING



# OFFERING MEMORANDUM



750 Highway 18 North – East Brunswick, NJ 08816

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income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition or business prospects of any tenant, or any tenant's plans or intentions to continue its occupancy of the subject property. The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable; however, Marcus & Millichap has not verified, and will not verify, any of the information contained herein, nor has Marcus & Millichap conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. All potential buyers must take appropriate measures to verify all of the information set forth herein.

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**RED LOBSTER**





# Investment Highlights

PRICE: \$6,562,019 | CAP: 5.25% | RENT: \$344,505



## About the Investment

- ✓ Long-Term Site History, Site Has Been In Business Since 1980, Renovated In 2011
- ✓ Long-Term, 25-Year Absolute Triple Net (NNN) Lease
- ✓ Over 20 Years Of Lease Term Remaining With Two Percent Annual Bumps
- ✓ Has Four, Five-Year Tenant Renewal Options
- ✓ Corporate Tenant | Corporate Guarantee

## About the Location

- ✓ Strong Traffic Count: Highway 18(NJ-18) Benefits From An Average Daily Traffic Count of Over 55,000 vehicles
- ✓ Dense Population: Approximately 86,000 People Are Located Within A Three-Mile Radius of This Property And More Than 178,000 Within a Five-Mile Radius
- ✓ Metropolitan Area: East Brunswick is located only 37 miles South of New York City

## About the Tenant / Brand

- ✓ 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 705 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 5th largest casual dining concept in North America.







# Financial Analysis

PRICE: \$6,562,019 | CAP: 5.25% | RENT: \$344,505



## PROPERTY DESCRIPTION

Property	Red Lobster
Property Address	750 Highway 18 North
City, State, ZIP	East Brunswick, New Jersey, 08816
Building Size (Square Feet)	7,002
Lot Size	+/- 2.79 Acres
Year Built/Year Renovated	1980/2011
Type of Ownership	Triple-Net (NNN)

## THE OFFERING

Purchase Price	\$6,562,019
CAP Rate	5.25%
Annual Rent	\$344,506

## LEASE SUMMARY

Property Type	Net-Leased Restaurant
Tenant	Red Lobster Restaurants, LLC
Original Lease Term	25 Years
Lease Commencement	July 28, 2014
Lease Expiration	July 31, 2039
Lease Term Remaining	20.5 Years
Lease Type	Triple-Net (NNN)
Rental Increases	2% Annually
Options to Renew	Four, Five Year Options

\*Rent Increases to \$344,507 on 8/1/2019, Seller will credit the difference at closing.

## RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation (%)
Year 6	\$344,506	\$28,709	-
Year 7	\$351,396	\$29,283	2.00%
Year 8	\$358,424	\$29,869	2.00%
Year 9	\$365,593	\$30,466	2.00%
Year 10	\$372,904	\$31,075	2.00%
Year 11	\$380,362	\$31,697	2.00%
Year 12	\$387,970	\$32,331	2.00%
Year 13	\$395,729	\$32,977	2.00%
Year 14	\$403,644	\$33,637	2.00%
Year 15	\$411,717	\$34,310	2.00%
Year 16	\$419,951	\$34,996	2.00%
Year 17	\$428,350	\$35,696	2.00%
Year 18	\$436,917	\$36,410	2.00%
Year 19	\$445,655	\$37,138	2.00%
Year 20	\$454,568	\$37,881	2.00%
Year 21	\$463,660	\$38,638	2.00%
Year 22	\$472,933	\$39,411	2.00%
Year 23	\$482,392	\$40,199	2.00%
Year 24	\$492,039	\$41,003	2.00%
Year 25	\$501,880	\$41,823	2.00%

## INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for Red Lobster located at 750 Highway 18 in East Brunswick, New Jersey. The property is roughly 7,002 square feet and is situated on approximately 2.79 acres of land. This Red Lobster is subject to a 25-year triple-net (NNN) lease, with roughly 20.75 years remaining on the lease. The rent is scheduled to increase by two percent annually, including through the four, five year tenant renewal options.



# Tenant Overview



- 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 (2<sup>nd</sup> largest in casual dining).
- The Company was founded in 1968 and currently operates 705 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 5<sup>th</sup> 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 net worth and >\$200M of liquidity.
- Golden Gate Capital has a long, successful track record and significant experience with multi-unit restaurant and retail businesses.



