

# Red Lobster

EXCLUSIVE NET-LEASE OFFERING



# OFFERING MEMORANDUM



72291 Highway 111,  
Palm Desert, CA 92260

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## Table of Contents

Investment Highlights	4
Financial Analysis	5
Concept Overview	6-12
Surrounding Area	13
Location Overview	14
Local Map	15
Regional Map	16
Demographics	17
Market Overview	18





# Investment Highlights

PRICE: \$6,101,081 | CAP: 6.15% | RENT: \$375,216



## About the Investment

- ✓ Long-Term, Absolute Triple-Net (NNN) Lease with Approximately 24 Years Remaining on the Base Term
- ✓ Corporate Tenant | Corporate Guaranty
- ✓ Attractive Rental Increases of Two Percent (2.00%) Annually
- ✓ Four (4), Five (5)-Year Tenant Renewal Options

## About the Location

- ✓ Dense Retail Corridor | Walmart, Target, Aldi, Best Buy, Dick's Sporting Goods, J.C. Penney, Old Navy, Sears, HomeGoods, Whole Foods and Many More
- ✓ Heavily Trafficked Area | Highway 111 and Fred Waring Drive | Average Daily Traffic Counts of 38,500 and 32,500 vehicles, Respectively
- ✓ Multiple Hospitality Accommodations | Holiday Inn Express and Suites, Hilton Garden Inn, Omni Rancho Las Palmas Resort & Spa, SpringHill Suites, Best Western Plus, Among Various Others
- ✓ Strong Real Estate Fundamentals | Located Less Than Two Miles From The River Mall and Westfield Palm Desert Mall
- ✓ Strong Academic Presence | Less Than Two Miles From the College of the Desert Over 11,000 Students

## ✓ 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 over 700 restaurants throughout the United States and Canada, and has more than 40 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







# Financial Analysis

PRICE: \$6,101,081 | CAP: 6.15% | RENT: \$375,216



## PROPERTY DESCRIPTION

Property	Red Lobster
Property Address	72291 Highway 111
City, State ZIP	Palm Desert, CA 92260
Year Built / Renovated	2012
Building Size (SF)	6,145
Lot Size (Acres)	+/- 1.33
Type of Ownership	Fee Simple

## THE OFFERING

Purchase Price	\$6,101,081
CAP Rate	6.15%
Annual Rent	\$375,216

## LEASE SUMMARY

Property Type	Net-Leased Restaurant
Tenant	Red Lobster Hospitality LLC
Guarantor	Red Lobster Intermediate Holdings, LLC
Lease Commencement	July 28, 2014
Lease Expiration	July 31, 2044
Lease Term Remaining	24 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Rental Increases	2.00% annually
Options to Renew	Four (4), Five (5)-Year Options

## RENT SCHEDULE

Lease Year	Annual Rent	Monthly Rent	Rent Escalation
Current	\$375,216	\$31,268	-
Year 8	\$382,720	\$31,893	2.00%
Year 9	\$390,375	\$32,531	2.00%
Year 10	\$398,182	\$33,182	2.00%
Year 11	\$406,146	\$33,845	2.00%
Year 12	\$414,269	\$34,522	2.00%
Year 13	\$422,554	\$35,213	2.00%
Year 14	\$431,005	\$35,917	2.00%
Year 15	\$439,625	\$36,635	2.00%
Year 16	\$448,418	\$37,368	2.00%
Year 17	\$457,386	\$38,116	2.00%
Year 18	\$466,534	\$38,878	2.00%
Year 19	\$475,865	\$39,655	2.00%
Year 20	\$485,382	\$40,448	2.00%
Year 21	\$495,090	\$41,257	2.00%
Year 22	\$504,991	\$42,083	2.00%
Year 23	\$515,091	\$42,924	2.00%
Year 24	\$525,393	\$43,783	2.00%
Year 25	\$535,901	\$44,658	2.00%
Year 26	\$546,619	\$45,552	2.00%
Year 27	\$557,551	\$46,463	2.00%
Year 28	\$568,702	\$47,392	2.00%
Year 29	\$580,076	\$48,340	2.00%
Year 30	\$591,678	\$49,306	2.00%

## INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive offering for a Red Lobster located at 72291 Highway 111 in Palm Desert, CA. The site consists of roughly 6,145 rentable square feet of building space on an estimated 1.33-acre parcel of land. This Red Lobster is subject to a long-term, absolute triple-net (NNN) lease, which commenced July 28, 2014. The current annual rent is \$375,216 and is scheduled to increase by 2.00% annually throughout the remainder of the base term and in each of the four (4), five (5)-year tenant renewal options.



# Concept Overview

## About Red Lobster



- 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 700+ restaurants throughout the United States and Canada and has 40+ 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 6<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.
- 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.

