

# WENDY'S

BRAND NEW 20-YEAR TRIPLE-NET (NNN) SALE LEASEBACK



# OFFERING MEMORANDUM



484 Center Street  
Ludlow, MA 01056

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484 Center Street  
Ludlow, MA 01056



## Table of Contents

Investment Highlights	4
Financial Analysis & Investment Summary	5
Concept Overview	6 – 7
Surrounding Area	8
Location Overview	9
Regional Map	10
Demographics	11





## LOCATION

### REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to Open in September 2020
- ✓ Roust Population | There are 91,935 Individuals Residing within a Five-Mile Radius
- ✓ Strong Traffic Counts | Center Street and Massachusetts Turnpike | 18,114 and 39,338 Vehicles Per Day, Respectively
- ✓ Compelling Location Fundamentals | Located in the Knowledge Corridor | Region of over 32 Universities with More Than 160,000 Students Enrolled

## LEASE

### LEASE STRUCTURE

- ✓ Brand New 20-Year Sale Leaseback
- ✓ Triple Net (NNN) Lease with Zero Landlord Responsibilities
- ✓ Attractive Rental Increases | Lesser of Change in CPI or One and a Quarter Percent (1.25%) Annually Starting in Year 3
- ✓ Six (6) Tenant Renewal Periods of Five (5) Years Each

## TENANT

### TENANT / GUARANTOR

- ✓ Meritage Hospitality Group is an Experienced 337+ Unit Operator
- ✓ Premier, National Growing Franchise with Operations in 16 States
- ✓ Expansion into Key Markets
- ✓ Proven Track Record with Operational History of Multiple High-Volume Locations throughout the Country
- ✓ Public Company Guarantee (MHGU)
- ✓ Strong Brand Recognition | Wendy's is the World's Number Three Hamburger Chain
- ✓ Founded in 1986



# Financial Analysis & Investment Summary *Wendy's*

PURCHASE PRICE: \$3,030,303 | CAP RATE: 4.95% | RENT: \$150,000

## THE OFFERING

Purchase Price	\$3,030,303
CAP Rate	4.95%
Annual Rent	\$150,000

## PROPERTY DESCRIPTION

Property	Wendy's
Property Address	484 Center Street
City, State ZIP	Ludlow, MA 01056
Year Built	2020
Building Size (SF)	2,584
Lot Size (Acres)	+/- 0.87
Type of Ownership	Fee Simple

## LEASE SUMMARY

Property Type	Net-Leased Restaurant
Ownership	Public (OTCQX: MHGU)
Tenant / Guarantor	Meritage Hospitality Group
Lease Term	20 Years
Lease Commencement	Day Following Close of Escrow
Lease Expiration	20 Years from Close of Escrow
Lease Term Remaining	20 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Six (6), Five (5) Year Option Periods
Rental Increases	Lessor of Change in CPI or 1.25% Annually Starting Year 3

## RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation
Year 1	\$150,000	\$12,500	-
Year 2	\$150,000	\$12,500	-
Year 3	\$151,875	\$12,656	1.25%
Year 4	\$153,773	\$12,814	1.25%
Year 5	\$155,696	\$12,975	1.25%
Year 6	\$157,642	\$13,137	1.25%
Year 7	\$159,612	\$13,301	1.25%
Year 8	\$161,607	\$13,467	1.25%
Year 9	\$163,628	\$13,636	1.25%
Year 10	\$165,673	\$13,806	1.25%
Year 11	\$167,744	\$13,979	1.25%
Year 12	\$169,841	\$14,153	1.25%
Year 13	\$171,964	\$14,330	1.25%
Year 14	\$174,113	\$14,509	1.25%
Year 15	\$176,290	\$14,691	1.25%
Year 16	\$178,493	\$14,874	1.25%
Year 17	\$180,724	\$15,060	1.25%
Year 18	\$182,983	\$15,249	1.25%
Year 19	\$185,271	\$15,439	1.25%
Year 20	\$187,587	\$15,632	1.25%

## Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 484 Center Street in Ludlow, MA. The property consists of 2,584 square feet of building space and is situated on approximately 0.87 acre of land.

The tenant will enter into a brand new, 20-year triple-net (NNN) lease with absolutely no landlord responsibilities upon the day following the close of escrow. The lease will call for rental increases that will be the lesser of the change in CPI or 1.25% annually starting in Year 3. The rental increases will continue through the base term and into the six, five-year tenant renewal options. The lease will carry a guaranty from Meritage Hospitality Group, an experienced 337+ unit operator and the second largest franchisee in the Wendy's system.