GOLDEN GATE CAPITAL



## 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.

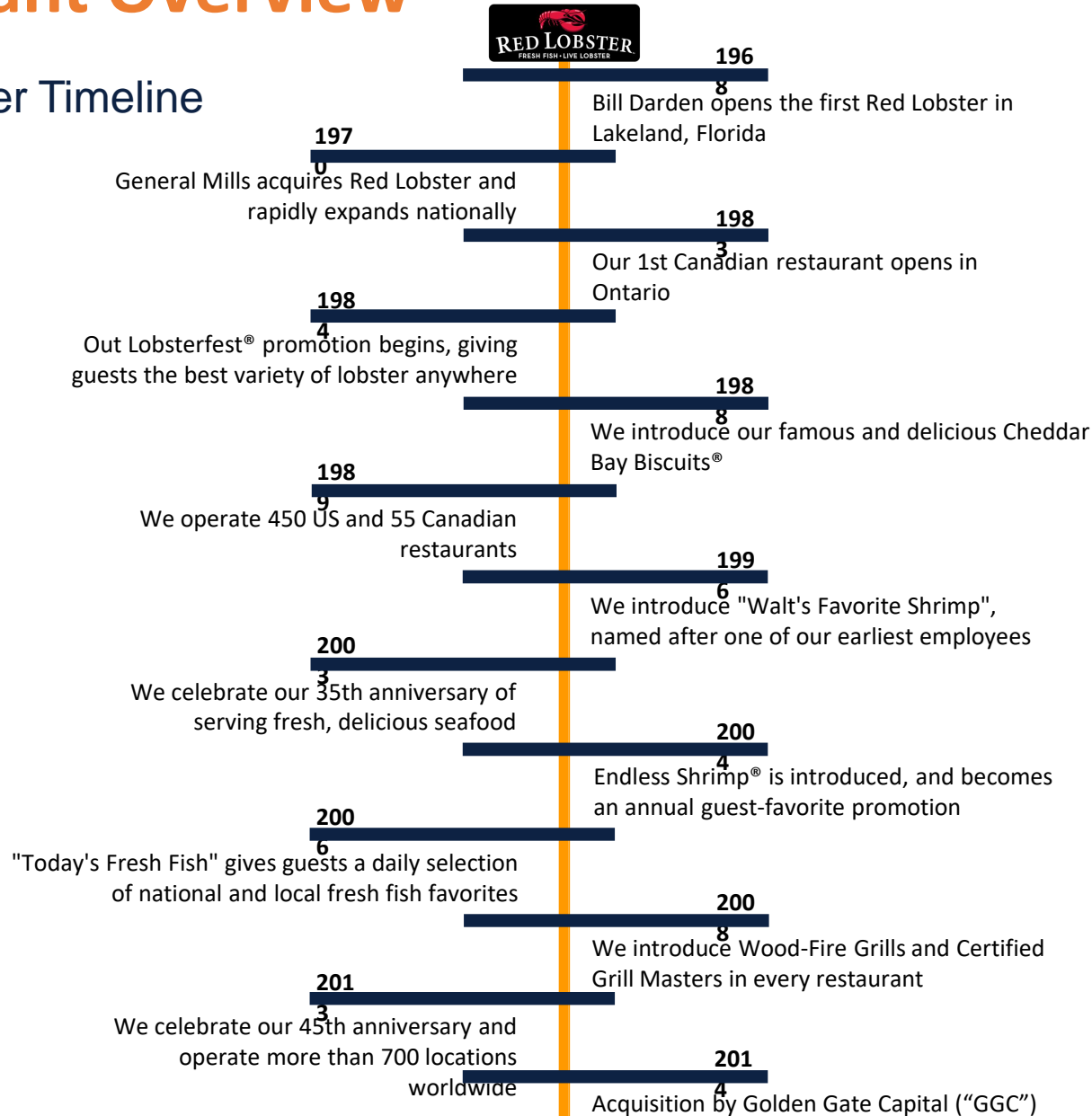
*We invite you to come in and experience our commitment to quality for yourself. Whether it's choosing your favorite fresh fish from our "Today's Fresh Fish" menu, or selecting your favorite seafood to be prepared over our wood-fired grill, Red Lobster is the place you can enjoy fresh, delicious seafood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



# Tenant Overview



## Red Lobster Timeline





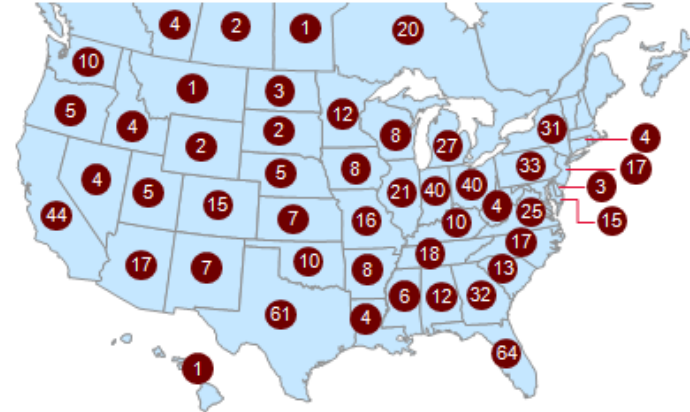
# Tenant Overview



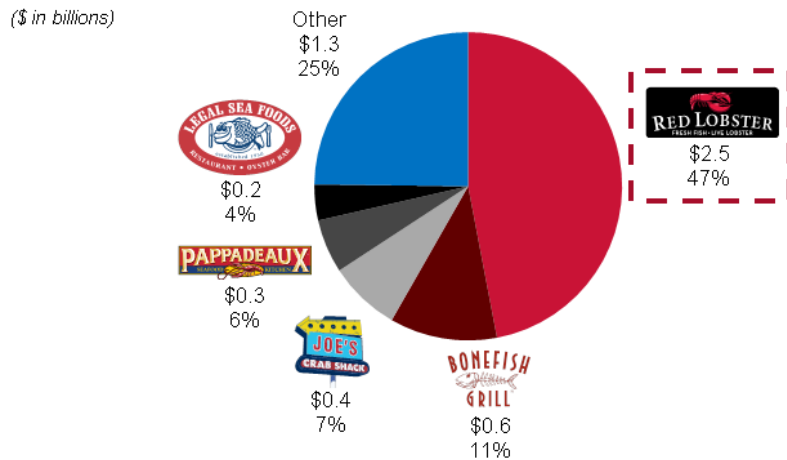
## Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world and the 5<sup>th</sup> largest casual dining concept in the United States with over \$2.5 billion in annual sales and 705 restaurants.
- 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.
- 5<sup>th</sup> largest overall casual dining concept in the US.

