

DENNY'S RESTAURANT

PHOENIX, AZ

Marcus & Millichap
Real Estate Investment Services



OFFERING MEMORANDUM

DENNY'S RESTAURANT

PHOENIX, AZ

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Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some 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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DENNY'S RESTAURANT

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PHOENIX, AZ

Financing



EXISTING FINANCING

Loan Type Free and Clear

PROPOSED FINANCING

FIRST TRUST DEED

Loan Amount \$893,750

Loan Type Proposed New

Interest Rate 6.1%

Amortization 25 Years

Debt Coverage Ratio 1.43

DENNY'S RESTAURANT

PHOENIX, AZ

Financial Overview

LOCATION

4121 West Anthem Way
Phoenix, AZ 85086

Price \$1,375,000
Down Payment 35% \$481,250
Rentable Square Feet 3,893
Price/SF \$353.20
CAP Rate 7.27%
Year Built 2004
Lot Size 1.19 Acre
Type of Ownership Fee Simple

ANNUALIZED OPERATING DATA

<u>Rent Increases</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
Years 1-5	\$100,000.00	\$8,333.33
Years 6-10	\$107,000.00	\$8,916.67
Years 11-15	\$114,490.00	\$9,540.83
Years 16-20	\$122,504.30	\$10,208.69
Option 1 (21-25)	\$131,079.60	\$10,923.30
Option 2 (26-30)	\$140,255.17	\$11,687.93
Base Rent (\$25.69/SF)		\$100,000
Net Operating Income		\$100,000
Debt Service		69,758
Debt Coverage Ratio		1.43
Net Cash Flow After Debt Service		6.28% \$30,242
Principal Reduction		15,673
Total Return		9.54% \$45,915

TENANT SUMMARY

Tenant Trade Name Denny's Restaurant
Ownership Private
Tenant Franchisee
Lease Guarantor Franchisee Guarantee
Lease Type Triple Net (NNN)
Roof and Structure Tenant Responsible
Lease Term 20 Years
Lease Commencement Date COE
Rent Commencement Date COE
Lease Expiration Date 2031
Term Remaining on Lease 20 Years
Increases 7% Every 5 Years
Options Two 5-Year Options

FINANCING

FIRST TRUST DEED

Loan Amount \$893,750
Loan Type Proposed New
Interest Rate 6.1%
Amortization 25 Years

Loan information is time sensitive and subject to change.
Contact your local Marcus & Millichap Capital Corporation
representative at 206-826-5700.

DENNY'S RESTAURANT

PHOENIX, AZ

Tenant Overview



Property Name	Denny's Restaurant
Property Address	4121 West Anthem Way Phoenix, AZ 85086
Property Type	Net Leased Restaurant - Other
Rentable Square Feet	3,893
Tenant Trade Name	Denny's Restaurant
Ownership	Private
Tenant	Franchisee
Sales Volume	\$1,337,000-Plus
Lease Guarantor	Franchisee Guarantee
Lease Commencement Date	COE
Rent Commencement Date	COE
Lease Expiration Date	2031
Term Remaining on Lease	20 Years
Lease Type	Triple Net (NNN)
Roof and Structure	Tenant Responsible
Lease Term	20 Years
Increases	7% Every 5 Years
Options to Renew	Two 5-Year Options
Options to Terminate	No
Options to Purchase	No
First Right of Refusal	Yes
No. of Locations	35
Headquartered	Arizona



DENNY'S RESTAURANT

PHOENIX, AZ

DENNY'S RESTAURANT

PHOENIX, AZ

Investment Overview



PROPERTY DESCRIPTION

INVESTMENT HIGHLIGHTS

2004 Construction on 1.2-Acre Lot

Across from Outlets at Anthem, a 374,000-Square Foot Outlet Mall

Excellent Ingress/Egress Off Anthem Way

Corner of Anthem Way and Interstate 17 with Traffic Counts Near 20,000 Per Day

Outpad to Hampton Inn

Marcus & Millichap is proud to offer for sale a Denny's restaurant located at 4121 West Anthem Way in Anthem, Arizona which is just 34 miles north of downtown Phoenix. The subject property consists of a 3,893-square foot building which was built on a parcel of land that is 1.19 acres. Upon the close of escrow, a new 20-year lease will be signed with 7 percent rent increases every 5 years. Located across Anthem Way from the subject property is The Outlets at Anthem, an outlet shopping center with nearly 70 stores, one of only two in the state. The average daily traffic count on West Anthem Way near the subject property is almost 20,000 cars.