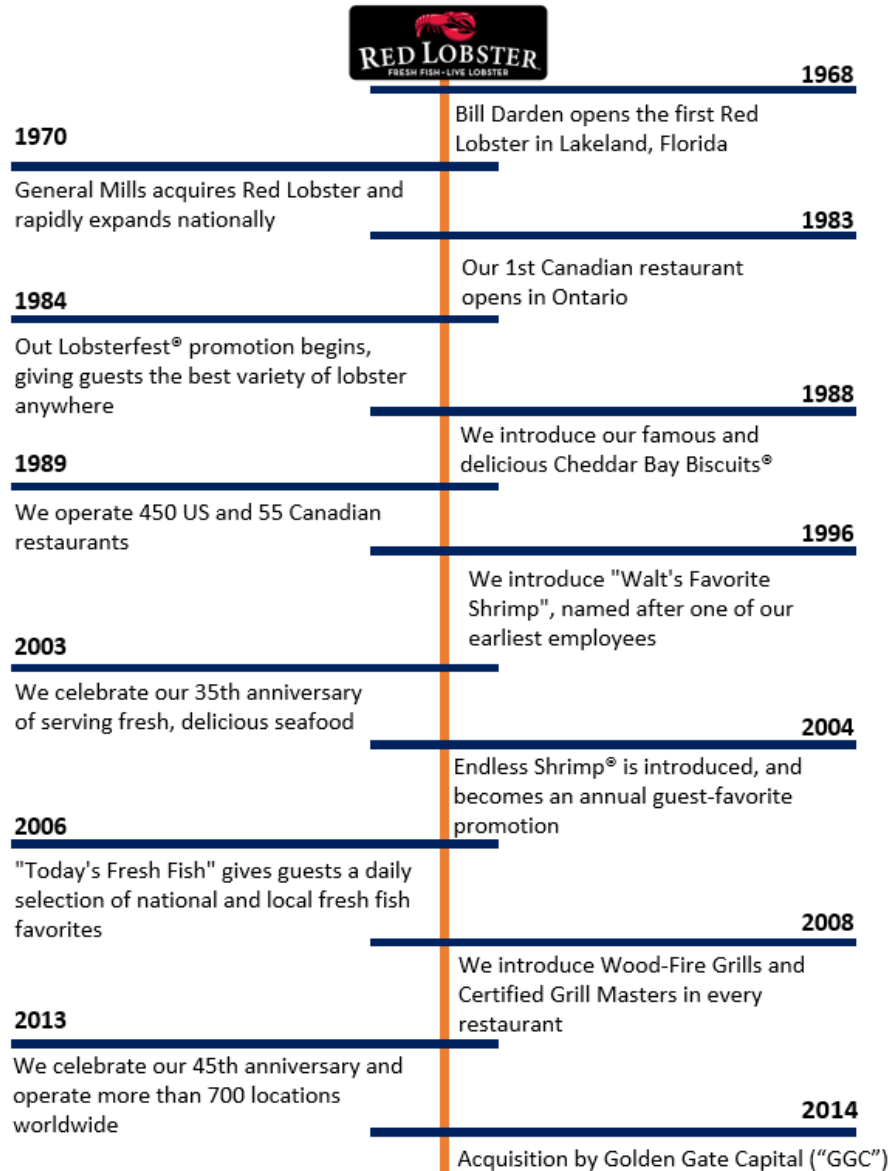
### FRESH IS IN OUR COMMITMENT

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.*



# Concept Overview







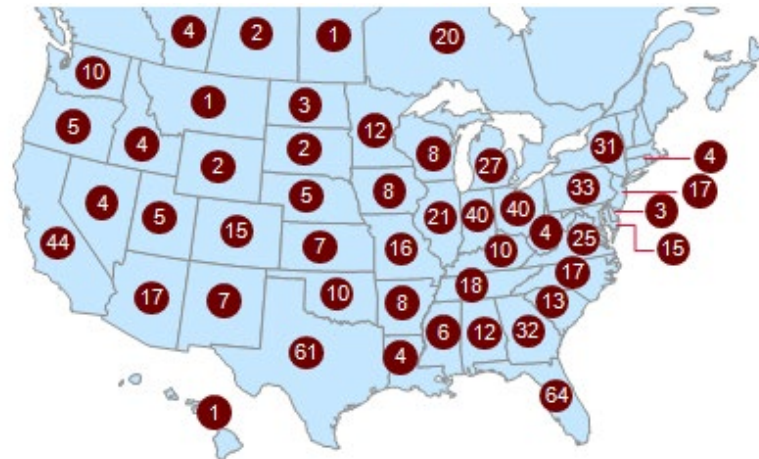
# Concept Overview



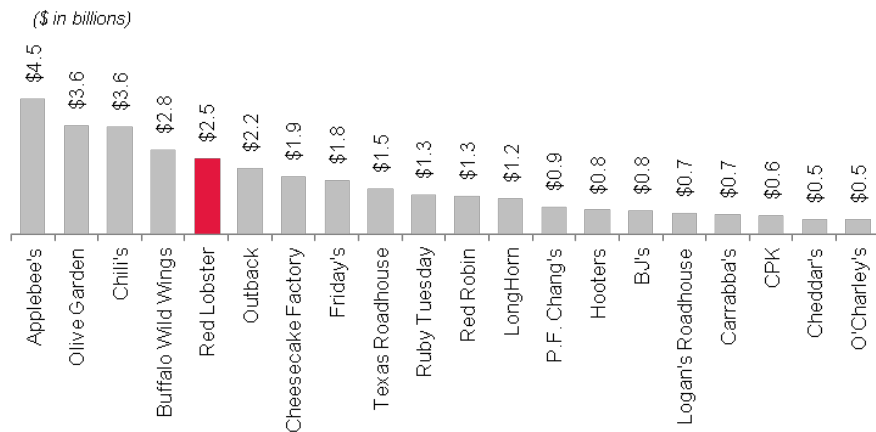
## Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world and the 6<sup>th</sup> largest casual dining concept in the United States with over \$2.5 billion in annual sales and 700+ 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.
- 6<sup>th</sup> largest overall casual dining concept in the US.

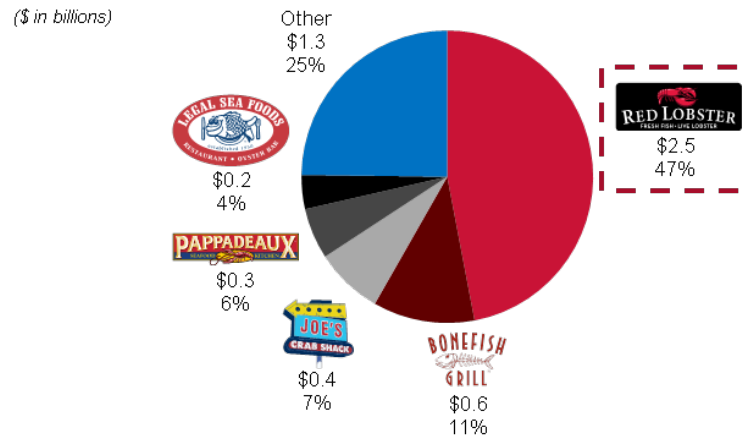
## Significant Scale With Broad Geographic Reach



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



