

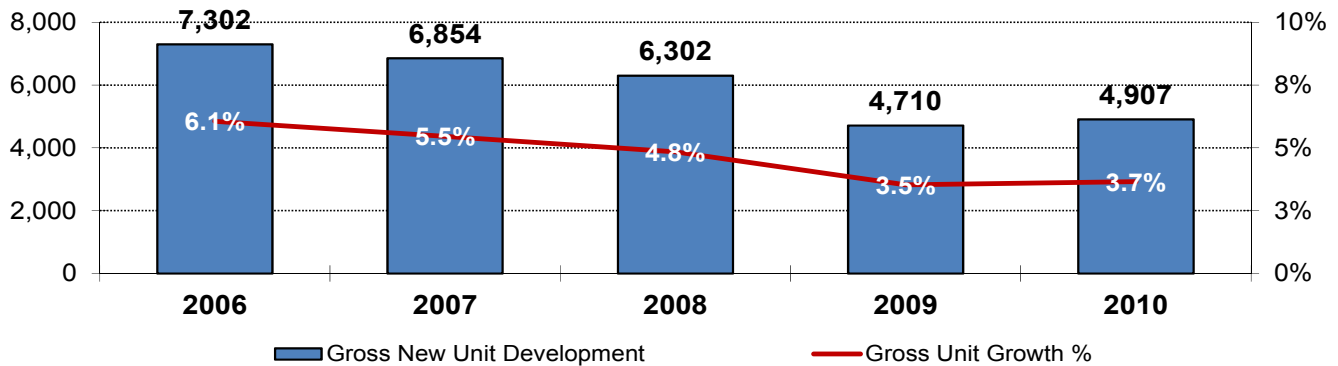
Maximize Profits by Subscribing to Restaurant Research

Restaurant Research Think Piece – October 2011

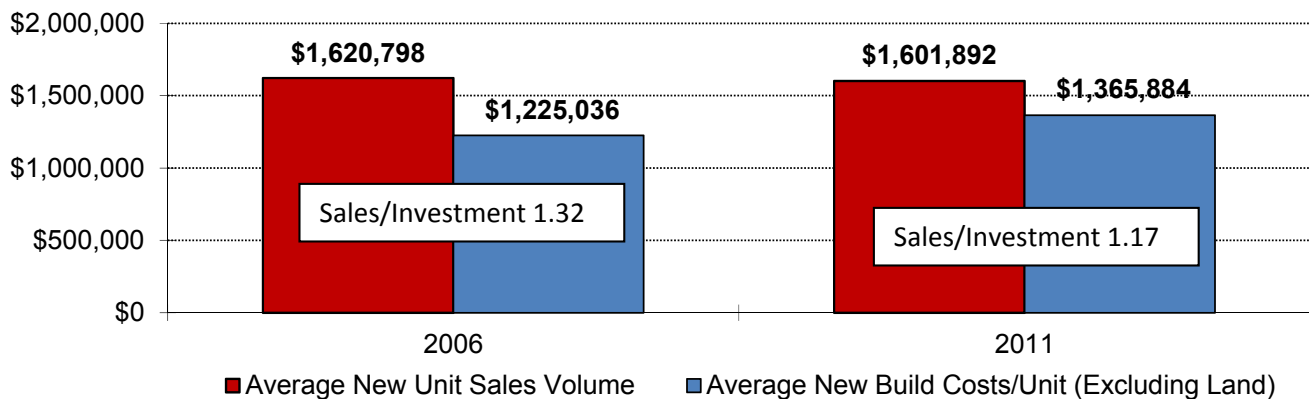
Construction Cost Implications for a Less Profitable Restaurant Industry

In our last *Think Piece*, we indicated that estimated unit level EBITDAR profits (for \$1B+ chains) have declined 12% over the last 5 years to \$275k in 2010. Resultantly, new unit development has slowed as we can see from the top chart - a trend which has been aggravated by increasing construction costs (see bottom chart). In our opinion, industry players must come to grips with developing more efficient facilities in recognition that today's chain restaurant business model no longer supports yesterday's construction costs (as it did in the past).

Gross New Unit Development has been Slowing...



...While Average Sales/Investment (Excluding Land) has been Decreasing



Source: RR estimates for \$1B+ chains

Data is derived from Restaurant Research's Industry Data Report on New Construction Costs. Clients use this information to make more profitable decisions. For information on how to order the complete report, please contact us at (203) 405-1901 or info@ChainRestaurantData.com.

RR Clients

Includes major lenders, investors, major US restaurant chains, operators and industry consultants. Please check www.ChainRestaurantData.com for a partial client list and customer testimonials.

More About Us

Restaurant Research LLC leverages an extensive network of industry players as part of its annual Concept Benchmark Analysis due diligence process for 22 large US restaurant chains. Also, RR tracks store level data for all major chains with system-wide sales in excess of \$1B across all major restaurant segments in order to produce 11 key Industry Data Topic reports.

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