Anthem is a census-designated place (CDP) in Maricopa County, Arizona. As of the 2010 census, the CDP had a population of 21,700 people. Although Anthem is currently unincorporated, Phoenix is slated to annex the community by 2020 as documented in the City of Phoenix General Plan. Anthem's Outlet Mall is a source of jobs for many of Anthem's adolescents as well as a local gathering place for events both local and non local.

Denny's is a full-service coffee shop/family restaurant chain. Denny's trades on the NASDAQ under the symbol NASDAQ: DENN. Today, Denny's operates about 1,600 restaurants in all 50 U.S. states, Canada and Mexico. Many of their restaurants are located in proximity to freeway exits, bars and in service areas.

This investment is suitable for an investor looking for stable, long term income from a nationally branded tenant coupled with scheduled rental increases throughout the lease, hedging against inflation.

DENNY'S RESTAURANT

PHOENIX, AZ

Property Summary



THE OFFERING

Property	Denny's Restaurant
Property Address	4121 West Anthem Way Phoenix, AZ 85086
Assessor's Parcel Number	203-03-988

SITE DESCRIPTION

Year Built	2004
Rentable Square Feet	3,893
Lot Size	1.19 Acre
Type of Ownership	Fee Simple

PROPERTY DESCRIPTION

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PROPERTY DESCRIPTION

Area Maps



LOCAL MAP



REGIONAL MAP

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Trade Area

PROPERTY DESCRIPTION



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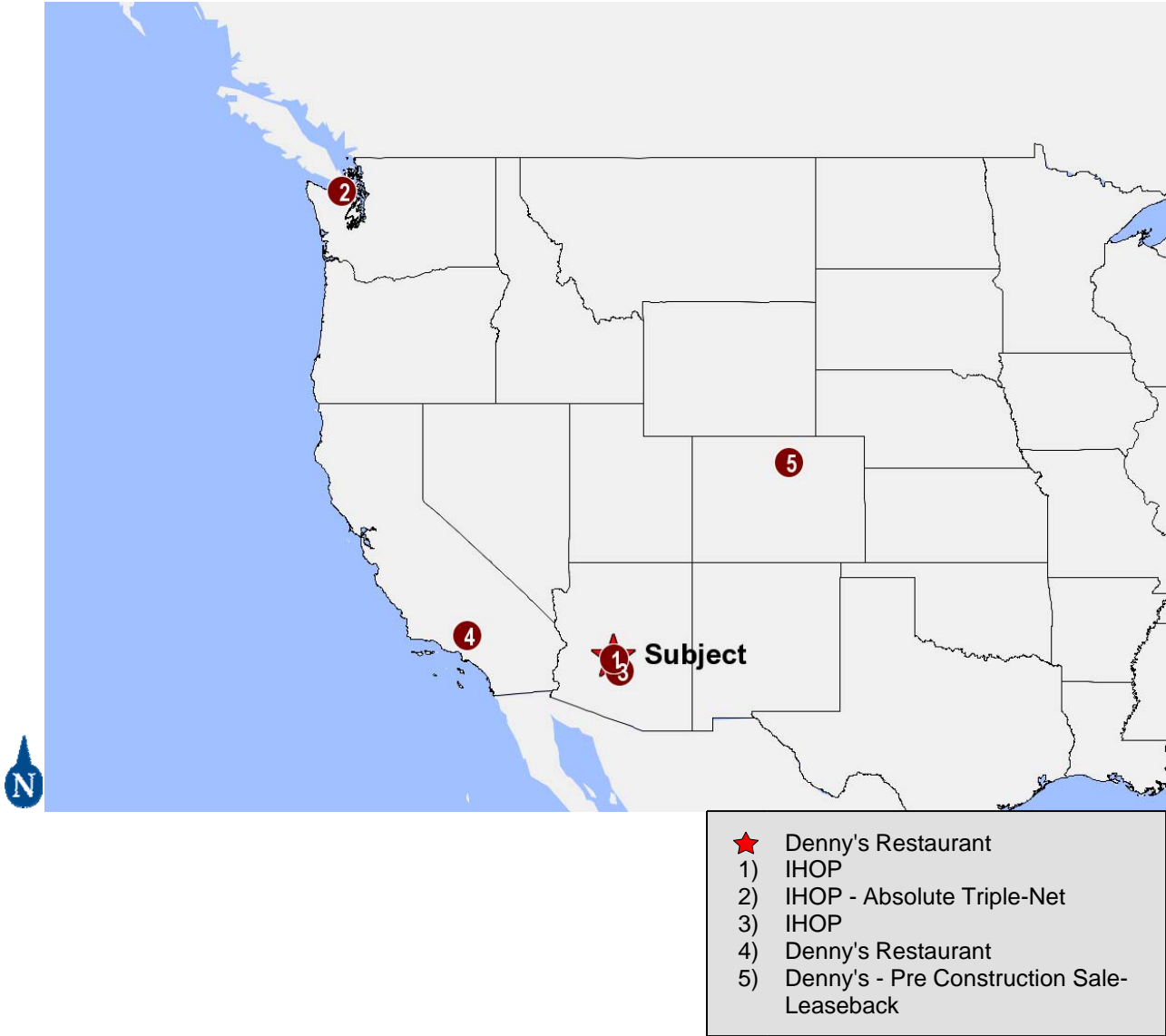
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Recent Sales Map