## ~50% Share in Seafood Casual Dining





# Concept Overview



## Iconic Brand With Unparalleled Customer Loyalty

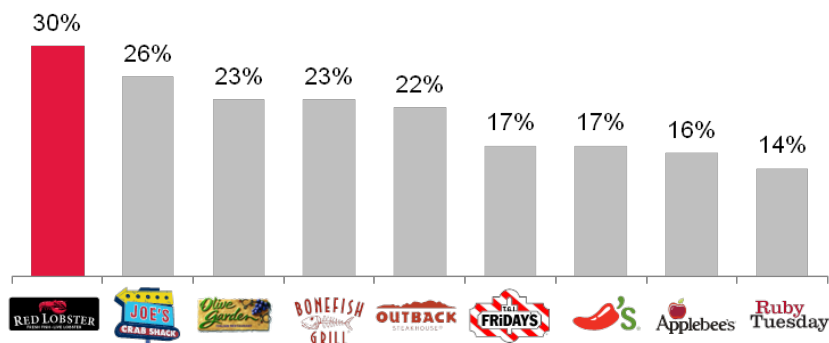
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster 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 9 years.
- \$1.4 billion in overall capital expenditure investment over the past 11 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

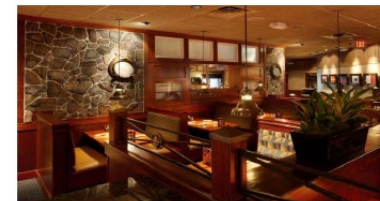


## New Bar Harbor Format

Before



After





# Concept Overview



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



**Kim Lopdrup**  
*CEO*  
(31 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*  
(28 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*  
(12 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*  
(30 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





