

24 Hour Fitness

2300 Fort Worth Ave | Dallas, Texas
Confidential Offering Memorandum

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Summary

Investment Summary

24 Hour Fitness – Dallas, TX

The Offering

JLL is pleased to offer for sale the fee-simple interest in a new construction, build-to-suit 24 Hour Fitness (the “Property” or “Asset”) ideally located in the heart of Dallas, TX. Positioned along Fort Worth Avenue, 3.5 miles from downtown Dallas in Kessler Park, 24 Hour Fitness is located within a dense, infill, gentrifying area which has been a hotbed for upscale residential and multi-family/retail development. The Property is slated for opening in June 2019 and will feature a 15-year primary lease term with 10% escalations every five years. 24 Hour Fitness offers investors the opportunity to acquire a first to market, new generation health club, with limited competition and a long-term lease with irreplaceable real estate, neighboring Dallas’ urban core.

INVESTMENT HIGHLIGHTS

- 24 Hour Fitness benefits from being the sole full service gym within a 4 mile radius. The Property will significantly benefit from being the first to market, new generation health club in the gentrifying West Dallas trade area known for its historic high-end homes, culture and astounding volume of new multi-family development.
- The Asset is located within a dense, infill area neighboring Dallas’ urban core. Within a 2.5 mile radius of the Property, there are 12,200 multi-family units, 1,300 units delivered over the past 12 months, 900 units currently under construction and 1,050 units in the planning state. 24 Hour Fitness will continue to benefit from the densification of the urban West Dallas market.
- The Property is leased to 24 Hour Fitness, one of the largest fitness chains in the United States with over 430 locations across 16 states. 24 Hour Fitness achieved an annual revenue of \$1.44 billion in 2017 and has over 4 million members. The health club industry is internet-resistant, is growing rapidly and is positioned to capitalize on the trend towards health and wellness.
- The Asset is operating on a net lease structure within a newly-constructed building, thus offering a stable investment opportunity with high quality construction and a 20 year roof warranty. The corporate entity on the lease provides additional security to the underlying cash flows.
- The lease features 10% rental increases throughout the primary term and in each of the three, 5-year renewal options, providing steady income growth across the 30-year term.
- The Property is surrounded by the Kessler Park neighborhood, Stevens Golf Course, Lincoln Kessler Park (299-unit luxury apartment community) and The Canyon in Oak Cliff, a 211-acre mixed-use development project currently underway.

PROPERTY SUMMARY

Address	2300 Fort Worth Avenue Dallas, TX 75211
Price	\$13,616,000
Cap Rate	6.25%
NOI	\$851,000 (\$23.00 PSF)
Escalations	10% Every Five Years
Lease Type	Modified NNN
Remaining Term	15 Years at Commencement
Scheduled Opening*	Est. 6/22/2019
Square Footage	+/- 37,000 SF
Site Size	+/- 4.12 acres
Year Built	2019
Tenant	24 Hour Fitness
Ownership	Fee-Simple
Renewal Options	3 x 5 Years
Renewal Increases	10% in Each Option

* 24 Hour Fitness will receive six months of rent abatement, with rent payments are estimated to begin 1/1/2020; seller will credit buyer with bridge rent between closing and rent commencement (Est. 1/1/2020).

Property

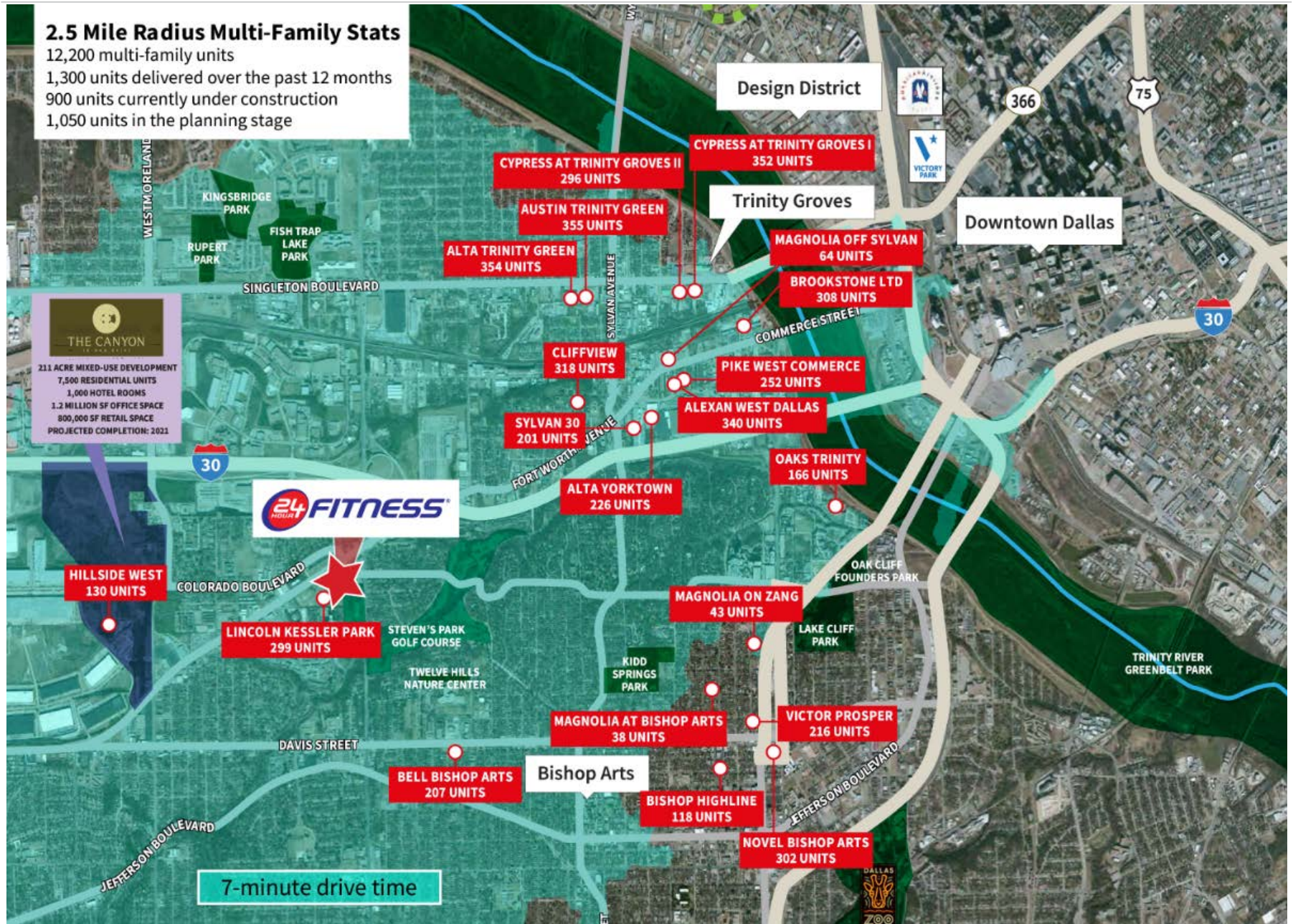
The Property sits on a large 4-acre parcel with high visibility along Fort Worth Avenue (22,300 vehicles per day) in Kessler Park, an infill neighborhood just west of downtown. Fort Worth Avenue, which connects downtown Dallas to West Dallas and Kessler Park, continues to see significant development with Lincoln Kessler Park and The Canyon in Oak Cliffs. Additionally, an exit ramp off Interstate 30 just 0.4 miles away provides commuters between Fort Worth and Dallas a convenient option for those seeking a gym along their commute.

