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## Fast-Food Ownership: More Than About the Space

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In 1919, Roy W. Allen and Frank Wright launched the A&W brand to sell root beer, with burgers on the side. A&W represented one of the first fast-food brands, according to some historical accounts. Close to a century later, A&W is one of a plethora of fast-food brands and chains, all operating within the “quick-service restaurants,” or QSR, category.

As the restaurants, themselves, have evolved, so has the real estate from which they operate. Stand-alone QSRs can be lucrative investments. Tenants occupy the space through long-term, triple-net leases which, more often than not, are backed by well-known national chains.

Though performing due diligence on lease terms and tenant credit worthiness is important, investors wanting to own stand-alone QSRs should also understand consumer trends and needs when it comes to fast-food dining. The QSR that meets – and exceeds – customer demand is one that will likely experience higher same-store sales. This, in turn, can be positive when it comes to net operating income and the cap rate.

QSR real estate investors don’t need to be food connoisseurs. They should, however, understand the following trends that can help determine a restaurant’s success.

**Creative packaging.** Fast-food packaging these days needs to be 1) easy to handle, and 2) environmentally friendly. The consumer doesn’t want to deal with difficult-to-open boxes or bags. Furthermore, consumers are more favorable toward food that is wrapped in recycled paper and containers.

**Customized menus.** Consumers want control over their menus for various reasons, ranging from food allergies, to nutritional needs, to a desire for spicier foods. The standard burgers and fries are giving way to menus offering varied fillings, different cheeses and assorted breads.

**Mobile convenience.** Well-thought-out QSR apps can help consumers pinpoint the nearest drive-through or take-out location. Such apps should also provide easy online ordering and payment, as well as updated menus, offers and discounts. This technology boosts customer convenience by eliminating long lines at the drive-through or counter.

**Transparency.** It's rare to find a QSR that, these days, doesn't have some kind of calorie count next to menu items. However, diners are demanding more information about their food, especially in the wake of highly publicized food poisonings and recalls. A restaurant that can document its food chain is one that consumers are more likely to favor.

Close to 100 years after Allen and Wright hung their shingle, consumers are faced with many choices concerning fast-food restaurants. Real estate investors are also faced with choices. When it comes to QSR ownership, traffic counts, lease terms and credit-worthiness are certainly important. Just as important is the QSR's understanding of, and willingness to respond to, trends and consumer demands.

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