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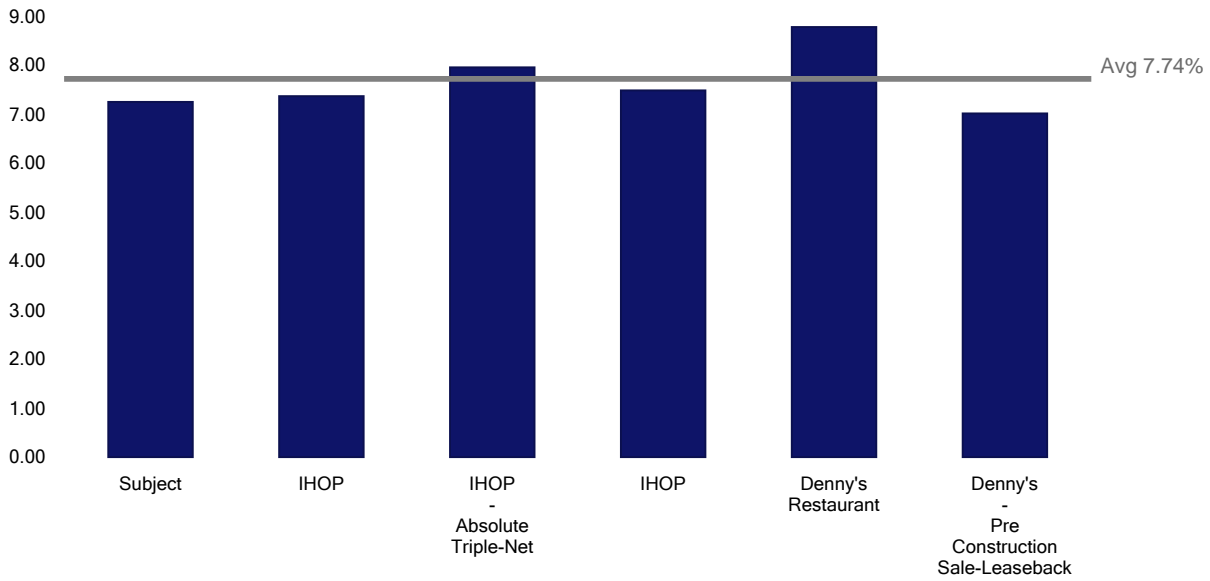
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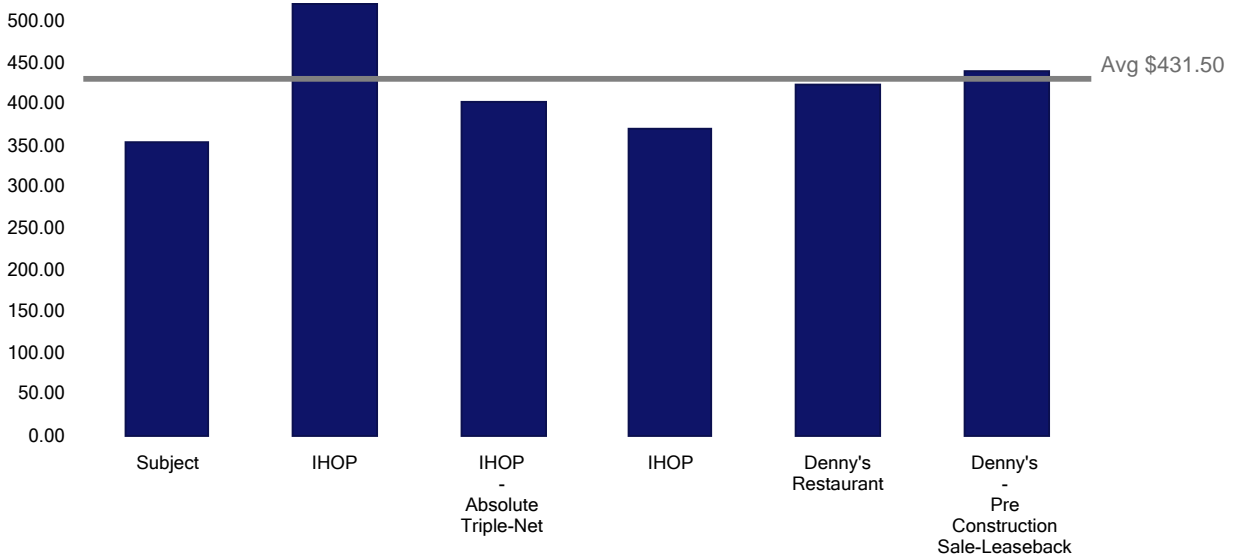
RECENT SALES