# Concept Overview



## 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***

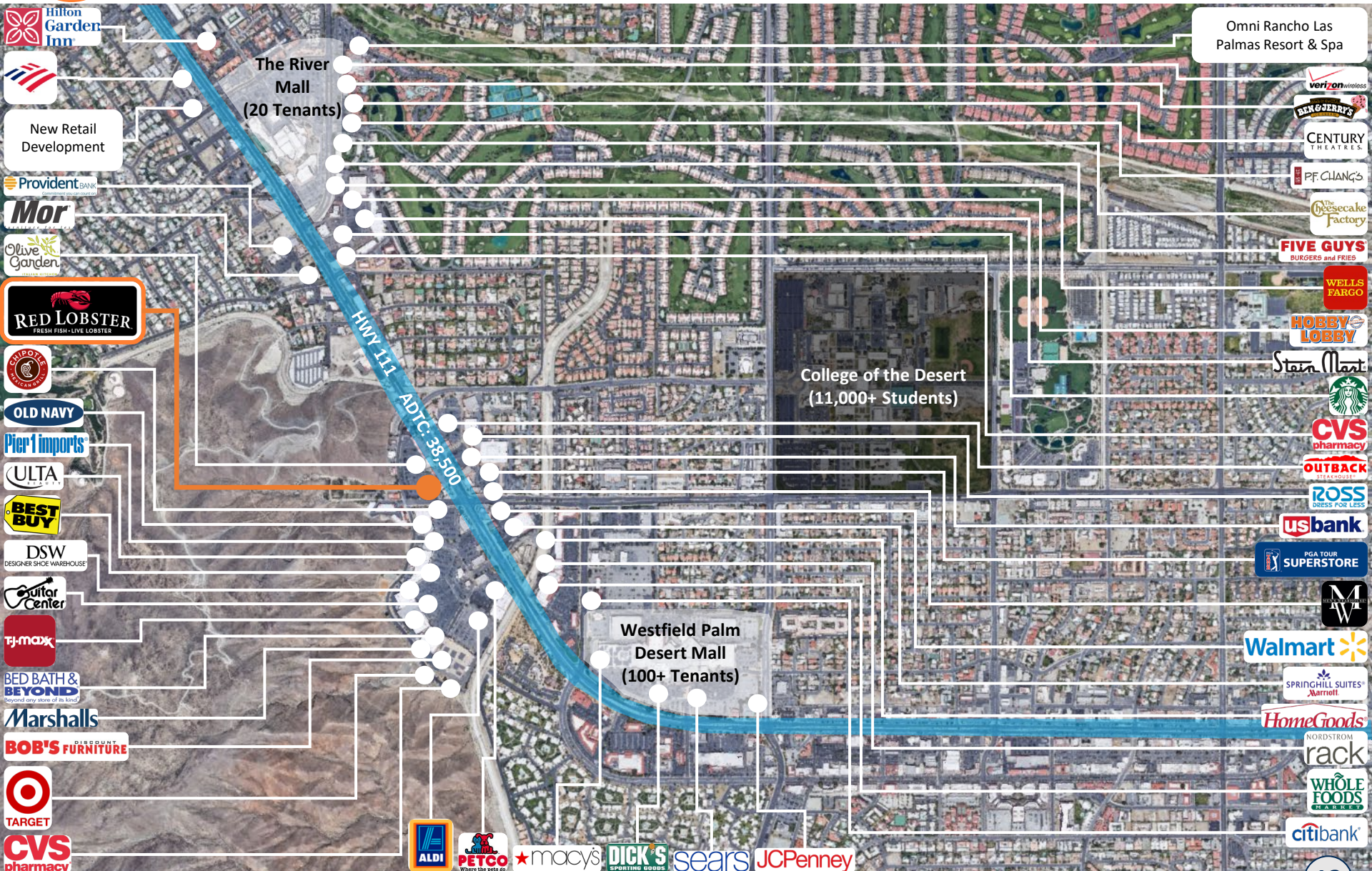






# Surrounding Area

72291 Highway 111, Palm Desert, CA 92260







# Location Overview

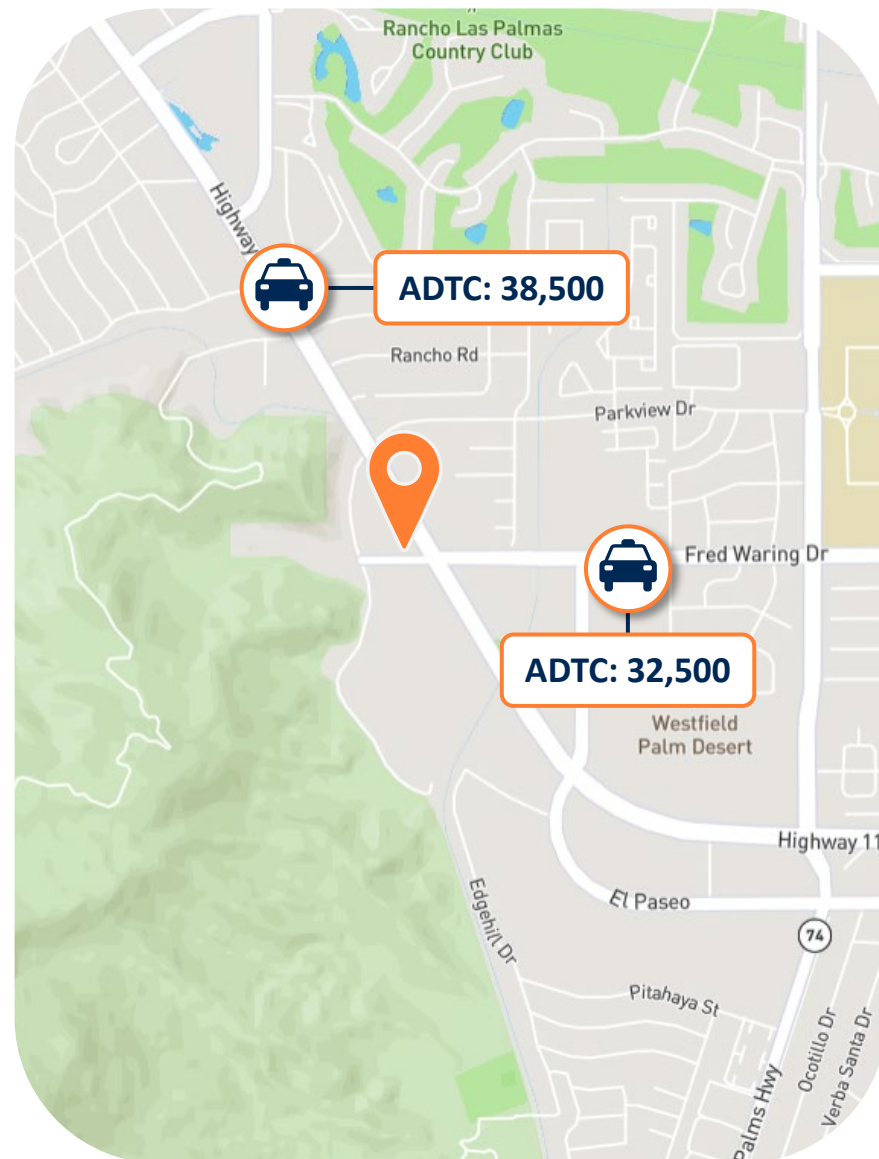
72291 Highway 111, Palm Desert, CA 92260



This Red Lobster is strategically located at 72291 Highway 111, in Palm Desert, CA. The subject property sits at the hard, signalized intersection of Highway 111 and Fred Waring Drive. The two roads have average daily traffic counts of 38,500 and 32,500 vehicles per day, respectively. This Red Lobster benefits from its robust demographics and growing population. There are more than 42,500 individuals residing within a three-mile radius of the subject property and more than 72,500 individuals within a five-mile radius, these figures are projected to continue to grow over the next several years. Additionally, the subject property is located in an extremely affluent community. The average income within a five-mile radius is greater than \$108,000.

The subject property is well-positioned in a dense retail corridor, benefiting from its proximity to major national and local retailers, hospitality accommodations, and other points of interest. Major national retailers within immediate proximity to the subject property include Walmart, Target, Aldi, Best Buy, Dick's Sporting Goods, J.C. Penney, Old Navy, HomeGoods, Sears, Whole Foods, and many more. Furthermore, this Red Lobster is located within close proximity of multiple hospitality accommodations. These include: Holiday Inn Express and Suites, Hilton Garden Inn, Omni Rancho Las Palmas Resort & Spa, SpringHill Suites, Best Western Plus, among various others. The subject property is within a two-mile radius of The River Mall and Westfield Palm Desert Mall, the two malls have a total of more than 120 tenants. Additionally, the property is located less than two miles from the College of the Desert. The college has an enrollment greater than 11,000 students.

Palm Desert is a city in California's Coachella Valley, near Palm Springs. Palm Desert has seen a rapid growth in population over the last 20 years, more than doubling in size. The resort-like atmosphere provides unmatched access to the nearly 200 golf courses throughout the Valley, countless outdoor activities, world class resorts and restaurants. These amenities attract a heavy influx of tourism from the major Southern California markets, Los Angeles, San Diego and the Inland Empire. It's home to country clubs, golf courses and shops. In the center, The Shops on El Paseo feature designer boutiques, plus restaurants and art galleries.