# Concept Overview



## About Wendy's

**Wendy's** was founded in 1969 by Dave Thomas in Columbus, Ohio. Dave built his business on the premise, "Quality is our Recipe®," which remains the guidepost of the Wendy's system. Wendy's is best known for its made-to-order square hamburgers, using fresh, never frozen beef, freshly-prepared salads, and other signature items like chili, baked potatoes and the Frosty® dessert. The Wendy's Company (NASDAQ: WEN) is committed to doing the right thing and making a positive difference in the lives of others. This is most visible through the Company's support of the Dave Thomas Foundation for Adoption® and its signature Wendy's Wonderful Kids® program, which seeks to find every child in the North American foster care system a loving, forever home. As of May 2020, Wendy's and its franchisees employ hundreds of thousands of people across more than 6,800 restaurants worldwide with a vision of becoming the world's most thriving and beloved restaurant brand. Currently, Wendy's is the world's number three hamburger chain in terms of locations (only behind McDonald's and Burger King).

## About Meritage Hospitality Group

**Meritage Hospitality Group** is one of the nation's premier restaurant operators, with 337 restaurants located in Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Missouri, Mississippi, North Carolina, South Carolina, Ohio, Oklahoma, Tennessee, Texas and Virginia. Meritage is headquartered in Grand Rapids, Michigan, operating a workforce of approximately 11,000 employees. The Company's current public information is available pursuant to SEC Rule 15c2-11 and FINRA Rule 6432 at [www.otcm Markets.com](http://www.otcm Markets.com), under the stock symbol MHGU, or the Company's website [www.meritagehospitality.com](http://www.meritagehospitality.com).



Excerpt from Meritage Hospitality Group Press Release Dated February 24, 2020:

*"Our operations and development performance in 2019 represented significant milestones in our 5-year growth plan, finishing the year strong with 337 restaurants in operation. Despite minor development delays and non-cash impacts to reported net earnings, we were pleased with fiscal 2019 results of achieving 12.2% EBITDA growth while developing and renovating a record number of new locations. We continue to transform our restaurant portfolio through the development of new locations and renovation of existing locations, offering both guests and employees more conveniences. Looking ahead to 2020, we are forecasting a transformative year, with robust sales growth of approximately \$100 million that includes the rollout of breakfast in our Wendy's restaurants, new restaurant development, modernizations and the continued development of our new Morning Belle breakfast, brunch and lunch restaurant concept. Operational excellence continues to be our inspiration, leveraging the Company's best-in-class operating platform and restaurant development expertise, while delivering on the Wendy's brand promise of quality, convenience, and value."*

