

# BOB EVANS

EXCLUSIVE NET-LEASE OFFERING



# OFFERING MEMORANDUM



17011 Bagley Road, Middleburg Heights, OH 44130



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properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

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# Investment Highlights

PRICE: \$3,850,407 | CAP: 5.65% | RENT: \$217,548

## About the Investment

- ✓ Long Term 20-Year Triple-Net (NNN) Lease with Zero Landlord Responsibilities and 17.75 Years Remaining on the Base Term
- ✓ Attractive Two Percent Annual Rental Escalations
- ✓ Six (6), Five (5) Year Extension Options
- ✓ Strong Corporate Guarantee Backed by Approximately 500 Locations

## About the Location

- ✓ Excellent Location Fundamentals | Positioned on a Hard-Signalized Corner off I-71 Situated on 3.50 Acres Directly on Bagley Road
- ✓ Heavily Trafficked Area | Bagley Road and Interstate-75 | More than 36,600 and 117,400 Vehicles Per Day, Respectively
- ✓ Less Than One Mile From Southwest General Health Center | 245 Bed Hospital Campus
- ✓ Dense Retail Corridor | ALDI, Regal Cinemas, McDonald's, Olive Garden, Dunkin' Donuts, Burger King, Panera Bread, Taco Bell, Arby's, Perkins, and Many More
- ✓ Excellent Demographics | Over 183,000 Residents With Five-Mile Radius & Average Household Income Exceeds \$71,000 within a Three-Mile Radius
- ✓ Strong Real Estate Fundamentals | Less than Three Miles from Cleveland-Hopkins International Airport | Serves More than 9,650,000 Million Passengers

## About the Tenant / Brand

- ✓ Founded in 1948, Bob Evans is an iconic American brand that has grown from a 12-stool, 24-hour restaurant to over 500 locations
- ✓ Restaurants operate across 3 dayparts (Breakfast: 32%, Lunch: 37%, Dinner: 31%) with a large carryout business (16%) – well-positioned for growing off-premise business
- ✓ Craveable, fresh offering of comfort food in a family-friendly atmosphere at an affordable price
- ✓ Strong real estate profile with well-maintained restaurants
- ✓ 100% of restaurants were recently remodeled



*Representative Photo*





# Financial Analysis

PRICE: \$3,850,407 | CAP: 5.65% | RENT: \$217,548



PROPERTY DESCRIPTION	
Property	Bob Evans
Property Address	17011 Bagley Road
City, State, ZIP	Middleburg Heights, OH 44130
Year Built / Renovated	1976 / 2013
Building Size (Square Feet)	5,620
Lot Size	+/- 3.50 Acres
Type of Ownership	Fee Simple
THE OFFERING	
Purchase Price	\$3,850,407
CAP Rate	5.65%
Annual Rent	\$217,548
LEASE SUMMARY	
Property Type	Net-Leased Restaurant
Tenant	Corporate
Original Lease Term	20 Years
Lease Commencement	April 28, 2017
Lease Expiration	April 30, 2037
Lease Term Remaining	17.75 Years
Lease Type	NNN
Rental Increases	2% Annually
Options to Renew	Six (6), Five (5) Year Options

Rent Schedule			
Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation (%)
Year 3	\$213,282	\$17,774	2.00%
Year 4	\$217,548	\$18,129	2.00%
Year 5	\$221,899	\$18,492	2.00%
Year 6	\$226,337	\$18,861	2.00%
Year 7	\$230,864	\$19,239	2.00%
Year 8	\$235,481	\$19,623	2.00%
Year 9	\$240,191	\$20,016	2.00%
Year 10	\$244,994	\$20,416	2.00%
Year 11	\$249,894	\$20,825	2.00%
Year 12	\$254,892	\$21,241	2.00%
Year 13	\$259,990	\$21,666	2.00%
Year 14	\$265,190	\$22,099	2.00%
Year 15	\$270,494	\$22,541	2.00%
Year 16	\$275,903	\$22,992	2.00%
Year 17	\$281,421	\$23,452	2.00%
Year 18	\$287,050	\$23,921	2.00%
Year 19	\$292,791	\$24,399	2.00%
Year 20	\$298,647	\$24,887	2.00%

