QUICK-SERVICE RESTAURANTS LEAD THE WAY IN ADAPTING TO, EMBRACING NEW TECHNOLOGY

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The American public is choosing more than ever to eat out, giving a longer and longer runway for quick-service restaurants (QSRs) to add to their bottom lines. QSRs are taking advantage of this trend too with new locations dotting our roadways across the country.

In addition to expanding their physical footprint, QSRs are also growing in their technological capabilities with their customers in mind. Where traditional retailers are competing directly with technological forces like e-commerce, technology is only enhancing the QSR business because it affects how brands like Dunkin' and Taco Bell can service their customers.

The Chick-fil-A app is the perfect example of the new wave of frictionless retail where customers don't have to go inside or even go through the drive-thru. Instead, Chick-fil-A staff will walk the orders made online to customers' cars at a designated parking spot. And Panera Bread is advancing its menu board technology in its restaurants, but it won't stop there as the company looks to improve its speed of service and provide a frictionless experience.

These enhancements are noticeably trickling down to the real estate. In the past 12 to 18 months, QSRs are looking at the layout and design of their units in a whole new light. Some have had to walk away from a desired site because they couldn't fit an extra drive-thru lane or accommodate the designated parking for online orders. QSR brands are deciding they don't need 2,500 square feet inside the restaurant, they'd rather use the land to support their online customers.

Chick-fil-A is now experimenting with locations in Nashville and Louisville where it's exclusively used for delivery, and Starbucks has a number of drive-thru only units as well.

There are a lot of innovations underway in the food and beverage industry that the American public can't even imagine now. The QSR business will be a very different environment in five years, but it's safe to say it'll be customer-centric.

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contend, especially when debt financing remains aggressive for high-quality assets backed by investment-grade tenants. Lenders for those deals are willing to provide loan-to-value ratios of 70 percent at an interest rate of around 4.25 percent, according to James.

Additionally, lenders have yet to expand the spread over the relatively low 10-Year Treasury yield in any meaningful way, emphasizes Will Pike, vice chairman and managing director of CBRE's net-lease property group in Atlanta.

"We're in the last innings of a very prolonged real estate cycle — they're probably not serving alcohol at the game anymore," says Pike. "But with the amount of debt available and capital still chasing net-lease deals, I don't see it changing this year."

Net-lease brokers do not figure much will change in terms of categories in or out of favor, either. Demand remains high for quick-service and fast-casual restaurants, drugstores, convenience stores, groceries and gyms, to name a few. Interest in the tenants — and the ability to fetch attractive financing — fluctuates with location, lease structure, and the strength of the corporate credit or franchisee rating.

In March, Valencia Properties, a Florida family trust, paid \$4.5 million for a 13,186-square-foot CVS in Prescott, Arizona, with 22 years remaining on the lease. The cap rate of 4.85 percent was the lowest paid for a drugstore in Arizona since 2016, says Matthew Mousavi, managing principal of the national net-lease group for SRS Real Estate Partners in Newport Beach, California.

"I don't think that anyone thinks