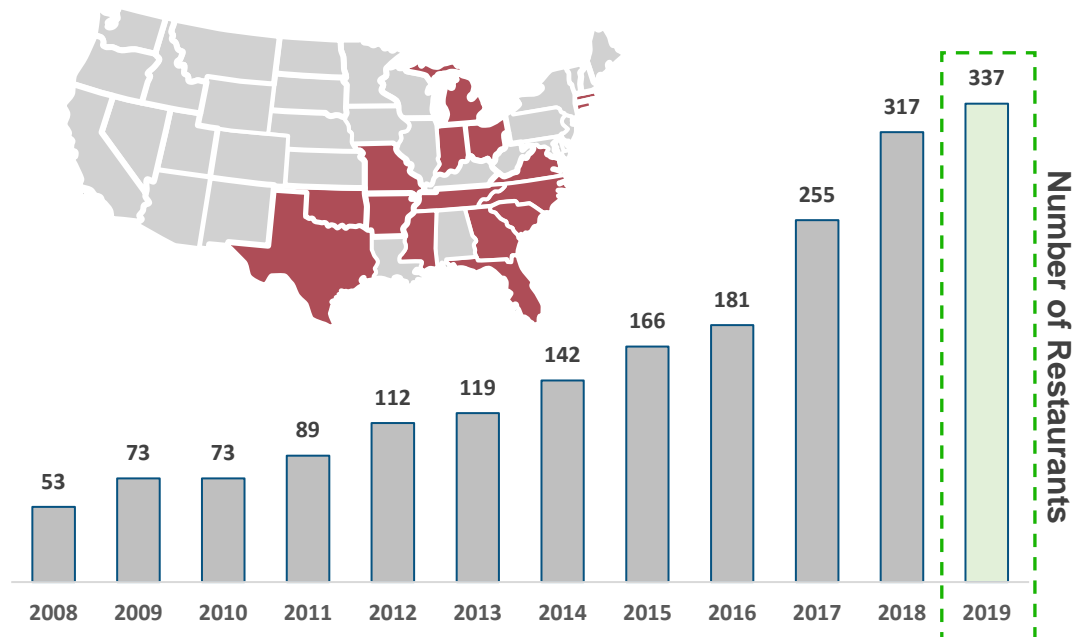


- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





- ✓ **Sales increased 7.4% to \$467.5 million compared to \$435.3 million last year**
- ✓ **Consolidated EBITDA (a non-GAAP measure) increased 12.2% to \$44.6 million compared to \$39.7 million last year**
- ✓ **The Company developed or acquired a net of 20 restaurants during the year, to finish with 337 restaurants in operation across 16 states**
- ✓ **Common stock dividends increased 60% to \$0.24 per share compared to \$0.15 last year**



- ✓ **Speed, convenience and affordability have been differentiators in quick service restaurant operations in past times of economic stress**
- ✓ **Wendy's restaurants are built for off premise sales, with approximately 70% of normal sales generated through the restaurant drive-thru, which remain open and operating**
- ✓ **The Wendy's system offers digital and delivery options for additional off-premise sales**
- ✓ **Lower gas prices decrease supply delivery costs and increase consumer disposable income**
- ✓ **Low interest rates provide efficient capital for future growth opportunities**

Excerpt from Meritage Hospitality Group Press Release Dated April 16, 2020:

*"Our geographical footprint and drive-thru operations have allowed us to continue serving the changing needs of guests as people adapt to local government orders. We are grateful to our employees, delivery drivers and supply-chain operators for continuing to deliver essential restaurant food items."*

- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





# Surrounding Area

Wendy's



CENTER STREET  
ADTC: 18,114

MASSACHUSETTS TURNPIKE  
ADTC: 39,338

ADTC: 39,338

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# Location Overview

This Wendy's property is located at 484 Center Street in Ludlow, MA. Ludlow is a quintessential New England town in Hampden County, Massachusetts.

