



*Achieve  
Ambitions*



## LA Fitness-Anchored Center

10046 North Metro Parkway West  
Phoenix, AZ 85051

*Confidential Offering Memorandum*



**LA | FITNESS®**



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An aerial photograph of a commercial building with a white roof and brick facade, situated in a suburban area of Phoenix, Arizona. The building is surrounded by a large parking lot filled with cars. In the background, a dense residential neighborhood with many houses and trees is visible, with mountains in the distance under a clear blue sky. A semi-transparent grey overlay covers the left side of the image, containing the text.

# Summary

Investment Summary  
LA Fitness – Phoenix, AZ

# The Offering

JLL is pleased to offer for sale the fee-simple interest in LA Fitness + Shops (the “Property” or “Asset”) located adjacent to the 1.4 million square foot Metrocenter Mall in Phoenix, Arizona.

The Property is a freestanding retail building that is anchored by LA Fitness (73% of GLA), and also tenanted by Pain Stop Clinic and three vacant retail suites. LA Fitness is on a NN lease with 4 years of contractual lease term remaining. The Asset is situated along North Metro Parkway and adjacent to the Metrocenter Mall which is a planned-urban development (PUD) which will transform the landmark asset from a retail only development, to a successful multi-faceted, mixed-use environment. In May 2018, Phoenix City Council approved funding and expansion of Valley Metro Lite Rail to the Metrocenter Mall, which will give regional access to the area. The Asset is in close proximity to the intersection of Peoria Avenue (41,000+ VPD) and Interstate 17 (206,000+ VPD). The Asset is strategically positioned in the major retail trade area of north Phoenix and is surrounded by 13 hotels and many national retailers such as Wal Mart, PetSmart, Barnes & Noble, Ross Dress for Less, Burlington, Michaels, Guitar Center, Petco and many more.

## INVESTMENT HIGHLIGHTS

- Performing anchor tenant + upside potential with lease-up of vacant retail suites
- Adjacent to Metrocenter Mall, which will be redeveloped (PUD) planned urban development which will include office, medical office, hotel, residential, retail, dining and entertainment
- Close proximity to future Lite Rail access which will give ease of accessibility throughout the Phoenix Metro Area
- Well-positioned along North Metro Parkway adjacent to the Metrocenter Mall and near major roads Peoria Avenue (41,000+ VPD) and Interstate 17 (206,000+ VPD)

## MARKET DEBT PROFILE

- The Asset will be delivered free and clear of any debt
- For an indicative financing option, the debt market can provide 60% LTV, 2-year term, with a 25-year amortization schedule, and a 5.75%-6.00% interest rate

## PROPERTY SUMMARY

Address	10046 North Metro Parkway West, Phoenix, AZ 85051
Price	\$8,635,543
Cap Rate	10.50%
NOI	\$906,732
Weighted Lease Term Remaining	4 years*
Total Square Footage	49,303
Product Type	Retail
Tenant	LA Fitness
Lease Type	NN
Year Built/Renovated	1996

\*as of October 2018



Retail Shops

*Property*

Property Overview

LA Fitness – Phoenix, AZ

# Property

The Property is a 49,303 SF retail building tenanted to LA Fitness, Pain Stop Clinic and three vacant retail suites. LA Fitness and Pain Stop Clinic are on a NN lease with landlord responsible for roof and structure. The landlord is also responsible for the 3 vacant suites totaling 8,978 SF. The Asset is situated on 4.05 acres adjacent to the Metrocenter Mall with 199 parking spaces. LA Fitness is a non-franchised fitness club operator in the United States with over 675 locations.

## BUILDING SPECIFICATIONS

Address	10046 North Metro Parkway West Phoenix, AZ 85051
Year Built/Renovated	1996
Ownership Interest	Fee-simple
# of Units	5
Parcel Size	+/- 4.05 acres
Occupied Area	40,325 square feet
Vacant Area	8,978 square feet
Total Property Size	+/- 49,303 square feet
Parking Spaces	+/- 199
Tenant	LA Fitness
Lease Type	NN
Landlord Responsibilities	Roof & Structure + Vacant Suites
Lease Expiration	09/30/2022
Weighted Lease Term Remaining	4 years
Net Operating Income	\$906,732