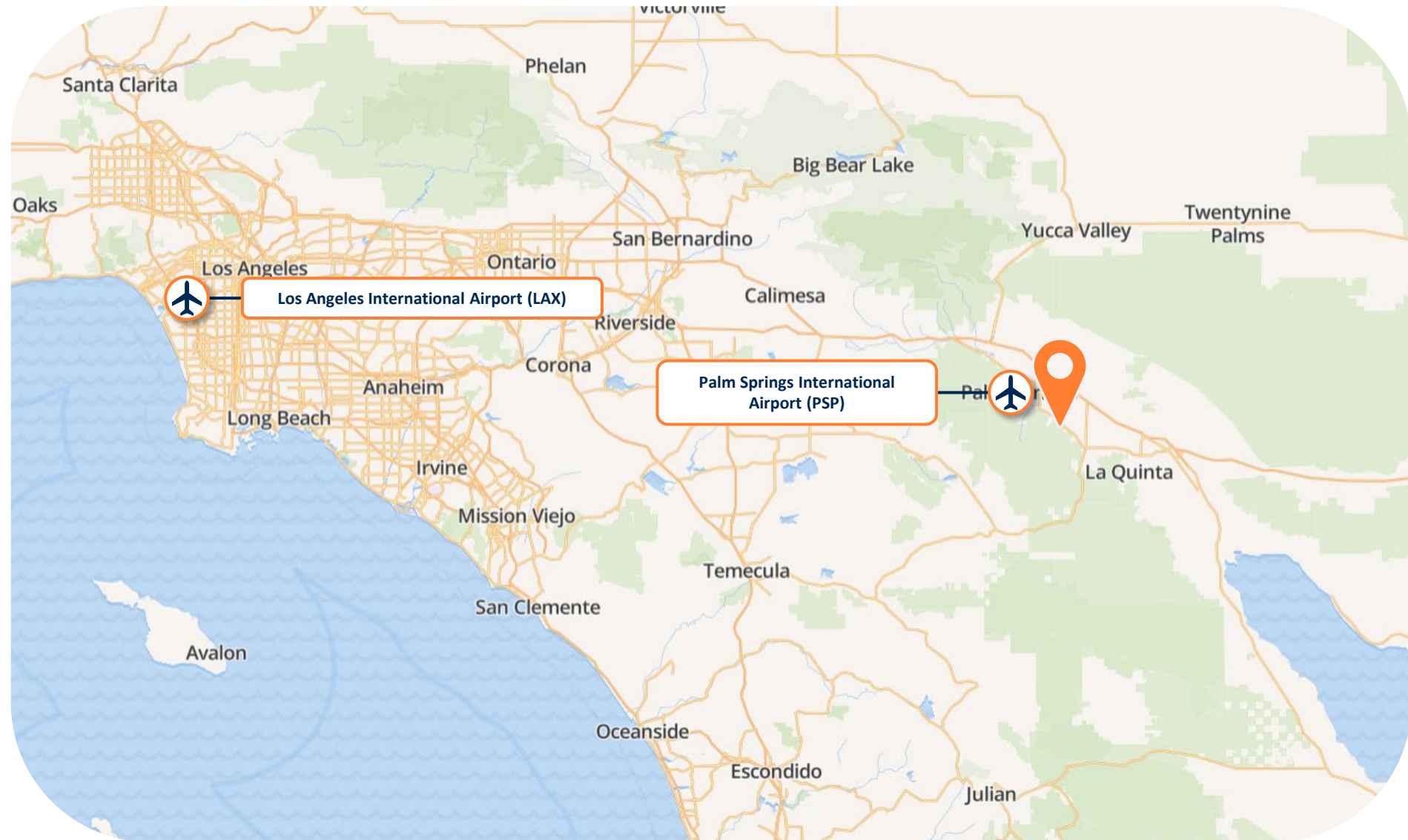






# Local Map