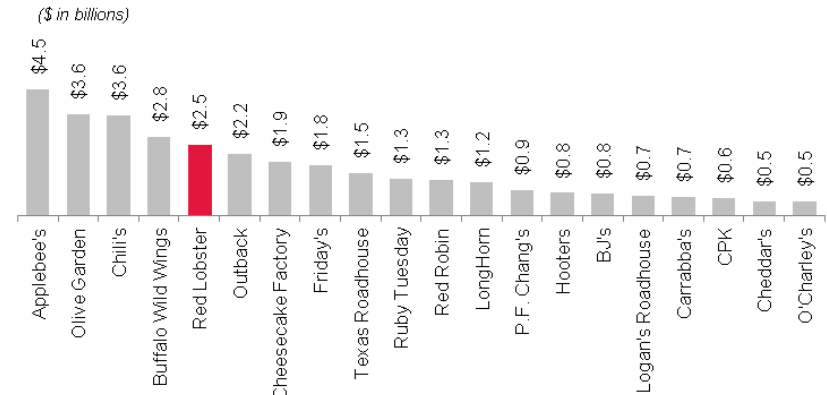
## Significant Scale With Broad Geographic Reach



## ~50% Share in Seafood Casual Dining



## 5<sup>th</sup> Largest Casual Dining Concept in the US



# Tenant Overview



## Iconic Brand With Unparalleled Customer Loyalty

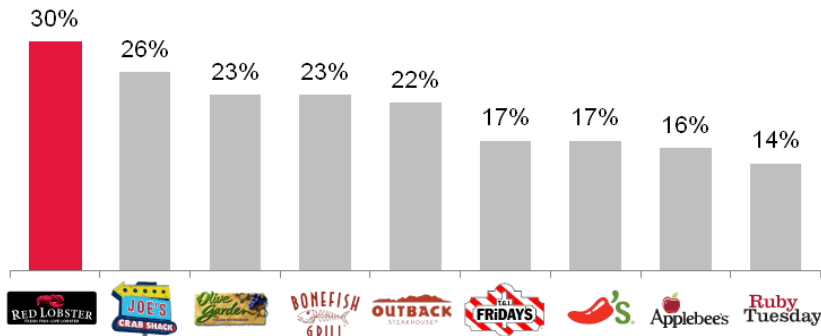
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster 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 7 years.
- \$1.4 billion in overall capital expenditure investment over the past 10 years.
- New Bar Harbor format has strong appeal across customer base.
- 99% 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 brand.



**Kim Lopdrup**  
*CEO*  
(28 years in Restaurant Industry)

- Kim served as President of Red Lobster from FY2005 to FY2011, a period of consistent, above-market growth for the brand
- Prior to his return to Red Lobster, Kim served as President of Specialty Restaurant Group and New Business
- Before joining Darden, Kim served as EVP and COO of North America for Burger King, and at Dunkin' Brands as VP of Marketing and CEO of its international division
- BBA, College of William & Mary; MBA with distinction, Harvard Business School



**Salli Setta**  
*President*  
(25 years in Restaurant Industry)

- Salli was named President of Red Lobster in July of 2013
- Prior to her promotion to President, Salli served as Red Lobster's EVP of Marketing, before which she held numerous roles in Marketing and Culinary at Olive Garden during its turnaround, including VP Marketing and SVP Culinary and Beverage
- 24 years of experience in restaurant marketing, advertising and menu development; named "Menu Strategist of the Year" in 2003; recipient of three Menu Masters' Awards and a Silver Effie for her work on the "Hospitaliano" ad campaign
- BA, University of Central Florida; MBA, Florida Institute of Technology



**Bill Lambert**  
*CFO*  
(31 years in Restaurant Industry)

- Bill served as CFO of Red Lobster from FY2006 to FY2010
- Prior to his return to Red Lobster, Bill served as CFO of LongHorn Steakhouse
- Prior to joining Darden and Red Lobster, Bill spent 21 years with Federated Department Stores in various roles including CFO of Macy's Central
- BS, Duke University; MBA, University of Michigan



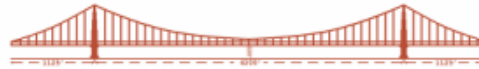
**Chip Wade**  
*EVP Operations*  
(27 years in Restaurant Industry)

- Darryl "Chip" Wade is EVP of Operations at Red Lobster
- Previously, Chip held positions in Enterprise Operations at Darden and as SVP of its Smokey Bones brand
- Outside of Darden, Chip previously served as COO of Legal Sea Foods and in various operations management roles at TGI Friday's
- BA, Widener University; MBA, University of Texas