Expanded Property Profile

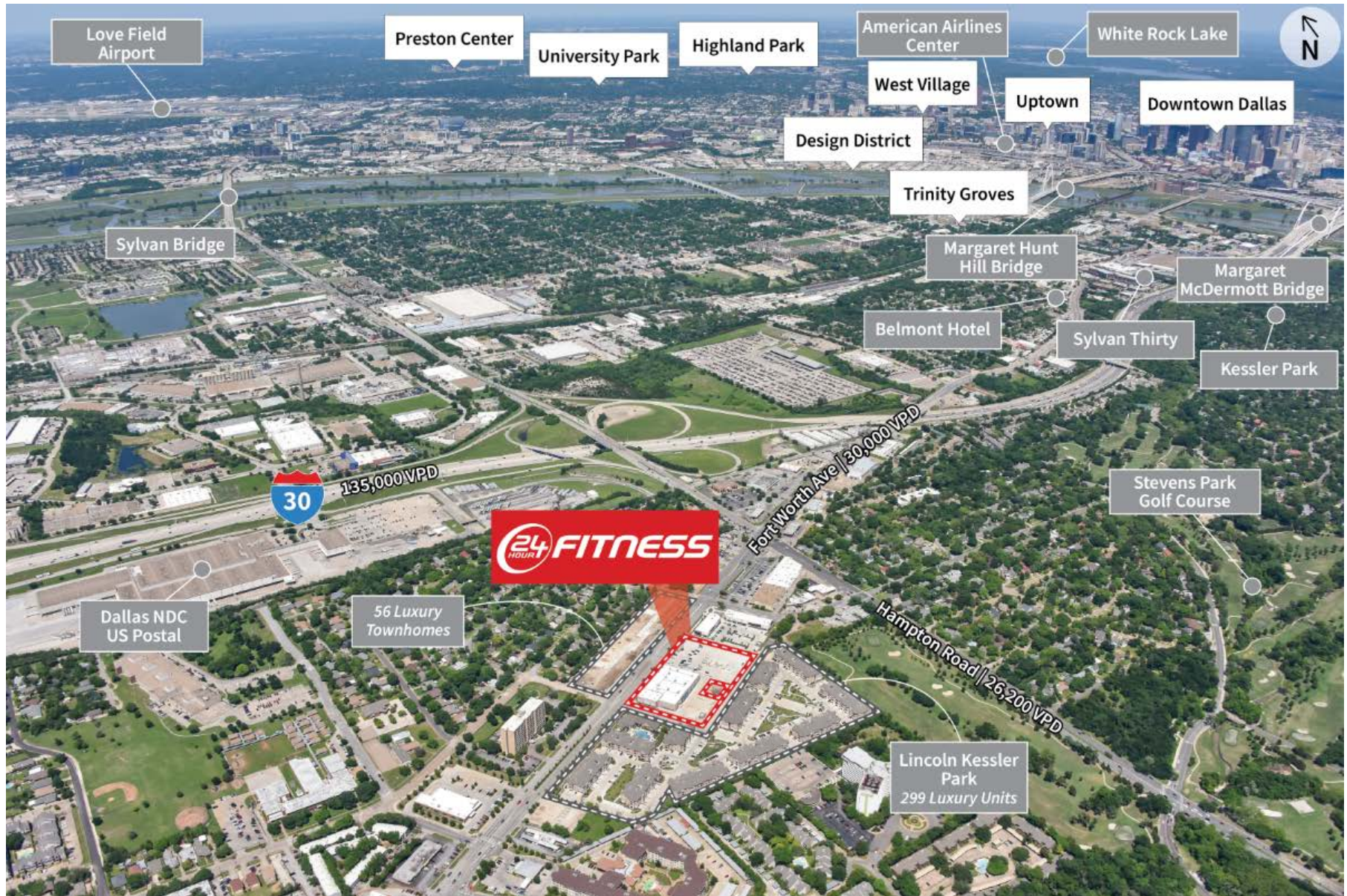
Address	2300 Fort Worth Ave, Dallas, TX 75211
Tenant	24 Hour Fitness USA, Inc.
Lease Type	Modified NNN
LL Responsibilities	Roof & Structure
Ownership Interest	Fee-Simple
Property Type	Freestanding Gym
Site Size	+/- 4.12 Acres
Parking Spaces	+/- 254
Building Size	37,180 SF
Year Built	2019
Lease Commencement	2019
Lease Expiration	15 Years after Rent Commencement
Remaining Lease Term	15 Years
NOI	\$851,000
Rental Increases	10% Every 5 Years
Renewal Options	3 x 5-Years
Roof Warranty	20 Years (TPO-60 mil roof)
ROFR	None

