

Exclusive Reports

Franchisee Consolidates Arby's Real Estate

➤ From the April 13, 2001 print edition

CNL seen as lender for Franchise Associates

Andrew Tellijohn Staff Reporter

The local franchisee for Arby's restaurants has hooked up with a Florida restaurant, real estate and investment trust in a multimillion-dollar deal that consolidates its portfolio and could assist with future expansion.

CNL Restaurant Investors Properties, an affiliate of Orlando-based CNL Financial Group Inc., purchased the land and buildings for about 20 local Arby's sites from at least 10 companies for more than \$10 million.

Roughly half the buildings will be leased back to Franchise Associates, the St. Louis Park-based arm of RTM Restaurant Group of Atlanta, said Randy Schultz, senior vice president

for restaurant origination at CNL Franchise Network, Atlanta. The remaining sites will be covered by a debt-financing arrangement between CNL and Franchise Associates, Schultz

Applebee's restaurants in the southeast United States. It also has provided millions of dollars of financing for such concepts as Burger King, Steak and Ale and Bennigan's restaurants throughout the country.

The move secures a long-term relationship with a company that could be a key lender, said Mark Windfeldt, vice president of finance for Franchise Associates.

CNL, which has other holdings in the Twin Cities, saw advantages in getting involved with the Arby's chain here. Schultz said the local Arby's units are top performers.

Franchise Associates operates 52 Arby's restaurants in Minnesota, 13 of which also include Sbarro restaurants. Three are slated to open this year. It has traditionally opened two or three restaurants annually, and that isn't likely to change even with the new relationship, Windfeldt said, adding that many chains go belly up by expanding too fast.

"That's the reason a lot of restaurant chains go broke," he said. "You can always find money to expand," but it can be difficult to build a company strong enough to support rapid expansion, he said.

Windfeldt would not reveal the company's 2000 revenue figure but said Franchise Associates is "quite profitable," in part because each new store gets a maximum amount of attention when it is opened.

The deal to pare down its real estate portfolio makes sense for both sides involved in the deal, said Keith Sturm, principal with Minneapolis-based Upland Real Estate Group Inc. CNL wins because they now own a group of properties with long-term leases, while Arby's will benefit from efficiencies -- they can sign one lease instead of 12.

"That's a nice deal," he said "Both sides win."

There also is the advantage of being involved with a company that could provide financing for future expansion, although CNL would likely want to proceed on a case-by-case basis, Sturm said.

"It's still location, location, location," he said. "If a piece of property isn't good, collateral might not be good."



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