\*Current Rent is \$213,282; Pricing is based on upcoming rental increase on 5/1/2020

## INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for a Bob Evans located at 17011 Bagley Road in Middleburg Heights, Ohio. The property consists of 5,620 square feet of building space and is situated on approximately 3.50 acres of land. The property is subject to a 20-year triple-net (NNN) lease that commenced on April 28, 2017. The current rent is \$213,282, increasing to \$217,548 on 5/1/2020. There are 2% annual rental increases that will continue through six, five-year tenant renewal options. There are 17.75 years remaining on the base term of this lease.



# Concept Overview



## About Bob Evans

*Bob Evans is a chain of family style restaurants founded and headquartered in Columbus, Ohio, which owns and operates nearly 500 locations in 18 states, primarily in the Midwest, mid-Atlantic and Southeast regions of the United States. As a private company owned by Golden Gate Capital, Bob Evans Restaurants is focused on providing quality food and hospitality to every guest at every meal, each and every day. The company offers a variety of pork sausages, mashed potatoes, macaroni and cheeses, frozen handheld breakfast items, bacon products, and other convenience foods. The restaurants feature a country-living theme with a close connection to farms.*

*On January 24, 2017, Bob Evans Farms announced the sale of its restaurants business unit to private equity company Golden Gate Capital (owners of Red Lobster and California Pizza Kitchen). Once the sale was finalized, Bob Evans Farms CEO Saed Mohseni moved to Golden Gate Capital to serve as president of the Bob Evans restaurant division. BEF Foods President Mike Townsley became president and CEO of the new Bob Evans Farms, which remains a public company focusing on grocery products such as breakfast sausage and refrigerated side dishes.*

***“We treat strangers like friends  
and friends like family.”***

**-Bob Evans**

## Strong Asset

- Strong real estate profile, all units have been recently remodeled
- Compelling unit-level fundamentals

## Strong Tenant

- Scale restaurant brand with approximately 500 locations
- Participates in the attractive and growing family dining segment which has consistently outperformed the casual dining segment
- Iconic brand with strong awareness / Net Promoter Score (NPS)

## Significant Experience

- Golden Gate Capital is the most active private equity buyer of full-service restaurant companies
- History of growing same restaurant sales and margins have led to successful outcomes: 60%+ IRRs across GGC restaurant transactions
- CEO Saed Mohseni has significant experience in casual dining, growing and taking two restaurant companies public; will lead a new but experienced management team