CAP Rate & Price/SF

AVERAGE CAP RATE



AVERAGE PRICE/SF



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Recent Sales

RECENT SALES



SUBJECT PROPERTY

DENNY'S RESTAURANT

4121 West Anthem Way
Phoenix, AZ 85086

Rentable Square Feet:	3,893	Sales Price:	\$1,375,000
Year Built:	2004	Down Payment:	\$481,250
		CAP Rate:	7.27%
		Price/SF:	\$353.20

1



IHOP

2103 West Happy Valley Road
Phoenix, AZ 85085

Close of Escrow:	1/21/2011	Sales Price:	\$2,515,000
Rentable SF:	4,821	Down Payment:	25%
Year Built:	2009	CAP Rate:	7.38%
		Price/SF:	\$521.68

COMMENTS

Corporate guarantee from Romulus, Inc. (31-unit operator)

2



IHOP - ABSOLUTE TRIPLE-NET

1360 West Washington Street
Sequim, WA 98382

Close of Escrow:	12/29/2010	Sales Price:	\$1,690,000
Rentable SF:	4,200	Down Payment:	100%
Year Built:	2009	CAP Rate:	7.99%
		Price/SF:	\$402.38

COMMENTS

Seventh location for local, in-state franchisee

DENNY'S RESTAURANT

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Recent Sales

3



IHOP

935 West Elliot Road
Chandler, AZ 85225

Close of Escrow:	12/13/2010	Sales Price:	\$2,100,000
Rentable SF:	5,687	Down Payment:	100%
Year Built:	1987	CAP Rate:	7.50%
		Price/SF:	\$369.26

COMMENTS

Corporate guarantee from Romulus, Inc. (31 unit-operator)

4



DENNY'S RESTAURANT

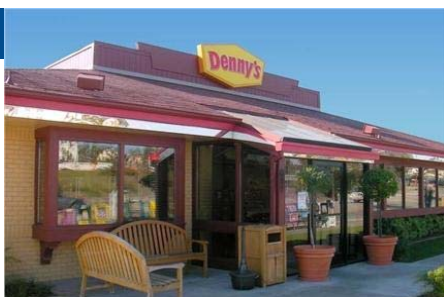
37050 47th Street East
Palmdale, CA 93552

Close of Escrow:	8/13/2010	Sales Price:	\$1,760,000
Rentable SF:	4,149	Down Payment:	66%
Year Built:	2002	CAP Rate:	8.82%
		Price/SF:	\$424.20

COMMENTS

The current lease commenced on August 13, 2007 and has an original term of 20 years, expiring on August 13, 2027. There are two five-year options. The lease includes seven percent increases every five years beginning 2010.