# Tenant Overview



## GOLDEN GATE CAPITAL

- Golden Gate Capital (GGC) is a San Francisco-based Private Equity firm with over \$12 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*

**EXPRESS**

**Payless**  
SHOESOURCE®

ANN TAYLOR

**PACSUN**

  
california  
PIZZA KITCHEN

**ON THE BORDER**  
MEXICAN GRILL  
& CANTINA

J.Jill

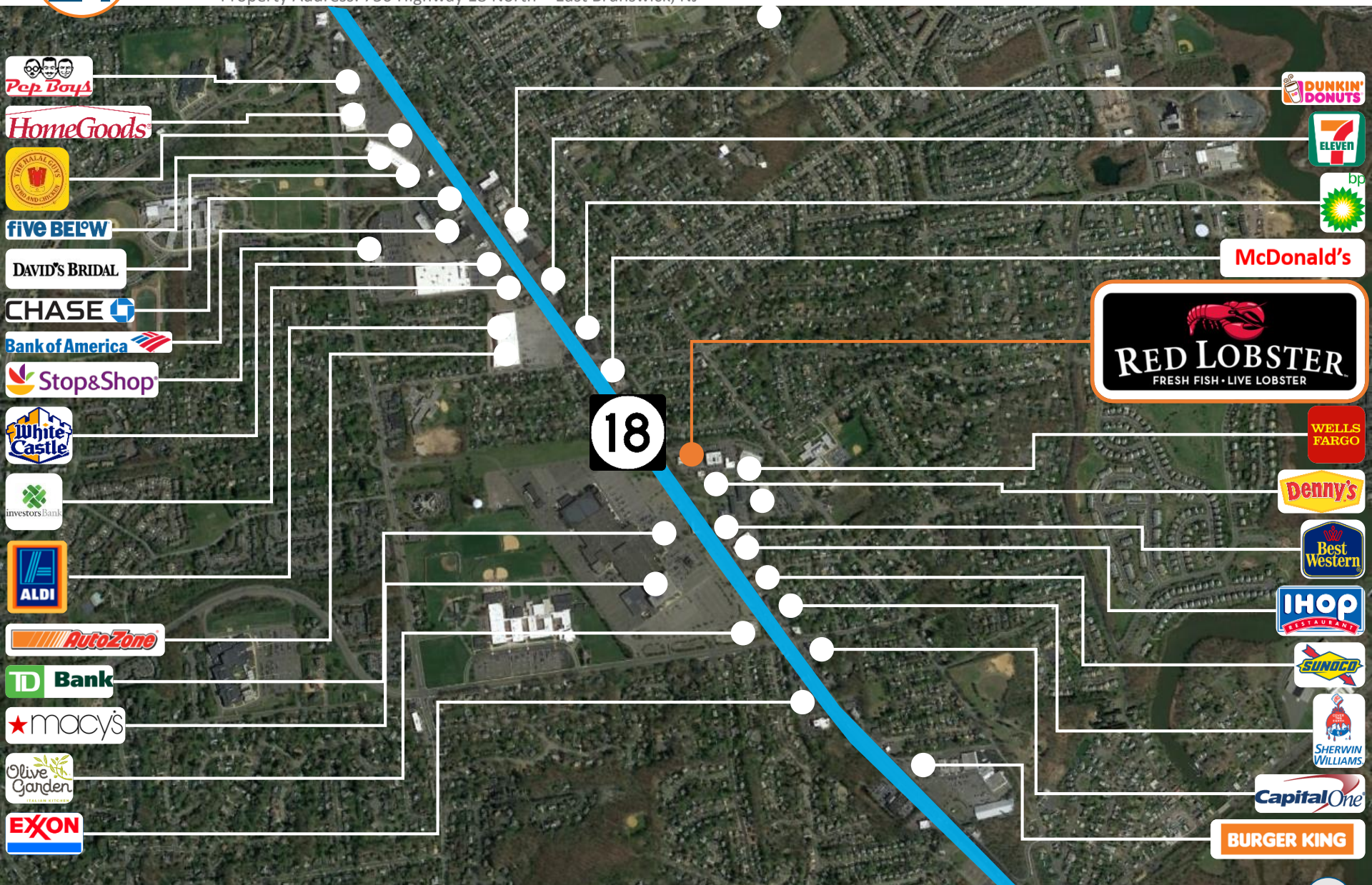
*Eddie Bauer* EST. 1920

**ZALES**



# Surrounding Area

Property Address: 750 Highway 18 North – East Brunswick, NJ







# Location Overview

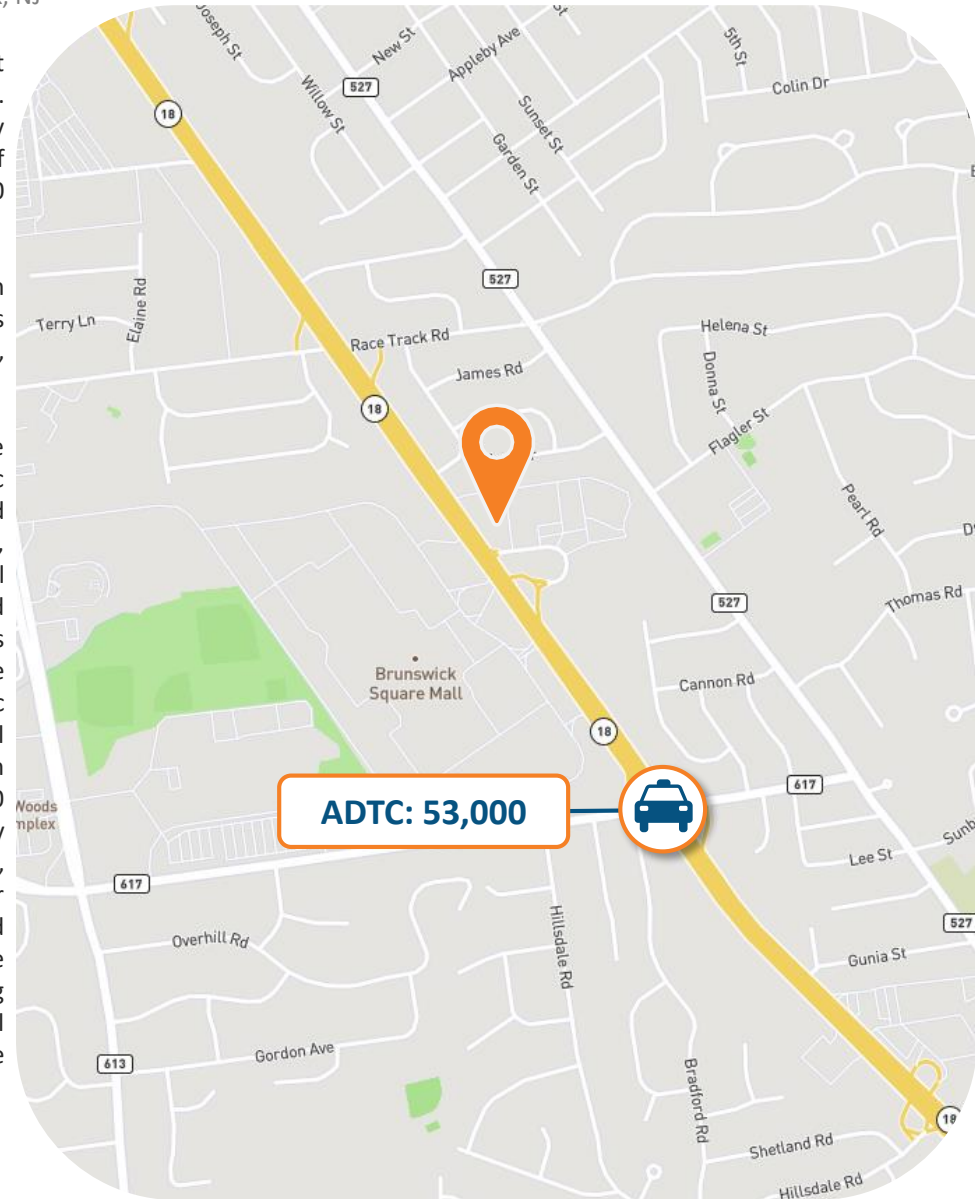
Property Address: 750 Highway 18 North – East Brunswick, NJ



This Red Lobster is located on 750 Highway 18 in East Brunswick, New Jersey. East Brunswick is located in Middlesex county and considered a suburb of New York City. There are approximately 86,000 people within a three-mile radius of this property and more than 178,000 within a five-mile radius. The property is situated off of Highway 18(NJ-18), benefitting from an average daily traffic count of over 55,000 vehicles.

The subject property is well-positioned in a strong retail corridor benefitting from proximity to major national and local retailers. Nationally recognized retailers include Barnes and Noble, Olive Garden, Ruby Tuesday, TD Bank, Old Navy, IHOP, Denny's and Best Western.