Multi-Family New Construction Since 2013

24 Hour Fitness | Dallas, TX (Kessler Park)











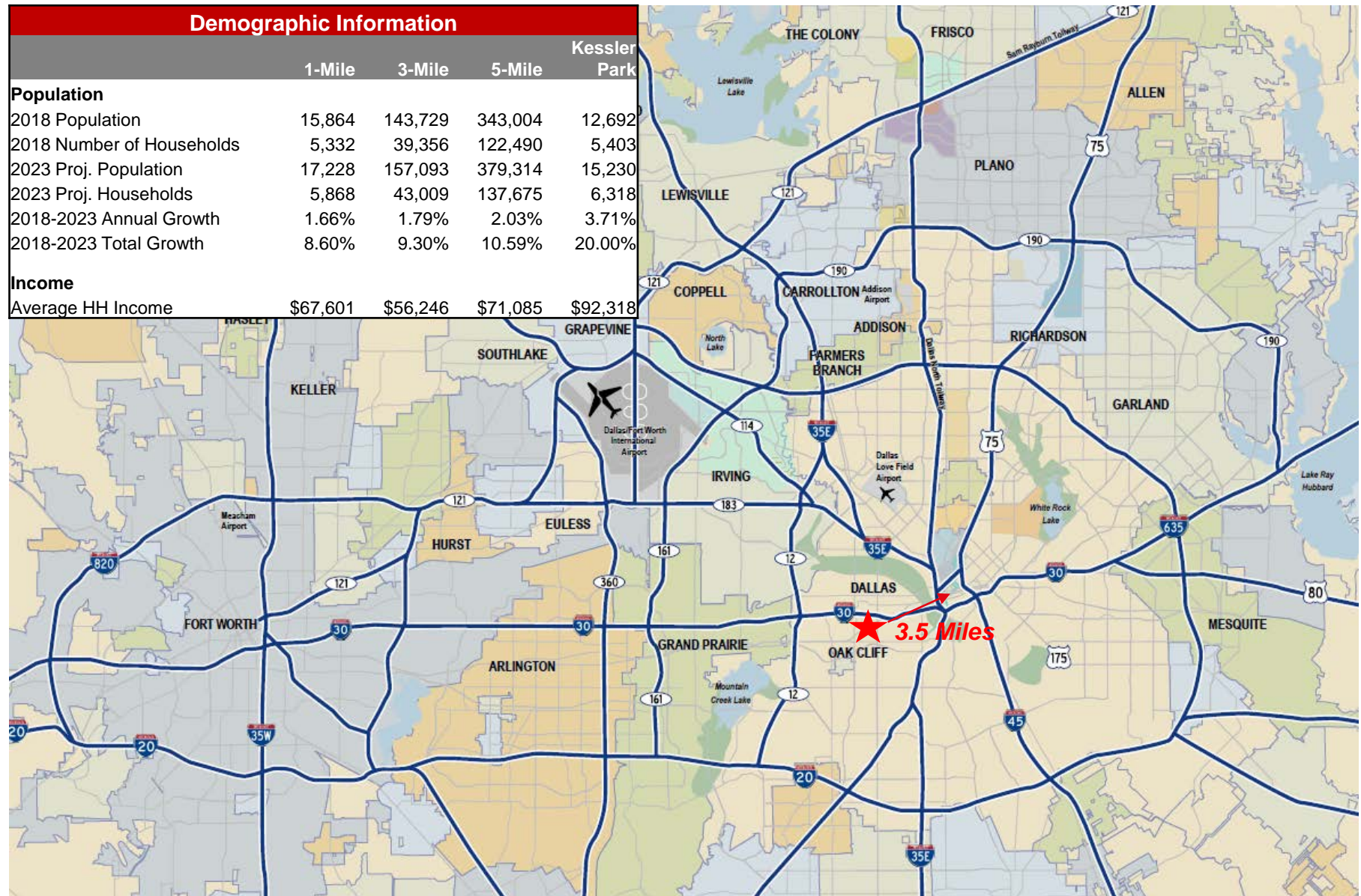
The Offering



Potential Development Site

*Option to purchase as a part of The Offering





Abstract

Lease Abstract

24 Hour Fitness – Dallas, TX

Lease Abstract

24 Hour Fitness | Dallas, TX (Kessler Park)

24 Hour Fitness Lease Abstract	
Tenant	24 Hour Fitness USA, Inc.
Signed Date	6/27/2017
Address of Premises	2300 Fort Worth Ave., Dallas TX
Premises SF	Approx. 37,000 SF
Building SF	Approx. 37,000 SF subject to adjustment
Delivery Date	9/20/2018
Tenant Open Date	Est. 6/22/2019
Rent Commencement Date	Est. 1/1/2020
Initial Term	15 full calendar years after the Rent Commencement Date
Options to Extend	3 x 5-year options
Initial Improvement Allowance	\$140.00 / SF of the building
Initial Common Area Expenses	\$2.00 / SF Estimated
Initial Real Property Taxes	\$2.50 / SF Estimated
Tenant's Share	Tenant's Share shall be the portion of Common Area Expenses (including insurance) and Real Property Taxes determined by multiplying the cost of such item by a fraction, the numerator being the building square footage and the denominator being the total square footage of the leasable floor area in the Center. This share shall not exceed 63%.
Lease Year	Consecutive 12 month period commencing on the rent commencement date. Any initial partial calendar month shall not be included in the first lease year
Exclusivity	Landlord shall not use nor permit any other space in the Center to be used as a health club, nor any of the following: aerobic classes, yoga, pilates, indoor cycling, personal training, PT, etc.
Tenant's Share of Common Area Expenses	Tenant shall pay to Landlord Tenant's Share of Common Area Expenses, to the extent such Common Area Expenses accrue during the Term of the Lease. Tenant shall not be charged for any administrative fee exceeding 3% of Common Area Expenses.
Tenant's Share of Real Property Taxes	Tenant shall pay to Landlord Tenant's Share of Real Property Taxes to the extent such Real Property Taxes accrue during the Term of the Lease. Tenant shall not be responsible for any increase in Real Property Taxes as a result of a transfer of ownership during the first five (5) years of Term, and thereafter Tenant shall not be responsible for any increase in or assessments attributable to more than one (1) change of ownership during any five (5) year term.
Definition of Common Area Expenses	Those costs and expenses reasonably necessary for Landlord to operate, maintain, repair, clean, protect, insure, landscape and illuminate the Center.
Cap on Common Area Expenses	In no event shall Tenant's Share of Controllable Common Area Expenses for the second calendar year, or any year thereafter, exceed an amount equal to the amount of the preceding calendar year multiplied by 103%. Controllable Common Area Expenses means Common Area Expenses excluding the cost of snow removal, insurance, security and Common Area utilities
Utilities and Services	Landlord agrees to furnish to the Premises electricity, water, gas, telephone, internet and sewer service on a 24 hour per day basis. Tenant shall contract and pay all charges of the separately metered utilities actually used on the Premises throughout the term of the lease.