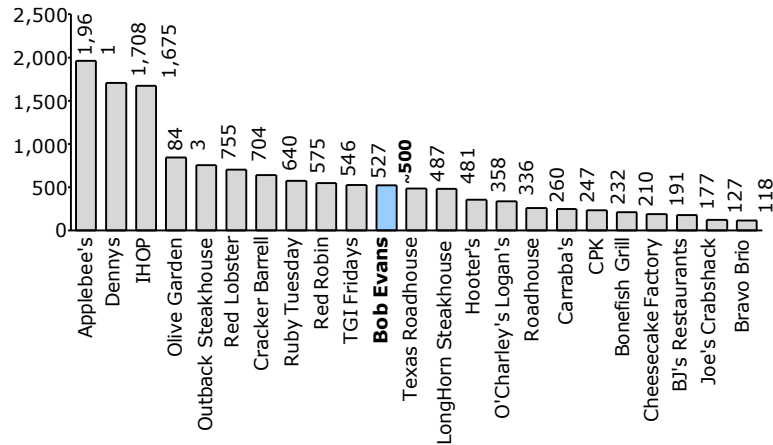
# Concept Overview



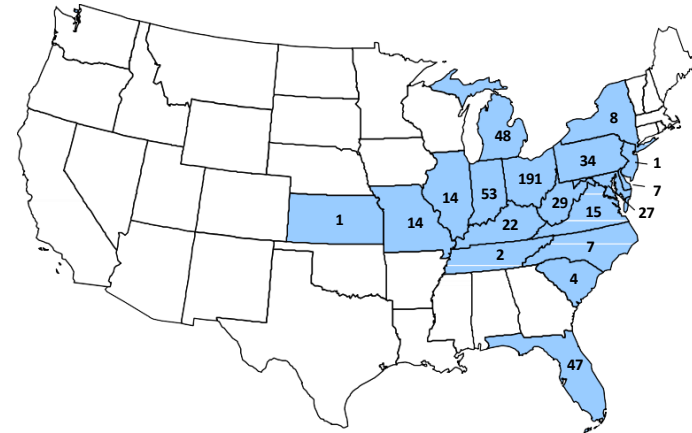
*Bob Evans Restaurants is a scale, strong brand with approximately 500 locations.*