## Rent Roll

Tenant/Suite	SF Leased	% of Total SF	Start	End	Rem. Lease Term (Yrs.)	Period	Changes On	Monthly Rent	Annual Rent	Rent/SF	Increase	Renewal Options	Lease Type
Fitness International, LLC d/b/a/ LA Fitness Suite 100	35,929	73%	09/14/2007	09/30/2022	4 Years	Base	Current	\$74,177	\$890,119	\$24.77	-		NN
Note:													
Vacant Suite 101	2,855	6%											
Note:													
Metro 2 LLC d/b/a/ Pain Stop Clinic Suite 102	4,396	9%	09/01/2016	02/28/2023	4.5 Years	Base	Current	\$6,552	\$78,624	\$17.89	-		NN
Note:													
Vacant Suite 104	3,541	7%											
Note:													
Vacant Suite 105	2,582	5%											
Note:													
Totals/Weighted Average:	49,303	100%			4 Years			\$80,729	\$968,743	\$19.65			

## Cash Flow Assumptions

## Market Rent

Market Rent	\$/SF
Big Box	\$14.00/SF
Small Shop	\$12.00/SF

## Lease Term

Big Box	RSF
Big Box	10 Years
Small Shop	RSF
Small Shop	5 Years

## Tenant Improvement Allowance

	New	Renewal
Big Box	\$15.00	\$5.00
Small Shop	\$35.00	\$5.00

## Lease-Up Schedule

	Start
Vacant Suite 101	08/01/2019
Vacant Suite 104	02/01/2021
Vacant Suite 105	08/01/2022

## Leasing Commissions

	New
Big Box	4%
Small Shop	6%

## Renewal Probability

	%
Big Box	50%
Small Shop	75%

# Cash Flow

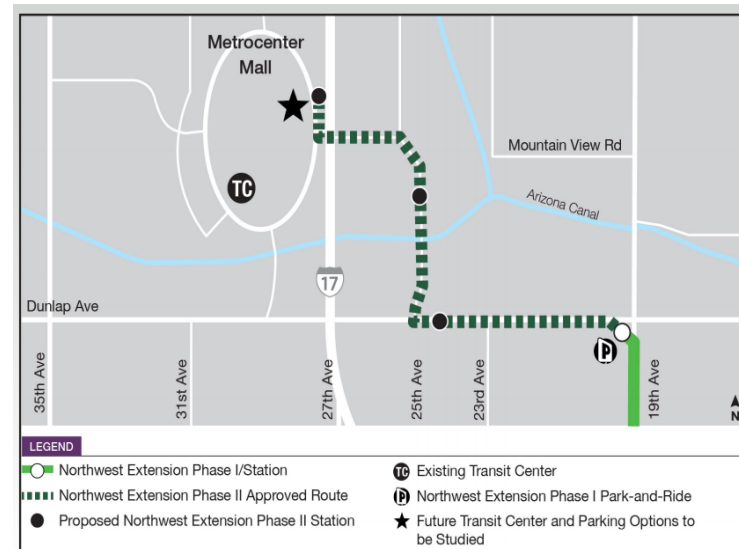
LA Fitness | Phoenix, AZ

	Year 1 Jul-2019	Year 2 Jul-2020	Year 3 Jul-2021	Year 4 Jul-2022	Year 5 Jul-2023	Year 6 Jul-2024	Year 7 Jul-2025	Year 8 Jul-2026	Year 9 Jul-2027	Year 20 Jul-2028
<b>EFFECTIVE GROSS REVENUE</b>										
Base Rental Income	1,063,771	1,063,771	1,063,771	1,063,771	735,702	663,494	663,494	663,494	663,494	663,494
Absorption and Turnover Vacancy	-107,736	-73,476	-52,230	-30,984	-377,255	0	-5,710	-7,082	0	-5,164
Scheduled Base Rental Revenue	956,035	990,295	1,011,541	1,032,787	358,447	663,494	657,784	656,412	663,494	658,330
Total Potential Gross Revenue	956,035	990,295	1,011,541	1,032,787	358,447	663,494	657,784	656,412	663,494	658,330
Effective Gross Revenue	956,035	990,295	1,011,541	1,032,787	358,447	663,494	657,784	656,412	663,494	658,330
<b>OPERATING EXPENSES</b>										
Roof and Structure Reserve	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303
Total Operating Expenses	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303	49,303
Net Operating Income	906,732	940,992	962,238	983,484	309,144	614,191	608,481	607,109	614,191	609,027
<b>LEASING AND CAPITAL COSTS</b>										
Tenant Improvements	0	99,925	123,935	0	629,305	0	24,981	30,984	0	22,593
Leasing Commissions	0	10,278	12,748	0	210,498	0	3,597	4,462	0	3,253
Total Leasing and Capital Costs	0	110,203	136,683	0	839,803	0	28,579	35,445	0	25,846
Net Cash Flow	906,732	830,789	825,555	983,484	-530,658	614,191	579,902	571,664	614,191	583,181





The 1.3 million square foot Metrocenter Mall was recently acquired by Carlyle Development Group with plans to add value to the center which will include a new Planned Urban Development (PUD) Zoning Overlay that will transform the landmark asset from a retail only development, to a successful multi-faceted, mixed-use environment including office, medical office, hotel, residential, retail, dining and entertainment. The PUD plan was voted and passed unanimously by the Phoenix City County in June 2016.