## SURROUNDING RETAIL & POINTS OF INTEREST

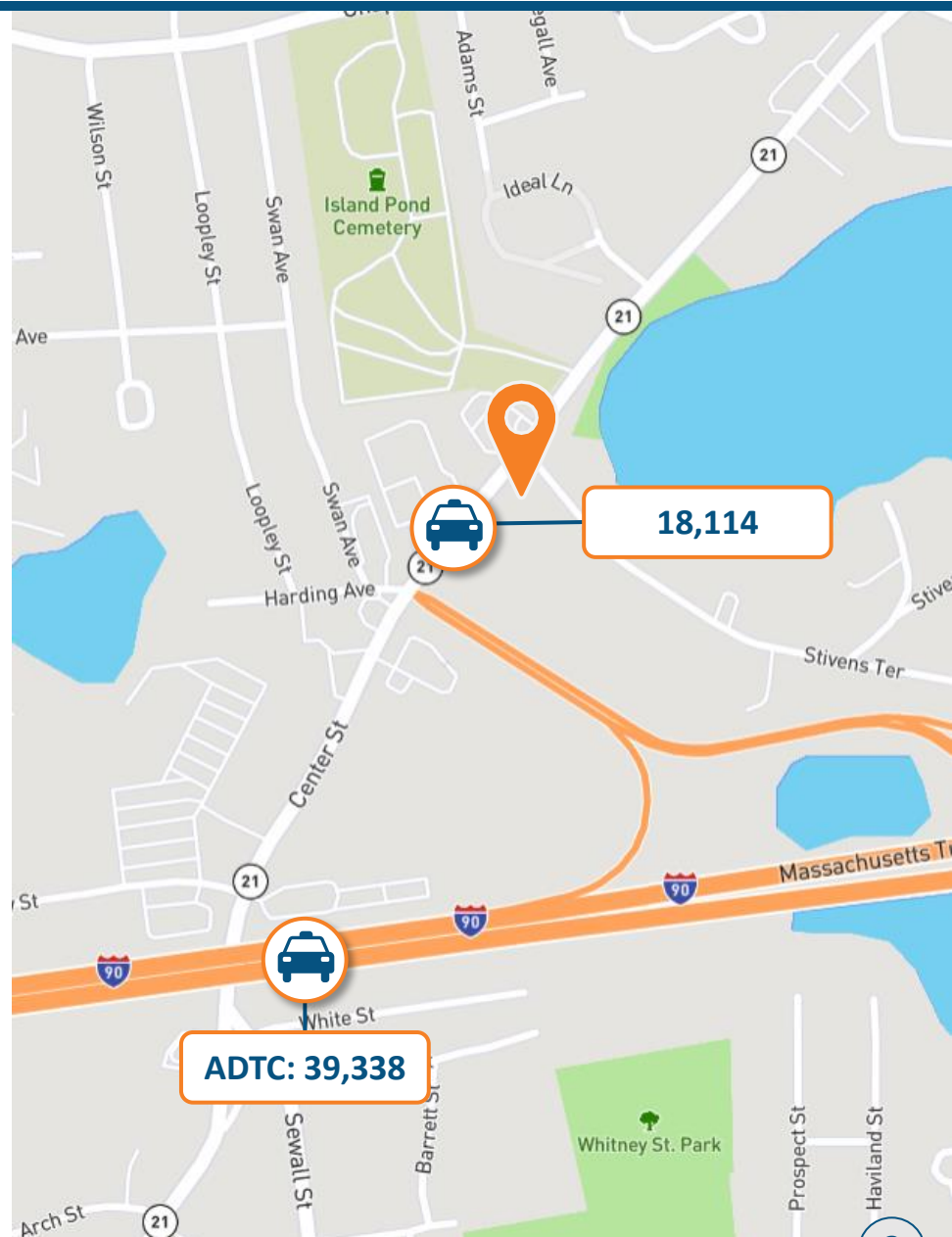
The subject property is well-positioned in a strong retail corridor surrounded by national and local tenants, shopping centers and new development. Major national tenants in the immediate area include: Big Y, CVS Pharmacy, Jo-Ann Fabrics, Ace Hardware, T-Mobile, Starbucks, Dunkin' Donuts, Taco Bell, Burger King, Cumberland Farms, as well as many more. This Wendy's benefits from being located within a five-mile radius of several academic institutions. Most notable of these being Western New England University which has a total enrollment exceeding 2,740 students.

## TRAFFIC COUNTS & DEMOGRAPHICS

This subject property benefits from being situated on the corner of Center Street and Stevens Terrace. Center street experiences average daily traffic counts exceeding 18,114 vehicles. Center Street intersects with the Massachusetts Turnpike (I-90) which brings an additional 39,338 vehicles into the immediate area daily. There are approximately 40,505 individuals residing within a three-mile radius of the subject property and 91,935 individuals within a five-mile radius.