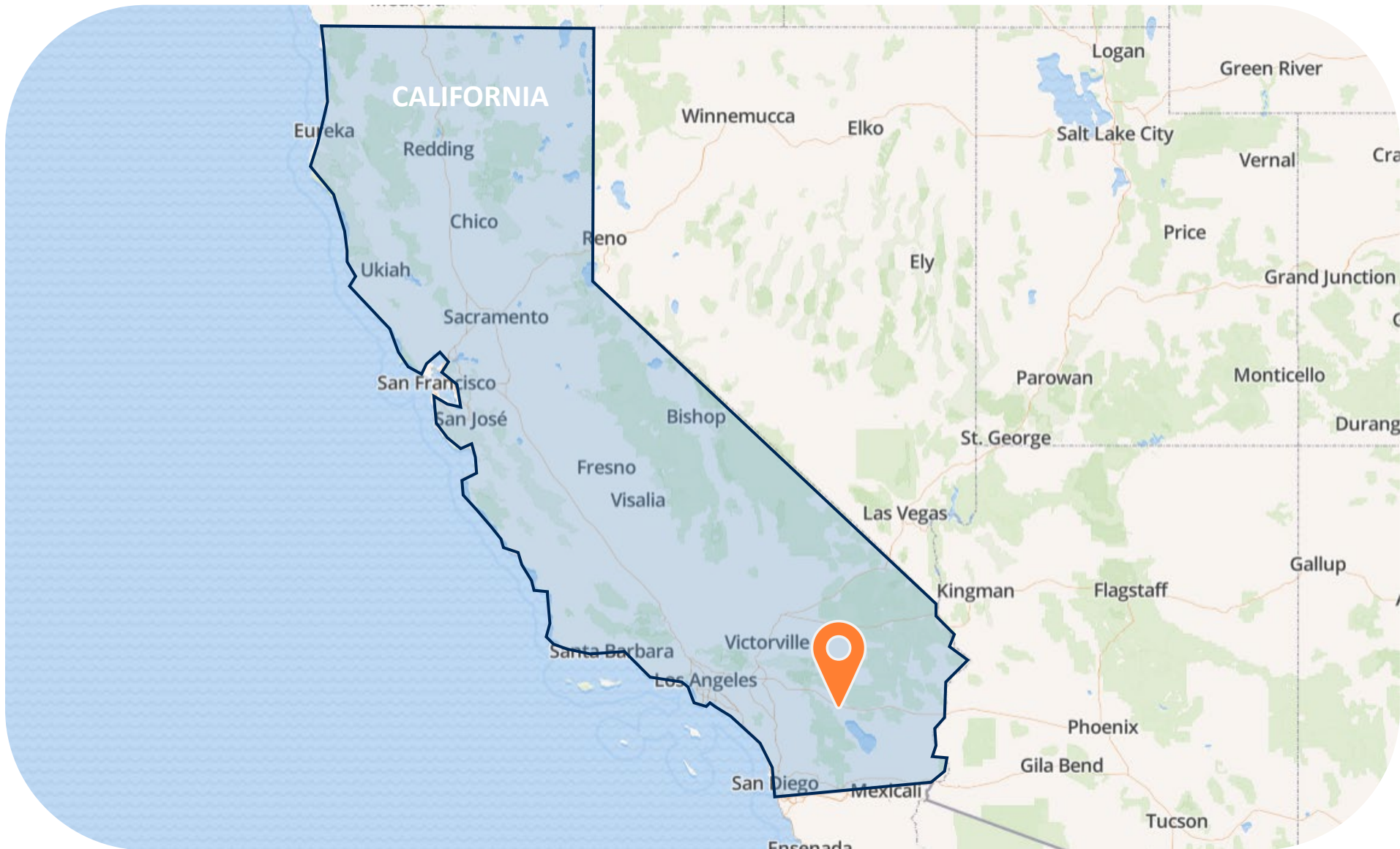
72291 Highway 111, Palm Desert, CA 92260