## Elements of the redevelopment strategy include:

- Rezoning of the property to PUD to accommodate a 2,700,000 square feet mixed-use environment, including office, medical and residential units that meet the needs of the local community with a trade area of more than 156,000 daytime employees and more than 455,000 residents.
- Development and construction of a brand new Walmart Supercenter and consolidation of in-line shop space to add new “mini-major” mall tenants; potentially attracting new retailers to the Arizona market.
- Incorporating family friendly, cultural and entertainment-oriented tenants that will change perception of the project and establish Metrocenter’s position as a positive force for the community’s 173,000+ households.

## Valley Metro Light Rail Extension to Metrocenter:

In May 2018, Phoenix City Council voted fund final design and pre-construction plans for the Northwest Phase II extension, which is the next phase in light rail extension to Metrocenter Mall Area. The 6.8 million dollar expansion is expected to be completed in 2023.





# Tenant

Tenant Overview  
LA Fitness – Phoenix, AZ

# The Tenant

## LA Fitness Overview

- Fitness International, LLC, doing business as LA Fitness (the “Company”), is the largest. Focused on good health, the Company boasts , non-franchised fitness club operator in the United States over 675 health club locations and five million members across the United States and Canada. LA Fitness health clubs offer a variety of classes and activities, including group fitness classes, yoga, cycling, mat Pilates, kickboxing cardio, and aqua aerobics. The Company’s locations commonly offer guests amenities including an indoor heated lap pool, whirlpool spa, sauna, racquetball and basketball courts, personal trainers and babysitting services.

## Expanding Business

- Since 2010, LA Fitness has nearly doubled its locations, completing the acquisition of 171 Bally Total Fitness clubs out of bankruptcy for \$153 million in November 2011 and acquiring 36 Urban Active clubs in Ohio, Kentucky, Tennessee, Georgia, Nebraska, North Carolina and Pennsylvania. Since then, the Company continues to acquire additional fitness clubs as well as build new clubs based on their prototype.

### COMPANY OVERVIEW

Tenant	Fitness International, LLC
Founded	1984
Headquarters	Irvine, CA
Ownership Type	Private
Revenue (TTM ended 6/30/16)	\$1.9 billion
Credit Rating (S&P)	B+ (Stable)
Locations	675+
Members	5 million
Website	lafitness.com





# Market

## Market Overview

LA Fitness – Phoenix, AZ

# Phoenix, AZ

Known as “The Valley of the Sun”, Greater Phoenix area sees more sunshine than any other metro area in the country. Phoenix is the sixth largest city in the United States and consistently outpaces the United States population growth rate. Phoenix is well known for its warm climate, beautiful setting, great cultural and recreational amenities and low cost of living.

Phoenix is the best place to get a sampling of all the state has to offer. Its downtown area may be characterized by sleek, ultramodern office buildings, but the city center is not all about work. Phoenix also contains ample opportunities to play. Recently built sports stadiums, along with updated arts and shopping districts fringe downtown, as do some of the area’s finest eateries.

Phoenix has consistently outpaced the U.S. population growth. Over the last 35 years, the population of Metro Phoenix has nearly tripled, growing from 1.6 million people in 1980, to approximately 4.7 million residents today. The population is projected to grow more than 42% over the next 13 years, surpassing 6.5 million residents by 2030.

## Phoenix Population Growth

**42%** Phoenix is projected to grow more than 42% over the next 15 years.

## Job Growth

**#2** State with the fastest job growth - *Kiplinger*

## Top 10 Busiest Airport

**43 million+** Passengers passed through Phoenix Sky Harbor International Airport in 2017

## Economy

**4.9%**  
corporate income  
tax rate

**2.2%** projected job growth in 2017  
(compared to U.S. annual project growth of 0.8%) – *Moody’s*

**+30%**  
Of population hold’s  
bachelor degrees or  
higher

## Center for Higher Education

**300K+** More than 300K students in Metro Phoenix, lead by Arizona State University

**4.7 million**

Residents call Phoenix metro home. Tripling in size over the last 35 years, since 1980.

**300+**

Phoenix enjoys over 300 days of sunshine per year

**5 Teams**

5 Professional sports teams call Phoenix home: Cardinals (NFL), Diamondbacks (MLB), Suns (NBA), Coyotes (NHL) Mercury (WNBA)

**75°**

Phoenix has an average year-round temperature of 75°

**#1**

Arizona State University – Tempe is ranked the “Most Innovative School in America” – *US News*

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