## Significant Scale

North America Units

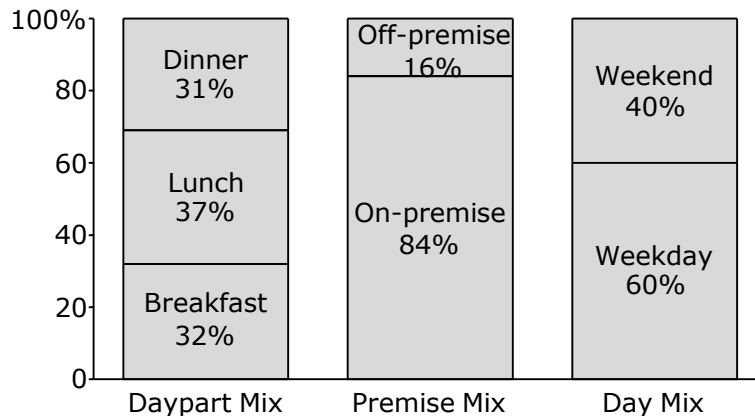


## Strong Real Estate Footprint



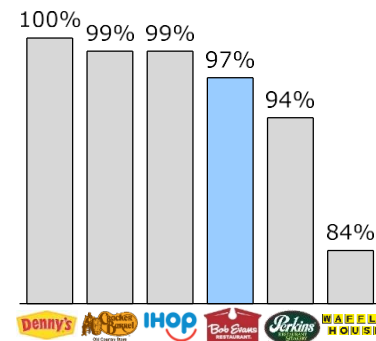
## Diversified Revenue Stream

% of Revenue

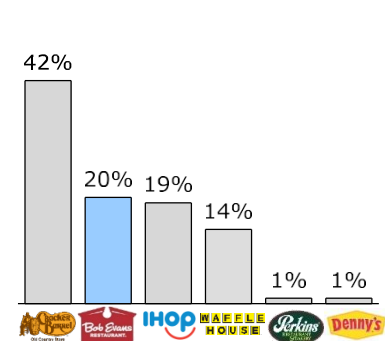


## Iconic Brand

Brand Awareness





Net Promoter Score



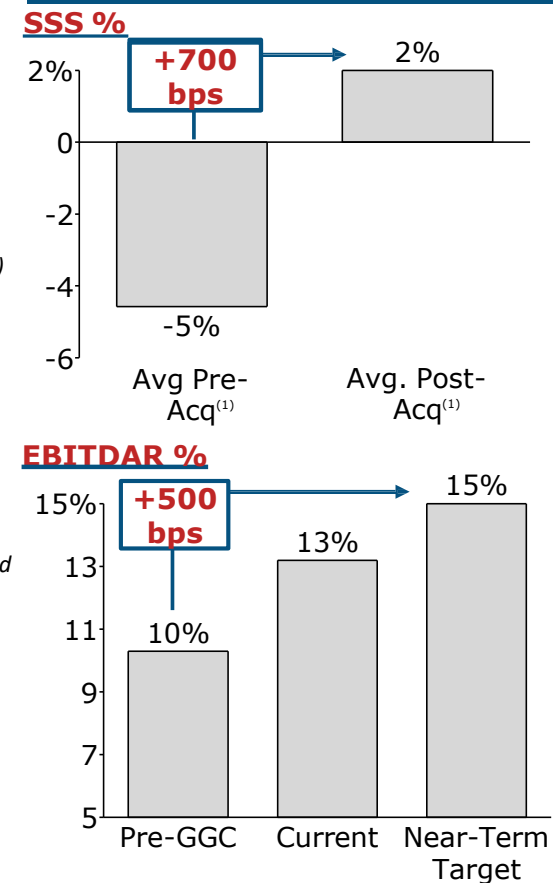
# Case Study: GGC's Red Lobster Investment Thesis and Results



*The Bob Evans transaction fits directly into GGC's investment strategy and is very similar to GGC's acquisition of Red Lobster. Under GGC ownership Red Lobster has increased sales and margins through similar "playbook" planned for Bob Evans.*

		
<b>Strong Scale Platform</b>	✓ (700+ locations)	✓ (~500 locations)
<b>Leading Brand Awareness</b>	✓ (Loyal customer following with high perception across both brands)	✓
<b>Undermanaged but fixable asset</b>	✓ (Negative trends turned positive, higher margins)	✓ (Similar thesis)
<b>Attractive Real Estate</b>	✓ (Healthy real estate portfolio, recently remodeled)	✓ (Strong asset coverage from owned real estate, recently remodeled)
<b>Strong History of Performance</b>	✓	✓
<b>Identifiable Profit Opportunities</b>	✓ (Multiple avenues of cost and sales upside)	✓ (Multiple avenues of cost, sales <u>and</u> new unit opportunities)