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DENNY'S - PRE CONSTRUCTION SALE-LEASEBACK

3811 State Highway 119
Firestone, CO 80504

Close of Escrow:	On Market	Sales Price:	\$1,850,000
Rentable SF:	4,200	Down Payment:	30%
Year Built:	2011	CAP Rate:	7.03%
		Price/SF:	\$440.00

COMMENTS

Experienced Franchisee: Owns and operates 77 units and is recognized as one of the Top 100 franchisees in the nation.



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Demographic Report

DEMOGRAPHIC ANALYSIS

	1 Miles:	3 Miles:	5 Miles:
1990 Population	697	1,638	3,676
2000 Population	1,270	4,197	8,503
2010 Population	4,328	20,621	35,219
2015 Population	5,700	28,042	47,083
1990 Households	114	396	944
2000 Households	402	1,391	2,778
2010 Households	1,476	6,755	11,735
2015 Households	1,947	9,129	15,642
2010 Average Household Size	2.58	2.94	2.88
2010 Daytime Population	1,139	4,220	7,912
1990 Median Housing Value	\$113,279	\$109,418	\$99,845
2000 Median Housing Value	\$192,006	\$196,884	\$191,460
2000 Owner Occupied Housing Units	59.3%	68.0%	71.9%
2000 Renter Occupied Housing Units	4.7%	5.4%	6.1%
2000 Vacant	35.99%	26.67%	22.01%
2010 Owner Occupied Housing Units	65.8%	68.9%	69.7%
2010 Renter Occupied Housing Units	8.6%	9.0%	9.2%
2010 Vacant	25.67%	22.11%	21.09%
2015 Owner Occupied Housing Units	67.5%	69.8%	70.4%
2015 Renter Occupied Housing Units	8.5%	8.8%	8.9%
2015 Vacant	24.07%	21.41%	20.67%
\$ 0 - \$ 14,999	5.6%	4.7%	4.6%
\$ 15,000 - \$24,999	3.9%	3.3%	3.5%
\$ 25,000 - \$34,999	6.8%	6.1%	6.3%
\$ 35,000 - \$49,999	9.5%	9.0%	9.2%
\$ 50,000 - \$74,999	26.3%	26.6%	26.3%
\$ 75,000 - \$99,999	19.3%	20.5%	20.5%
\$100,000 - \$124,999	13.3%	13.1%	13.2%
\$125,000 - \$149,999	7.6%	8.3%	7.9%
\$150,000 - \$200,000	5.7%	6.2%	6.1%
\$200,000 to \$249,999	1.3%	1.4%	1.5%
\$250,000 +	0.7%	0.8%	0.9%
Median Household Income	\$72,676	\$75,283	\$75,029
Per Capita Income	\$30,778	\$29,851	\$29,905
Average Household Income	\$81,509	\$84,412	\$84,481

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Summary Report

Geography: 5 Miles

Population

In 2010, the population in your selected geography is 35,219. The population has changed by 314.19% since 2000. It is estimated that the population in your area will be 47,083 five years from now, which represents a change of 33.69% from the current year. The current population is 52.12% male and 47.88% female. The median age of the population in your area is 38.4, compare this to the US average which is 37.1. The population density in your area is 448.42 people per square mile.

Households

There are currently 11,735 households in your selected geography. The number of households has changed by 322.50% since 2000. It is estimated that the number of households in your area will be 15,642 five years from now, which represents a change of 33.29% from the current year. The average household size in your area is 2.88 persons.