## SPRINGFIELD, MA

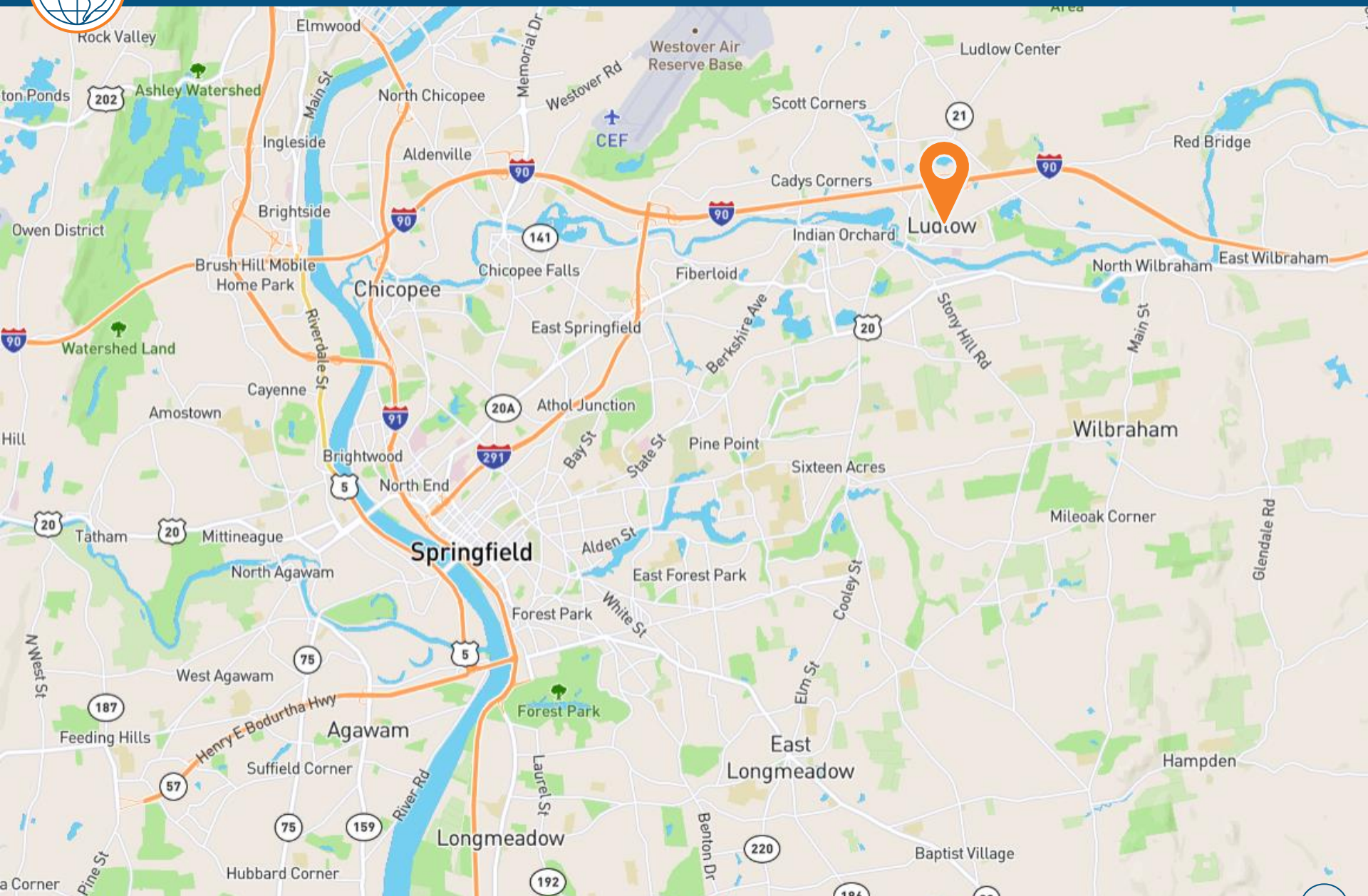
Ludlow is a New England town in Hampden County, Massachusetts. Located just northeast of Springfield across the Chicopee River, it is one of the city's suburbs. Springfield is a city in the state of Massachusetts, United States, and the seat of Hampden County. Springfield sits on the eastern bank of the Connecticut River near its confluence with three rivers: the western Westfield River, the eastern Chicopee River, and the eastern Mill River. Hartford, the capital of Connecticut, lies 24 miles south of Springfield, on the western bank of the Connecticut River. The Hartford-Springfield region is known as the Knowledge Corridor because it hosts over 160,000 university students and over 32 universities and liberal arts colleges—the second-highest concentration of higher-learning institutions in the United States. The city of Springfield itself is home to Springfield College, Western New England University, American International College, and Springfield Technical Community College, among other higher educational institutions. Springfield's vicinity to both Boston and New York City lends it a location well suited for distribution, and in the past, this has played a significant role in its economy. Today Springfield's top five industries are: Education and Health Services; Trade and Transportation; Manufacturing; Tourism and Hospitality; and Professional & Business Services. Springfield is considered to have a "mature economy."