Landlord's Maintenance and Repair Obligations	Landlord shall maintain in good condition, repair, and replace (when necessary) the exterior walls and all structural members and components of the Premises, including the roof, load bearing walls, floor slabs, subfloors and foundations of the building, exterior painting and cleaning of exterior windows of the building. Landlord shall repair, maintain, and replace all unexposed gas, electric, water, telephone, and sanitary sewer systems required to provide the Premises with Utilities. All costs and expenses incurred by Landlord in effecting its maintenance, repair and replacement obligations under this section shall be borne solely by Landlord, and not included in Common Area Expenses (except that the costs of cleaning the exterior windows may be included in Common Area Expenses)
Tenant's Maintenance and Repair Obligations	Tenant shall clean, maintain, repair, and replace: the plate glass, windows, doors, door closure devices, molding, locks and hardware, special store fronts installed by Tenant, signs. Tenant shall be responsible for the maintenance and repair (including replacement) of the HVAC system serving the Premises.
Assignment and Subletting	Tenant may assign or sublet its interest in the lease with landlord consent. Tenant may, without landlord consent, assign or sublease the lease to any parent, any subsidiary of the parent, an affiliated entity in which the Tenant or parent owns a majority stake or has ownership interest, any operator which holds or acquires at least five (5) of Tenant's clubs, an assignee having a tangible net worth at least equal to the tangible net worth of the Tenant at the time of assignment (at least \$25M). Tenant's assignment shall not affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee(s)), or relieve Tenant of any of its obligations hereunder without an express written release being given by Landlord, provided, however, Tenant will be relieved of all obligations following the expiration of the then-existing Term.



Tenant

Tenant Overview

24 Hour Fitness – Dallas, TX

The Tenant

24-Hour Fitness

24 Hour Fitness is a privately owned health club chain headquartered in San Ramon, California. The company operates over 430 health clubs across 16 states and offers a variety of facilities, classes, and personal training that cater to a broad consumer base. With 4 million members, over 430 locations, and \$1.44 billion in annual revenue (2017), 24 Hour Fitness is one of the largest gyms by memberships, locations, and revenue in the United States.

Moving forward under new CEO Tony Ueber, the company is implementing an aggressive growth plan and a transformation of the brand. Ueber stated that 24 Hour Fitness will open more than 16 new clubs in 2019, and that their primary focus is on building their own facilities rather than growing through acquisitions. Along with growth, 24 Hour Fitness is focused on delivering a marketing and sales process that is member centric. This involves rolling out more self-service capabilities like online joining options and programs dedicated to unique groups within their membership.