Income

In 2010, the median household income for your selected geography is \$75,029, compare this to the US average which is currently \$51,517. The median household income for your area has changed by 27.07% since 2000. It is estimated that the median household income in your area will be \$78,623 five years from now, which represents a change of 4.79% from the current year.

The current year per capita income in your area is \$29,905, compare this to the US average, which is \$27,867. The current year average household income in your area is \$84,481, compare this to the US average which is \$72,148.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 92.81% White, 2.04% Black, 1.01% Native American and 1.17% Asian/Pacific Islander. Compare these to US% averages which are: 73.52% White, 12.42% Black, 0.76% Native American and 4.60% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 14.96% of the current year population in your selected area. Compare this to the US% average of 15.45%.

Housing

The median housing value in your area was \$191,460 in 2000, compare this to the \$US average of \$115,194 for the same year. In 2000, there were 2,560 owner occupied housing units in your area and there were 217 renter occupied housing units in your area. The median rent at the time was \$795.

Employment

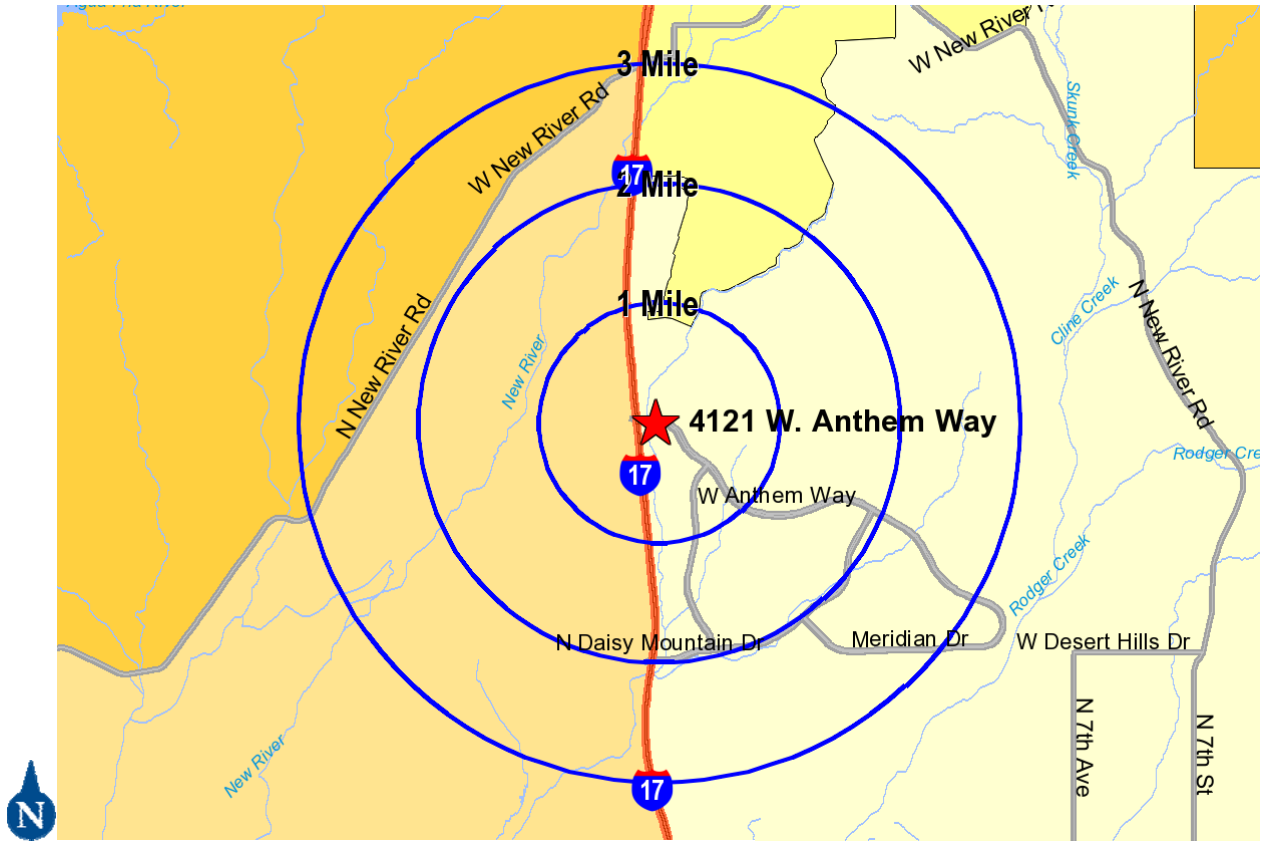
In 2010, there are 7,912 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 65.3% of employees are employed in white-collar occupations in this geography, and 34.7% are employed in blue-collar occupations. In 2010, unemployment in this area is 5.22%. In 2000, the median time traveled to work was 38.8 minutes.