# Regional Map

Wendy's

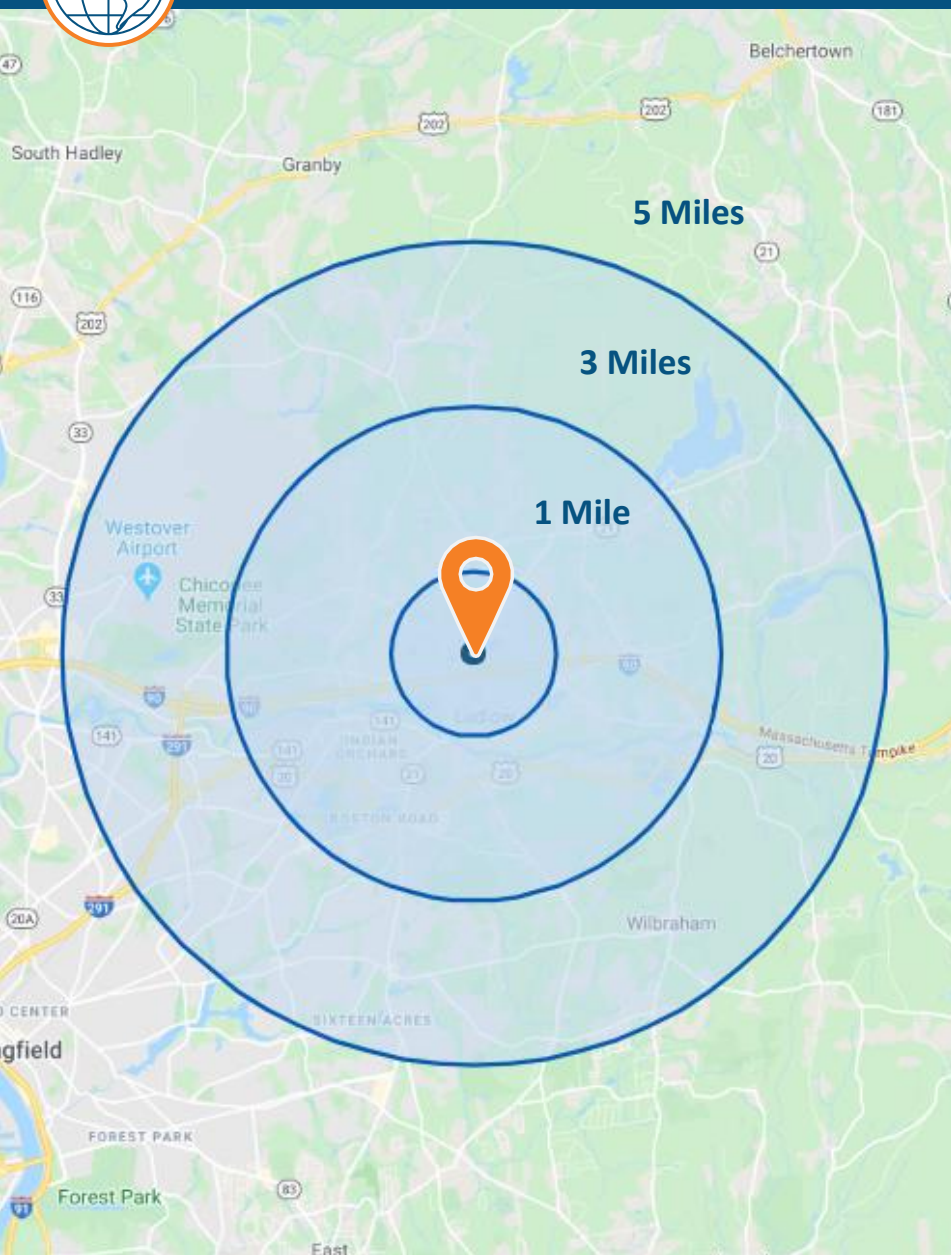


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# Demographics



	1 Mile	3 Miles	5 Miles
<b>POPULATION</b>			
2024 Projection	8,923	40,667	92,344
2019 Estimate	8,840	40,505	91,935
2010 Census	8,616	39,937	90,458
2000 Census	8,839	39,230	88,665
<b>INCOME</b>			
Average	\$74,588	\$77,345	\$77,015
Median	\$60,314	\$57,964	\$58,596
Per Capita	\$32,875	\$31,056	\$30,735
<b>HOUSEHOLDS</b>			
2024 Projection	3,965	16,183	36,439
2019 Estimate	3,896	16,044	36,041
2010 Census	3,744	15,602	34,937
2000 Census	3,628	14,969	33,423
<b>HOUSING</b>			
2019	\$230,513	\$226,082	\$195,461
<b>EMPLOYMENT</b>			
2019 Daytime Population	6,975	40,277	98,785
2019 Unemployment	4.35%	5.13%	5.47%
2019 Median Time Traveled	24 Mins	24 Mins	24 Mins
<b>RACE &amp; ETHNICITY</b>			
White	93.57%	77.35%	72.89%
Native American	0.05%	0.05%	0.06%
African American	1.02%	9.02%	12.27%
Asian/Pacific Islander	1.13%	1.96%	2.12%

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EXCLUSIVE NET LEASE OFFERING



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