# Regional Map

72291 Highway 111, Palm Desert, CA 92260

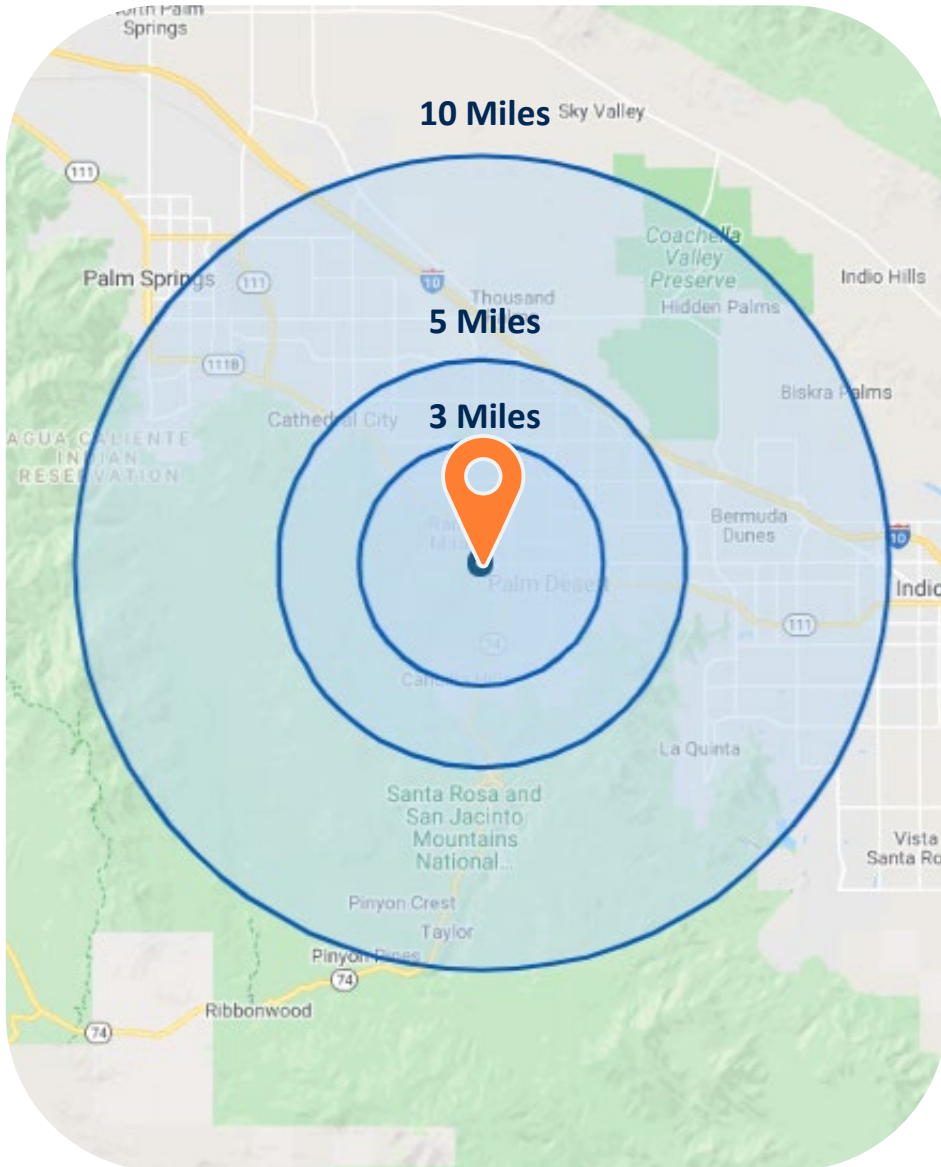






# Demographics

72291 Highway 111, Palm Desert, CA 92260



	3 Miles	5 Miles	10 Miles
<b>POPULATION</b>			
2024 Projection	43,688	75,111	275,608
2019 Estimate	42,556	72,591	267,378
2010 Census	39,054	65,820	245,115
2000 Census	35,569	59,021	195,234
<b>INCOME</b>			
Average	\$96,848	\$108,074	\$91,654
Median	\$58,080	\$63,991	\$58,348
Per Capita	\$48,388	\$55,076	\$39,245
<b>HOUSEHOLDS</b>			
2024 Projection	21,887	38,516	118,847
2019 Estimate	21,212	36,938	114,253
2010 Census	18,934	32,647	101,897
2000 Census	17,117	28,490	79,613
<b>HOUSING</b>			
2019	\$423,763	\$440,872	\$374,036
<b>EMPLOYMENT</b>			
2019 Daytime Population	72,423	112,623	292,746
2019 Unemployment	3.22%	3.19%	3.61%
2019 Median Time Traveled	19 Mins	21 Mins	21 Mins
<b>RACE &amp; ETHNICITY</b>			
White	81.64%	83.92%	73.12%
Native American	0.07%	0.08%	0.10%
African American	1.39%	1.41%	2.08%
Asian/Pacific Islander	3.18%	3.24%	3.60%





# Market Overview

72291 Highway 111, Palm Desert, CA 92260

*Palm Desert, CA*

**Palm Desert** is in Riverside County, California, in the Coachella Valley, and is approximately 14 miles east of Palm Springs and 122 miles east of Los Angeles. The Riverside-San Bernardino-Ontario metro, also referred to as the Inland Empire, is a 28,000-square-mile region in Southern California comprised of San Bernardino and Riverside counties. Valleys in the southwestern portion of the region, adjacent to Los Angeles, Orange County and San Diego County, are the most populous in the metro. These areas about the San Bernardino and San Jacinto mountains, behind which lies the high desert area of Victorville/Barstow to the north and, to the east, the low desert Coachella Valley, home of Palm Springs.

Riverside-San Bernardino offers a wide diversity of landscapes, including the palm tree-lined and pool-studded Coachella Valley, the mountain communities of Big Bear and Lake Arrowhead, the rolling hills and wineries of Temecula Valley, and the suburban communities of the West San Bernardino Valley and Moreno Valley. A temperate climate offers moderate winters, warm summers and generally low humidity. One of the greatest draws of the metro is relatively affordable housing. The median home price in Riverside-San Bernardino is 42 percent lower than in Los Angeles County and 65 percent lower than in Orange County. The Inland Empire provides a number of cultural opportunities, including the Riverside Metropolitan Museum, the Mission Inn Museum, and the Museum of History and Art in Ontario. The Riverside County Philharmonic provides classical music concerts throughout the area. Shopping opportunities are plentiful no matter where you live in the metro, as are parks and golf courses.



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# Marcus & Millichap

## EXCLUSIVE NET-LEASE OFFERING



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