Proudly hailed as one of New Jersey's 25 great towns, East Brunswick's 22.5 square miles is home to a diverse population of 47,512 per the 2010 census. A strategic location and a progressive outlook have fostered a dynamic growth of attractive and desirable residential developments, an excellent school system, shopping centers, state-of-the-art office complexes, and medical services. The East Brunswick School system, is one of New Jersey's finest. The system has more than 8,500 students and over 90% of its graduates go on to higher education studies. The high school has been named a Star School by the State of New Jersey. Recreational offerings are diverse and include one of the township's star attractions, Crystal Springs Aquatic Facility, a blue water swimming area with a lazy river, Olympic size lap pool, several wading pools, and a water slide. In addition, the Township boasts two private swim clubs, many tennis courts, five private health clubs and fourteen public parks on 600 acres. Tamarack Golf Club, which includes two 18-hole courses and is owned by Middlesex County, is also located in the Township. A community theater group, Playhouse 22, performs major Broadway shows and children's shows. The Tower Center Complex includes two office towers, a Hilton Hotel, a convention center and one of the Township's regional commuter park-and-ride facilities. The five mile stretch of Route 18 within the township is lined with stores, offices and eating establishments. There are supermarkets, movie theaters, three large and several small shopping malls, the largest of which is the Brunswick Square Mall, a one million square foot complex.