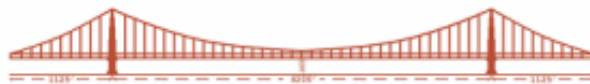
## RL Results Since Close







# About Golden Gate Capital



## 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 Investments

#### Restaurant Private Equity Investments





# Surrounding Area



Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Aerial Photos

Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Aerial Photos

Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Surrounding Area Photos

Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Surrounding Area Photos

Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Location Overview

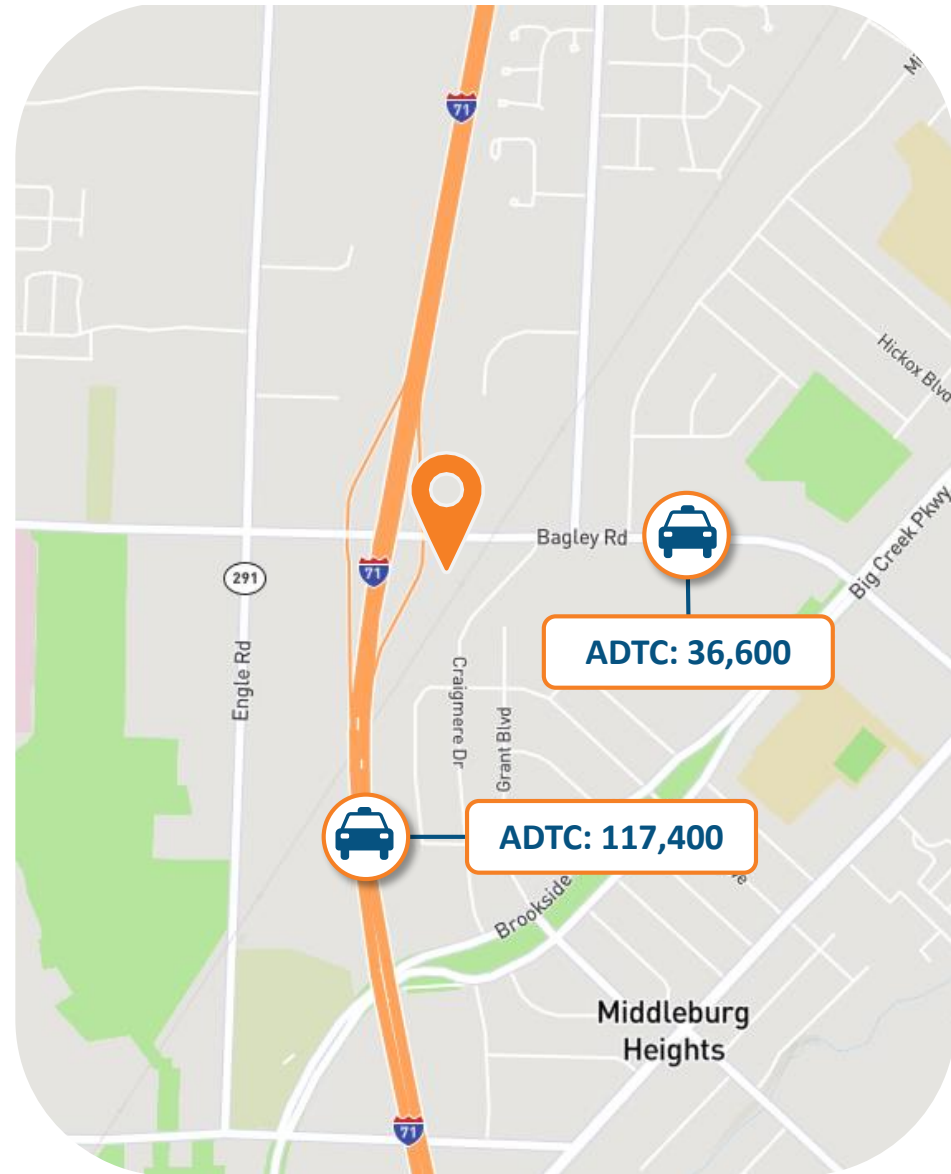
Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130



This subject Bob Evans property is strategically situated on Bagley Road which is just off of I-75. Bagley Road experiences average daily traffic counts exceeding 36,600 vehicles, respectively. Bagley Road is situated just off of interstate-75, which brings an additional 117,600 vehicles into the immediate area on average daily. There are more than 183,453 individuals residing within a five-mile radius of this Bob Evans property and more than 715,874 individuals within a ten-mile radius. The subject site is located in an affluent suburban community with an average household income exceeding \$71,155.

This Bob Evans investment property benefits from being well-positioned in a highly dense retail corridor consisting of several national and local tenants, shopping centers, and medical facilities. Major national tenants in the area include: ALDI, Regal Cinemas, McDonald's, Olive Garden, Dunkin' Donuts, Burger King, Panera Bread, Taco Bell, Arby's, Perkins, and many more. Hospitality accommodations in the area including: Red Roof Inn, Days Inn, Courtyard Marriot, Motel 6, The Crowne Plaza, Sonesta Suites, and many more. This subject property is also located less than one mile from Southwest General Health Center, a 245-bed, medical and surgical facility. The site is also located less than three-miles from Cleveland-Hopkins International Airport, which serves more than 9,650,000 passengers annually.