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Population Density



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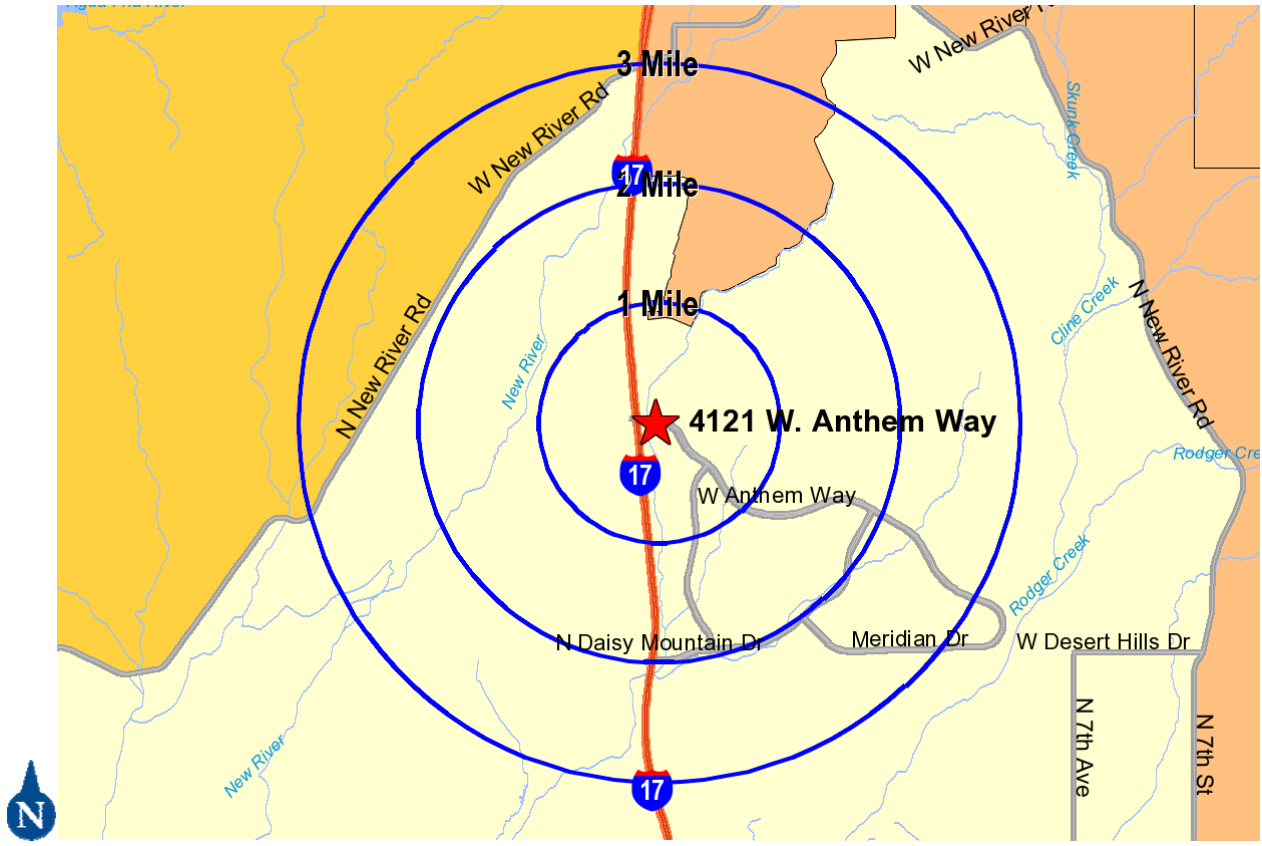
Population Density

Theme	Low	High
High	172	or more
Above Average	108	172
Average	68	108
Below Average	43	68
Low	less than	43

Number of people living in a given area per square mile.