# Property Photos

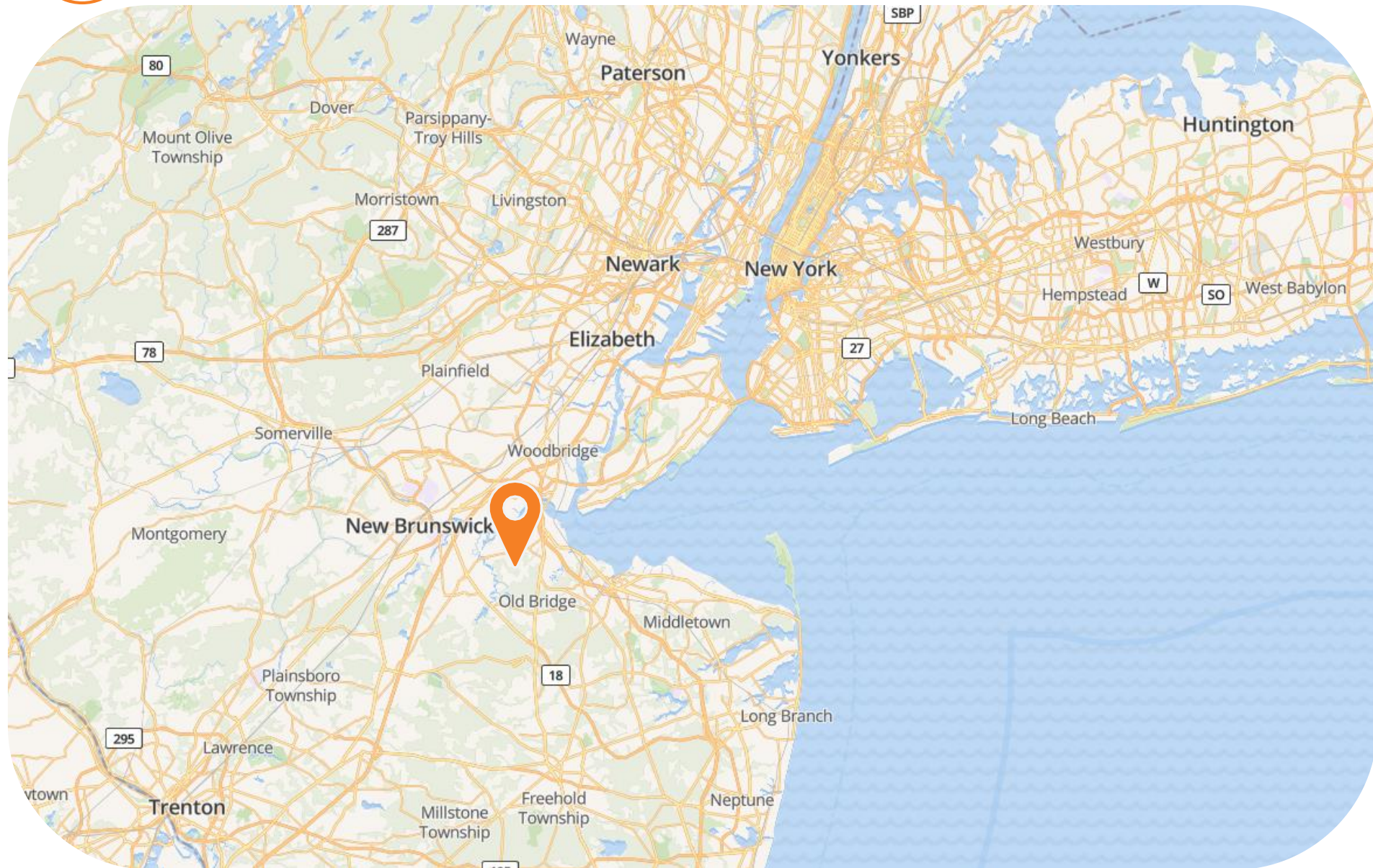






# Local Map

Property Address: 750 Highway 18 North – East Brunswick, NJ

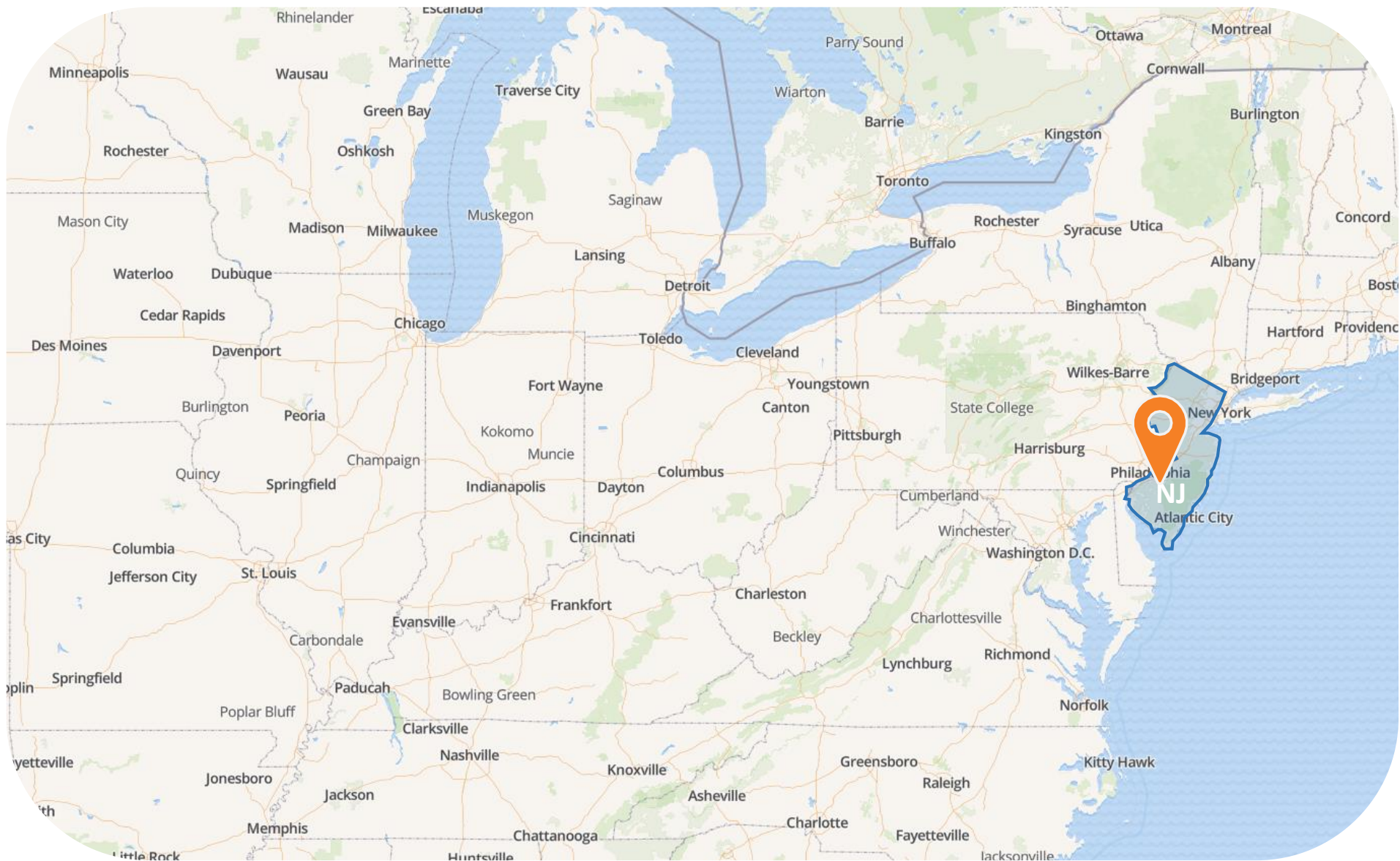






# Regional Map

Property Address: 750 Highway 18 North – East Brunswick, NJ

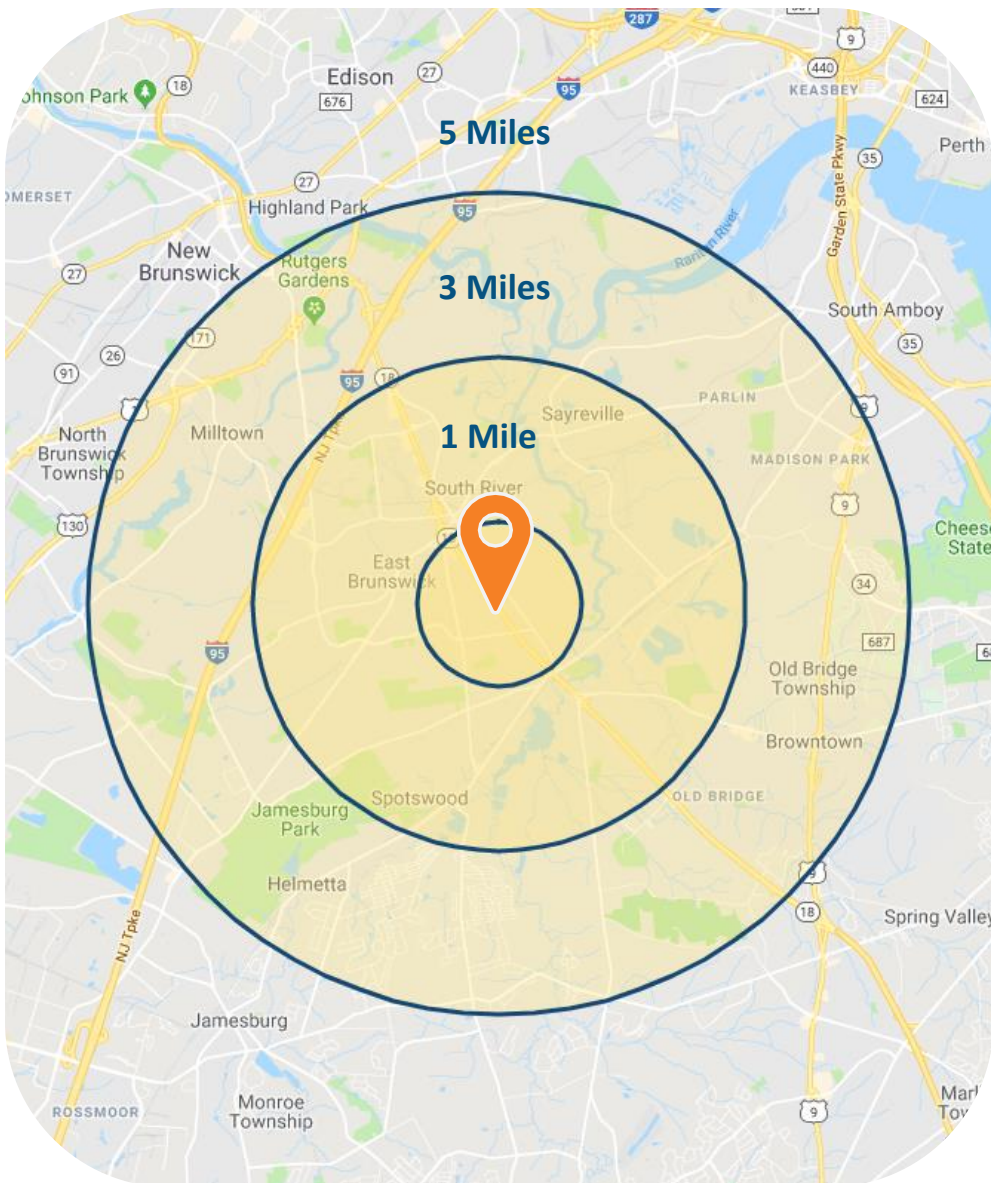






# Demographics

Property Address: 750 Highway 18 North – East Brunswick, NJ



## POPULATION

	1 Miles	3 Miles	5 Miles
2023 Projection	12,872	85,519	180,484
2018 Estimate	12,850	84,608	177,535
2010 Census	12,767	83,684	173,971
2000 Census	12,810	82,079	169,267

## INCOME

Average	\$128,550	\$117,154	\$115,705
Median	\$104,273	\$89,030	\$88,122
Per Capita	\$41,866	\$42,021	\$41,390

## HOUSEHOLDS

2023 Projection	4,205	30,760	64,598
2018 Estimate	4,174	30,277	63,220
2010 Census	4,112	29,639	61,284
2000 Census	4,077	29,183	59,454

## HOUSING

2018	\$365,702	\$338,392	\$342,714
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## EMPLOYMENT

2018 Daytime Population	15,344	70,428	140,981
2018 Unemployment	5.30%	4.75%	4.55%
2018 Median Time Traveled	40	37	37

## RACE & ETHNICITY

White	64.30%	68.03%	67.60%
Native American	0.03%	0.02%	0.02%
African American	5.68%	7.00%	7.54%
Asian/Pacific Islander	24.86%	17.91%	17.64%



# Market Overview

City: East Brunswick | County: Middlesex | State: New Jersey

*New York, New York*