Middleburg Heights is a city and a suburb of Cleveland in Cuyahoga County, Ohio. Middleburg Heights is approximately 15 miles from Downtown Cleveland, Ohio. Cleveland is the second largest city in Ohio and the 51st largest city in the United States. The city is located on the southern shore of Lake Erie and is the county seat of Cuyahoga County. It became a manufacturing center due to its location on both the river and the lake shore, as well as being connected to numerous canals and railroad lines. Cleveland's economy relies on diversified sectors such as manufacturing, financial services, healthcare, and biomedicals. Cleveland is home to the corporate headquarters of many large companies such as Applied Industrial Technologies, NACOO Industries, Sherwin-Williams Company, and many others. The Cleveland Clinic is the city's largest private employer with a workforce of over 37,000. It carries the distinction as being among America's best hospitals with top ratings published in U.S. News & World Report. Cleveland offers a strong concentration of cultural and educational events. The Cleveland International Film Festival held annually since 1977, draws over 60,000 people. It consists of more than 170 features and 130 short films from approximately 60 countries. In addition to the many annual festivals and events that Cleveland offers, it is also home to the Cleveland Indians, two-time World Series champions and NFL team, the Cleveland Browns.

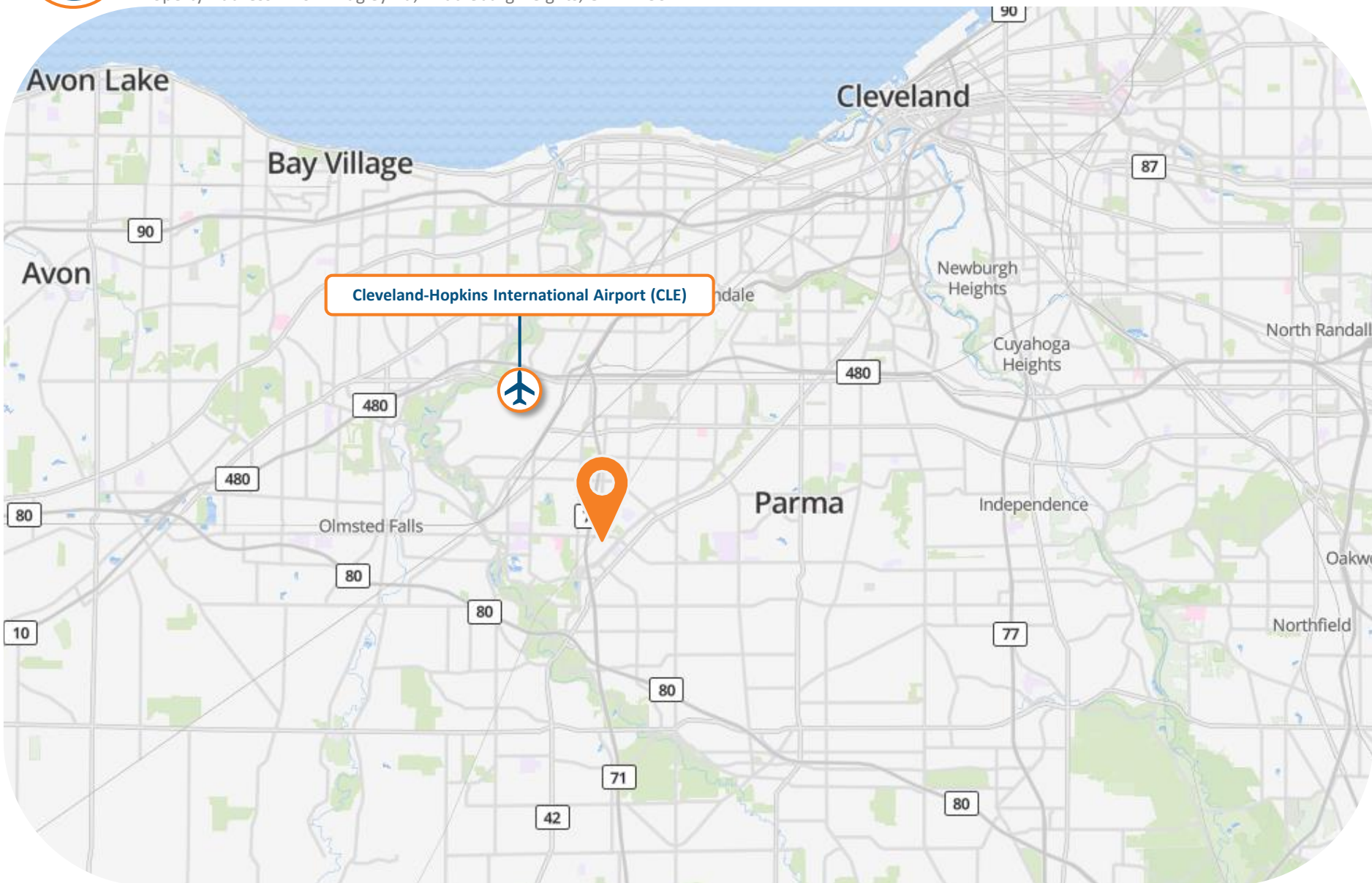




# Local Map



Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130







# Regional Map



Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130