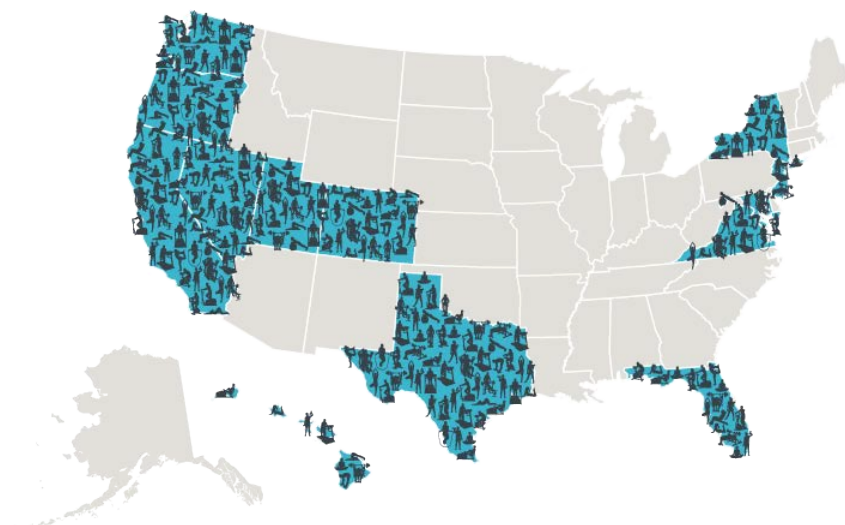
The company plans to separate itself from the competition by leveraging health science and technology to engage with its members outside of its facilities and by promoting sustainably healthy lifestyles. 24 Hour Fitness has hired top talent within the health science field and launched its 24GO app in order to meet these objectives.

In 2014, 24 Hour Fitness was acquired by an investment group led by New York-based private equity firm AEA Investors and the Ontario Teacher's Pension Plan for a reported \$1.85 billion. The acquisition has led to revenue growth and increased market share across the company's major markets. Additionally, 24 Hour Fitness recently refinanced \$850 million of debt with a consortium of banks and private equity companies with significant experience in the fitness sector. 24-Hour Fitness was also provided a revolving credit line of \$120 million, which will provide capital to fuel the company's expansion.



Company Overview

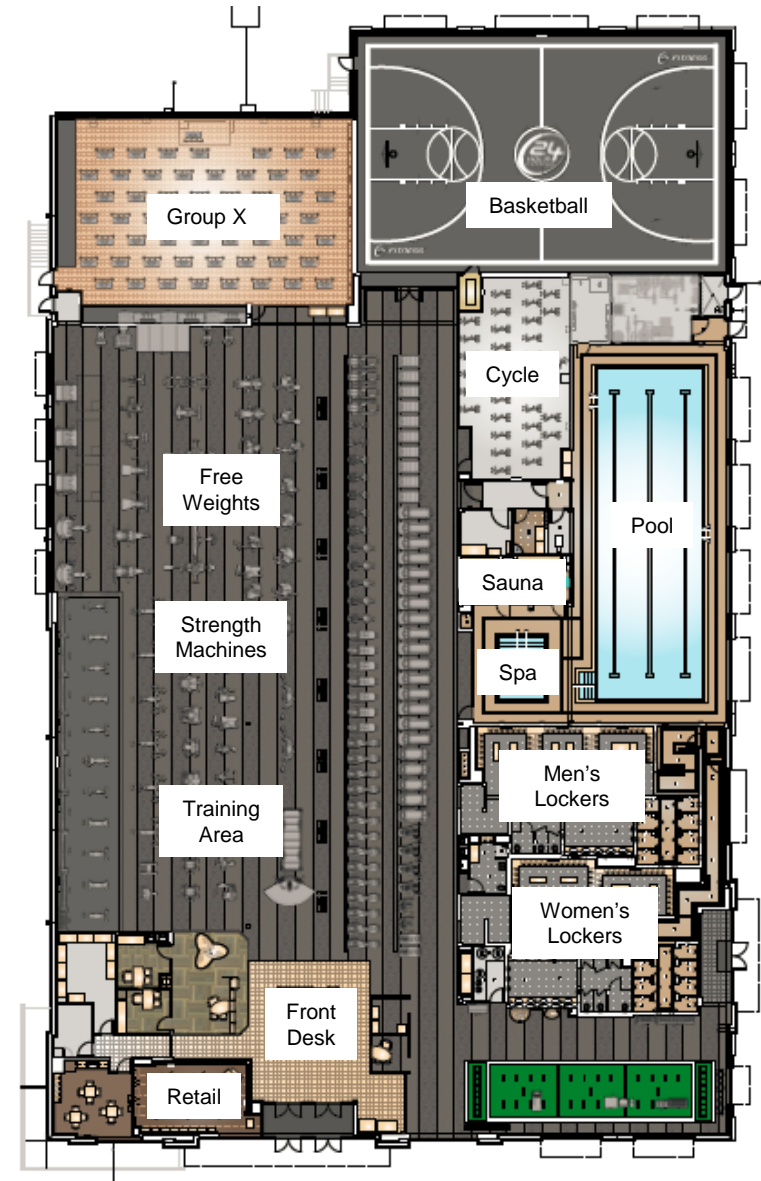
Tenant	24 Hour Fitness
Credit Rating / Outlook	B2 (Moody's)
Members	4+ million
2017 Revenue	\$1.44 billion
# of Locations	430+
Headquarters	San Ramon, CA
Employees	24,000+
Company Website	www.24hourfitness.com