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Employment Density



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Employment Density

Theme	Low	High
High	82	or more
Above Average	52	82
Average	33	52
Below Average	21	33
Low	less than	21

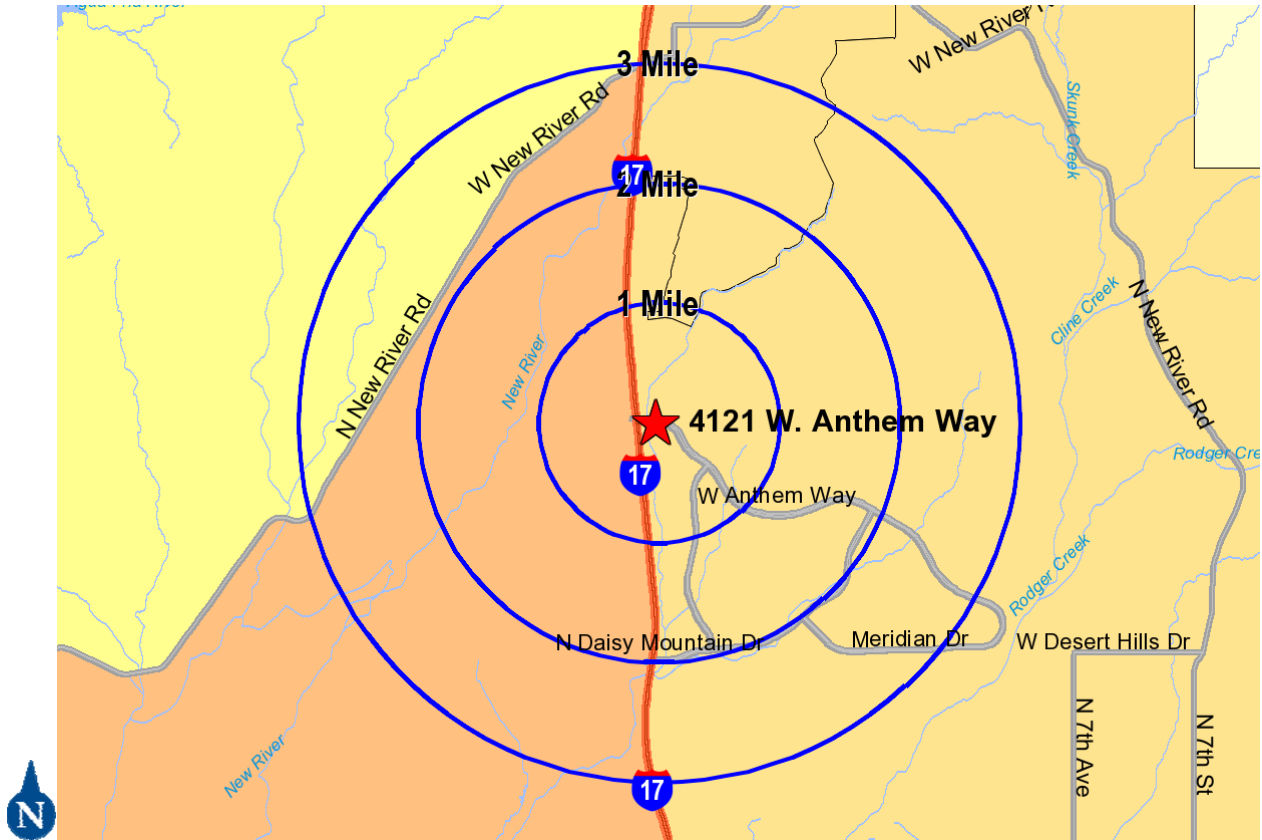
The number of people employed in a given area per square mile.

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Average Household Income



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Average Household Income

Theme	Low	High
High	\$144,296	or more
Above Average	\$90,901	\$144,296
Average	\$57,264	\$90,901
Below Average	\$36,074	\$57,264
Low	less than	\$36,074

Average income of all the people 15 years and older occupying a single housing unit.

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