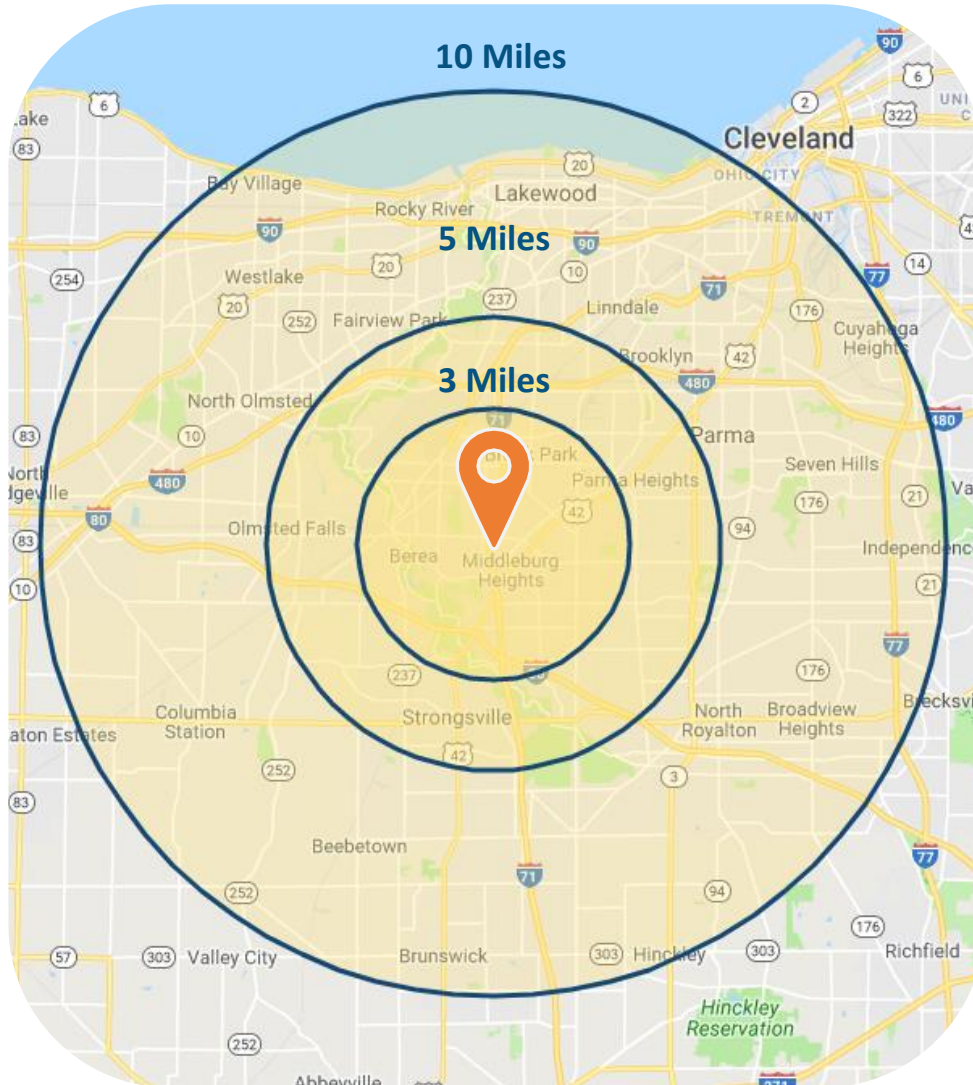




# Demographics



Property Address: 17011 Bagley Rd, Middleburg Heights, OH 44130



## POPULATION

	3 Miles	5 Miles	10 Miles
2023 Projection	72,319	183,453	715,874
2018 Estimate	72,368	182,464	710,498
2010 Census	73,175	184,703	717,394
2000 Census	75,513	187,853	732,434

## INCOME

	3 Miles	5 Miles	10 Miles
Average	\$71,155	\$70,829	\$76,195
Median	\$56,858	\$55,324	\$55,421
Per Capita	\$29,939	\$30,339	\$31,918

## HOUSEHOLDS

	3 Miles	5 Miles	10 Miles
2023 Projection	30,251	78,643	300,952
2018 Estimate	29,928	77,341	295,958
2010 Census	30,574	79,044	301,537
2000 Census	30,235	77,597	298,940

## HOUSING

	3 Miles	5 Miles	10 Miles
2018	\$142,096	\$142,828	\$153,395

## EMPLOYMENT

	3 Miles	5 Miles	10 Miles
2018 Daytime Population	89,986	201,328	679,415
2018 Unemployment	4.78%	4.46%	4.79%
2018 Median Time Traveled	25 Mins	26 Mins	26 Mins

## RACE & ETHNICITY

	3 Miles	5 Miles	10 Miles
White	90.22%	87.87%	84.28%
Native American	0.01%	0.02%	0.02%
African American	3.50%	4.84%	6.47%
Asian/Pacific Islander	3.25%	3.26%	2.91%



# Market Overview

City: Cleveland | County: Cuyahoga | State: Ohio

*Cleveland, Ohio*

**Middleburg Heights** is a city in Cuyahoga County, Ohio and is suburb of Cleveland. Cleveland is the second largest city in Ohio and the 51st largest city in the United States. The city is located on the southern shore of Lake Erie and is the county seat of Cuyahoga County. Cleveland's location on the Cuyahoga River and Lake Erie has been key to its growth. The Ohio River and Erie Canal coupled with rail links helped the city become an important business center. Steel and many other manufactured goods emerged as leading industries.