Kessler Park Super-Sport Gym

Come Discover

- 37,000 SF
- Studio & Cycle Classes
- Digital Studio Classes
- Personal & Group Training
- Latest Cardio & Strength Equipment
- Multi-functional Olympic Training Rig
- TRX Suspension Training
- Turf Zone
- Basketball Court
- Indoor Lap Pool
- Whirlpool, Sauna & Steam Room
- Spacious Locker Rooms





Financing

Financing Options

24 Hour Fitness – Dallas, TX

	CMBS	LifeCo	Bank
Loan Amount	65 - 70%	60% - 65%	60% - 65%
Term	10 years	10 - 15 years	5 years
Amortization ¹	5 years I/O, then 30 yr amo	20 yr amo	3 years I/O, then 25 yr amo
Fixed/Floating	Fixed	Fixed	Fixed or Floating Rate Option
Index	10 Year UST	10 Year UST	30-Day LIBOR
Index Rate ²	2.30%	2.30%	2.42%
Spread	2.25%	2.00%	2.50%
All-in Rate	4.55%	4.30%	4.92%
Origination Fee	None	50 - 75 bps	50 - 75 bps
Recourse	Non-Recourse	Non-Recourse	Non-Recourse

Footnotes:

1.) Interest only period will vary with leverage level (65% LTC = 5 yrs)

2.) Indices as of 5/28/2019

An aerial photograph of the Dallas skyline at sunset. The sky is filled with large, billowing clouds in shades of orange, yellow, and pink. The city's skyscrapers are silhouetted against the bright sky, with some reflecting the golden light. The foreground shows a mix of modern and older buildings, with a few green spaces and parking lots visible.

Market

Market Overview

24 Hour Fitness – Dallas, TX

Location

Kessler Park Overview

Kessler Park is widely considered one of Dallas-Fort Worth's hottest neighborhoods and poised for continued growth in the immediate future. Sitting just south of Interstate 30, Kessler Park benefits from convenient access to downtown Dallas (approx. 3 miles) and the amenities it has to offer. The development of West Dallas began with the construction of the Margaret Hunt Hill bridge in 2012, providing a direct connection from downtown to the neighborhood. This spurred significant development, starting with the Trinity Groves development, a 15-acre mixed-use district at the base of the bridge, and continued from there. Kessler Park is home to many of Dallas' most popular cultural and entertainment venues such as the Bishops Arts District, Stevens Park Golf Course, The Kessler Theatre, The Texas Theatre and the Dallas Zoo just to name a few. Kessler Park's unique character and landscape has helped spur gentrification in the neighborhood.

Margaret Hunt Hill Bridge & Margaret McDermott Bridge

Besides providing the City with a signature structure and artfully changing the skyline; city, business and civic leaders are excited about the revitalization and economic development the bridge has spurred for the West Dallas neighborhoods and the catalyst it has been to bring people down to the river. This new connection over the river has also helped foster unity across the north and south divide in the City.



Trinity Groves:

Located across the Margaret Hunt Hill Bridge, Trinity Groves is an exciting restaurant incubator community which encourages chefs and restaurants to create and present unique restaurant concepts to a team of experienced restaurateurs who will support them to bringing their ideas to reality. Trinity Groves, is popular with people throughout Dallas for the food, music and attractive renovated buildings and community-style outdoor patios. This area is flourishing with new employment opportunities while generating interest in further development within the community.



Bishop Arts:

The Bishop Arts District is a neighborhood rich in history and was the site of Dallas' busiest trolley stop in the 1930s. Since the area's revitalization, the Bishop Arts District has been featured in the New York Times, USA Today and The Daily Beast for its small-town feel, hidden-gem appeal, and close-knit community. The Bishop Arts District is home to over 60 Independent boutiques, restaurants, bars, coffee shops, theatres and art galleries. Located in the heart of North Oak Cliff, one of Dallas' most unique neighborhoods.

Kessler Theatre

Known simply as "The Kessler" to insiders who frequent the recently remodeled theater, this Oak Cliff establishment has remained a fixture on the corner of Davis Street and Clinton Avenue since 1942. Over the years, it's been a movie theater and a revival tabernacle, but sat dormant from 1978 until 2009. With Oak Cliff's recent cultural resurgence, The Kessler has been renovated and reopened. Now, it functions as a dance studio, concert venue, an art gallery with a frequently changing gallery space and a bar that offers a much wider variety of drinks than your typical music venue. Locally brewed beers and well-priced spirits stream from the art deco designed bar, which has a 1930s New York feel--but according to the owner, The Kessler's vibe is "exclusively Oak Cliff."