**East Brunswick** is a city located just 37 miles outside of Manhattan, New York.

With an estimated 2017 population of 8,622,698 distributed over a land area of about 302.6 square miles, New York City is also the most densely populated major city in the United States. Located at the southern tip of the state of New York, the city is the center of the New York metropolitan area, the largest metropolitan area in the world by urban landmass and one of the world's most populous megacities. A global power city, New York City has been described as the cultural, financial, and media capital of the world, and exerts a significant impact upon commerce, entertainment, research, technology, education, politics, tourism, and sports. Home to the headquarters of the United Nations, New York is an important center for international diplomacy.

Situated on one of the world's largest natural harbors, New York City consists of five boroughs, each of which is a separate county of the State of New York. The five boroughs – Brooklyn, Queens, Manhattan, The Bronx, and Staten Island – were consolidated into a single city in 1898. As many as 800 languages are spoken in New York, making it the most linguistically diverse city in the world.

Many districts and landmarks in New York City are well known, and the city received a record 62.8 million tourists in 2017. Several sources have ranked New York the most photographed city in the world. Times Square, iconic as the world's "heart" and its "Crossroads", is the brightly illuminated hub of the Broadway Theater District, one of the world's busiest pedestrian intersections, and a major center of the world's entertainment industry. Anchored by Wall Street in the Financial District of Lower Manhattan, New York City has been called both the most economically powerful city and the leading financial center of the world, and the city is home to the world's two largest stock exchanges by total market capitalization, the New York Stock Exchange and NASDAQ. Providing continuous 24/7 service, the New York City Subway is one of the most extensive metro systems worldwide, with 472 stations in operation. Over 120 colleges and universities are located in New York City, including Columbia University, New York University, and Rockefeller University, which have been ranked among the top universities in the world.

## Major Employers

Employer	Estimated # of Employees
Gerdau	45,000
East Brunswick Board of Education	1,600
Businessedge Solutions	730
Interface Holdings Group LTD	700
Celebrity International Inc	612
Home Depot	572
Schweitzer-Mauduit International Inc	500
Ashley Stewart Inc	481
Macy's	420
Industrial Staffing Services LLC	360



Marcus & Millichap

## EXCLUSIVE NET LEASE OFFERING

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