The city diversified its economy in addition to its manufacturing sector. Cleveland is home to the corporate headquarters of many large companies such as Applied Industrial Technologies, Cliffs Natural Resources, Forest City Enterprises, NACCO Industries, Sherwin-Williams Company, and KeyCorp. NASA maintains a facility in Cleveland, the Glenn Research Center. Jones Day, one of the largest law firms in the US, was founded in Cleveland. The Cleveland Clinic is the city's largest private employer with a workforce of over 37,000. It carries the distinction as being among America's best hospitals with top ratings published in U.S. News & World Report. Cleveland's healthcare sector also includes University Hospitals of Cleveland, a renowned center for cancer treatment, Metro Health medical center, and the insurance company Medical Mutual of Ohio. Cleveland is also noted in the fields of biotechnology and fuel cell research, led by Case Western Reserve University, the Cleveland Clinic, and University Hospitals of Cleveland. The city is among the top recipients of investment for biotech start-ups and research.

## Major Employers

Employer	Estimated # of Employees
The Metro Health System	6,000
Ta Travel Centers of America	4,500
Metro Health	4,000
Applebee's	3,597
Ford	2,832
Cleveland Clinic	2,800
Broadview Heights	2,656
Cleveland Clinic Health System	2,639
Southwest General Health Center	2,580
Giant Eagle	2,529
Parma Community General Hospital	2,295



Marcus & Millichap

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**OH BROKER OF RECORD:**

Michael Glass

Marcus & Millichap

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