Market

The Dallas-Fort Worth Metroplex

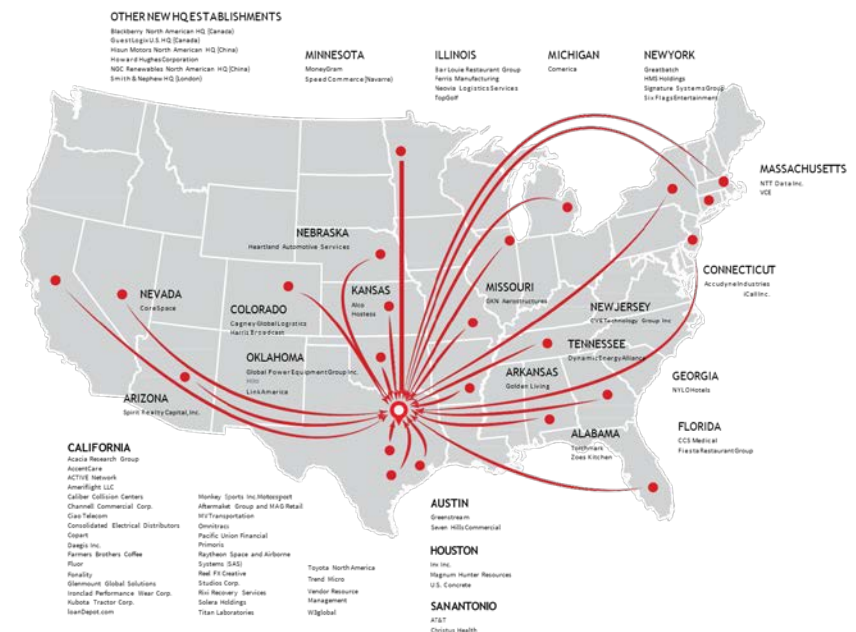
Dallas / Fort Worth (“DFW”) is the largest metropolitan area in Texas and the fastest growing metropolitan area in the United States, with over 7,117,800 people. Its location within the central time zone, transportation infrastructure, young and educated labor force, diverse economy and pro-business local governments foster a prosperous economic environment that provide an outstanding base for future growth. The Metroplex’s success as a “World-class” leader in transportation is a result of its excellent airports, interstate highway system, and emerging rail routes.

The Dallas/Fort Worth economy consists of a diverse mix of companies and industries with recent increases in service, insurance, and high-tech related industries, as well as those maintaining a major distribution network. DFW has become the chosen landing spot for many national corporate relocations and headquarters including State Farm, JPMorgan Chase, Liberty Mutual, Toyota, FedEx Kinkos, Kubota Tractor and more. Economists predict a favorable long-term advantage to DFW and other major Texas markets for corporate relocations to continue for the foreseeable future as a result of a relatively low tax burden, right-to-work status, and a predictable regulatory environment.

The Urbanization of Dallas

Over the past two decades, Dallas has experienced tremendous suburban growth as residents were looking to own houses on spacious lots in the suburbs. However, in recent years people’s preferences have changed, and Millennials along with Baby Boomers are migrating back to the heart of the city as they look to rent new, hip apartments with convenient access to work and entertainment. With this increased interest in urban living, the city of Dallas as significantly invested in the revival of its downtown. With the addition of Klyde Warren Park, the Arts District, the Perot Museum, the Omni Hotel, to name a few, development downtown has taken off. Many buildings which have sat vacant for decades are being acquired and redeveloped by national and international buyers, truly transforming downtown’s urban living scene.

Corporate Headquarters Relocation



#5

Best-Performing City
Milken Institute



Top 20

Cities to Start a Business
Inc. Magazine and Startup Genome



#6 U.S. City

2018 GDP Growth
U.S. BEA

The Dallas-Fort Worth Economy

DFW is one of the World's Leading Corporate Headquarter Destinations



DFW Airport is the 11th busiest airport in the world in terms of passenger traffic



Central Time Zone provides easy business connections to all points across the country & internationally



Dallas is equidistant from New York, Los Angeles, Chicago & Mexico City



DFW Airport allows Dallas to be reached non-stop by more than 205 destinations worldwide

Economic Stats



Highly diversified economy mitigates risk against potential downturns in a given economic sector - no sector constitutes greater than 22% of the economy



DFW added approximately 935,000 new jobs from 1990 - 2000 and there was a net positive 101,400 jobs added between 2000 and 2017 despite the worst economic recession since the Great Depression

4TH

Largest Metro

43

Fortune 1,000 Headquarters

21

Fortune 500 Headquarters

8TH

Richest Metro by Median Income

6TH

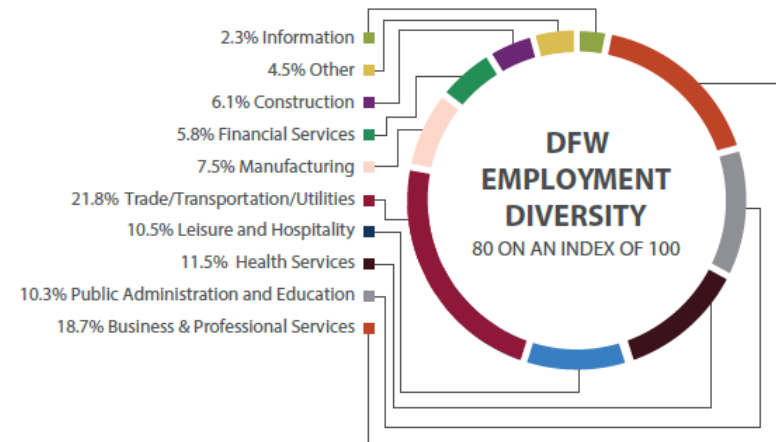
Largest Economy in the U.S.

155

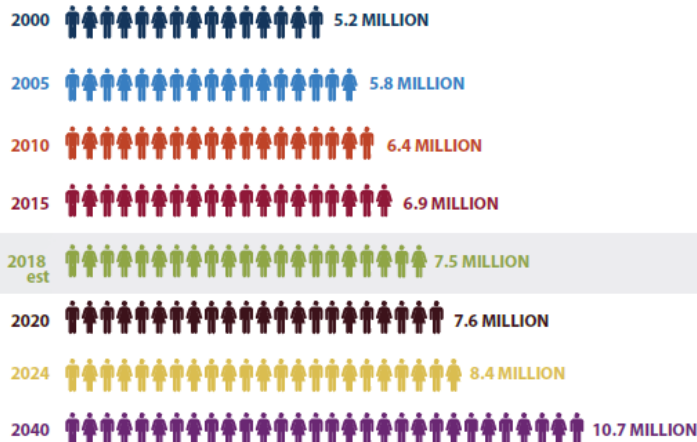
Headquarters that employ at least 1,000 employees

The Dallas-Fort Worth Population

Largest North Texas Employers	Employees
Wal-Mart Stores Inc.	34,000
American Airlines Group Inc.	27,000
Texas Health Resources	22,296
Dallas Independent School District	19,740
Baylor Scott & White Health	16,500
Lockheed Martin Aeronautics	13,750
Bank of America	13,500
City of Dallas	13,336
UT Southwestern Medical Center	13,018
Texas Instruments	13,000
JPMorgan Chase Bank NA	12,676
Fort Worth Independent School District	12,000
HCA North Texas Division	11,722
Parkland Health & Hospital System	9,906
Southwest Airlines Co.	9,931
Raytheon Co.	8,700
Target	8,253
Garland Independent School District	7,220
Dallas County	7,162
Plano Independent School District	6,659



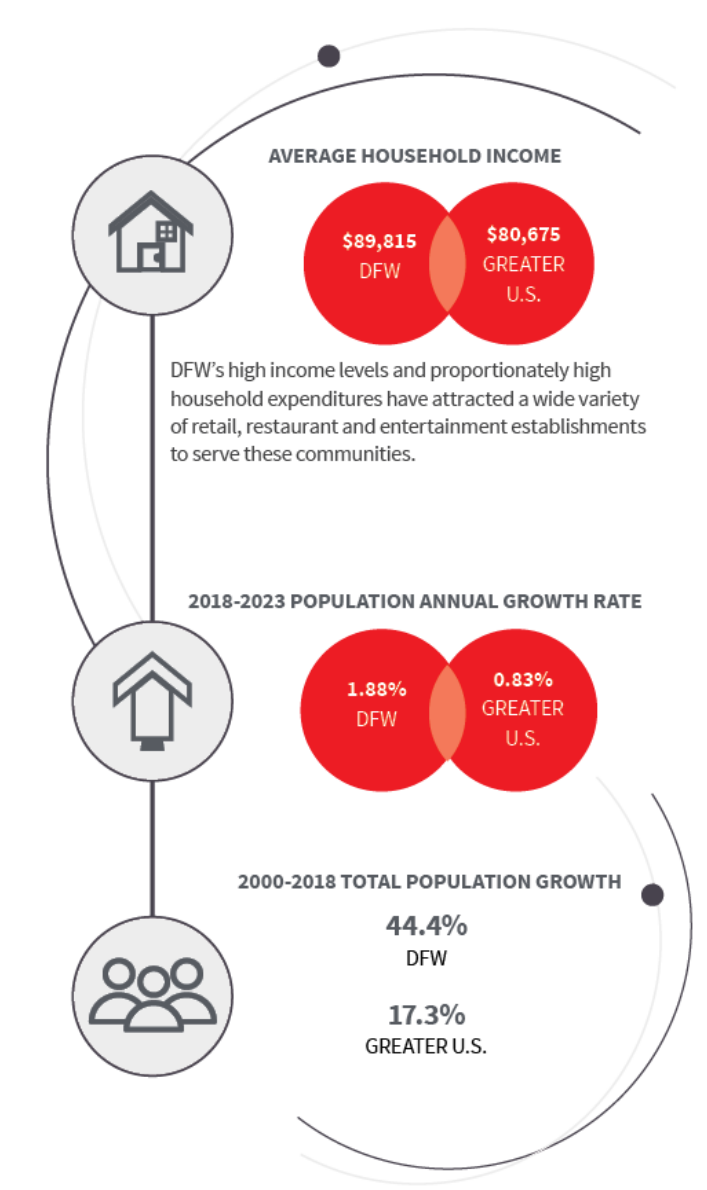
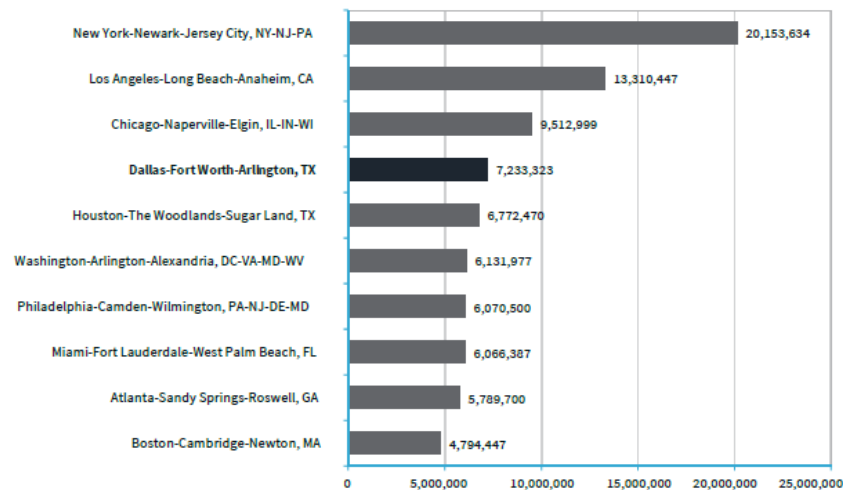
The Dallas-Fort Worth Population



DFW Compound Annual Growth Rate from 2018 to 2040: 1.63%

US Compound Annual Growth Rate from 2018 to 2040: 0.60%

TEN LARGEST METRO AREAS



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