



OFFERING MEMORANDUM

PLANET FITNESS

9425 Jones Road • Houston, Texas 77065

NON-ENDORSEMENT AND DISCLAIMER NOTICE

Confidentiality and Disclaimer

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TEXAS REAL ESTATE COMMISSION
P.O. BOX 12188
AUSTIN, TEXAS 78711-2188
(512) 936-3000

Non-Endorsement Notice

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ALL PROPERTY SHOWINGS ARE BY APPOINTMENT ONLY.
PLEASE CONSULT YOUR MARCUS & MILLICHAP AGENT FOR MORE DETAILS.

PLANET FITNESS
Houston, TX
ACT ID ZAA0040049

Marcus & Millichap

NET LEASED DISCLAIMER

Marcus & Millichap hereby advises all prospective purchasers of Net Leased property as follows:

The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable. However, Marcus & Millichap has not and will not verify any of this information, nor has Marcus & Millichap conducted any investigation regarding these matters. Marcus & Millichap makes no guarantee, warranty or representation whatsoever about the accuracy or completeness of any information provided.

As the Buyer of a net leased property, it is the Buyer's responsibility to independently confirm the accuracy and completeness of all material information before completing any purchase. This Marketing Brochure is not a substitute for your thorough due diligence investigation of this investment opportunity. Marcus & Millichap expressly denies any obligation to conduct a due diligence examination of this Property for Buyer.

Any projections, opinions, assumptions or estimates used in this Marketing Brochure are for example only and do not represent the current or future performance of this property. The value of a net leased property to you depends on factors that should be evaluated by you and your tax, financial and legal advisors.

Buyer and Buyer's tax, financial, legal, and construction advisors should conduct a careful, independent investigation of any net leased property to determine to your satisfaction with the suitability of the property for your needs.

Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

By accepting this Marketing Brochure you agree to release Marcus & Millichap Real Estate Investment Services and hold it harmless from any kind of claim, cost, expense, or liability arising out of your investigation and/or purchase of this net leased property.

Marcus & Millichap

EXECUTIVE SUMMARY

OFFERING SUMMARY

| | |
|-------------------------------|-------------|
| Price | \$3,160,000 |
| Net Operating Income | \$205,423 |
| Capitalization Rate – Current | 6.5% |
| Price / SF | \$149.98 |
| Rent / SF | \$9.75 |
| Lease Type | NNN |
| Gross Leasable Area | 21,069 SF |
| Year Built / Renovated | 1994 |

FINANCING

| | |
|----------------------------------|---------------------|
| Loan Amount | \$2,370,000 |
| Loan Type | Financed - New Loan |
| Loan to Value | 75.00% |
| Down Payment | 25% / \$790,000 |
| Interest Rate / Amortization | 4.5% / 25 Years |
| Annual Loan Payment | \$158,079 |
| Net Cash Flow After Debt Service | 5.99% / \$47,344 |
| Cash on Cash Return | 5.99% |
| Total Return | 12.64% / \$99,847 |



MAJOR EMPLOYERS

| EMPLOYER | # OF EMPLOYEES* |
|--------------------------------|-----------------|
| Brock Services Holdings LLC | 8,529 |
| Lufkin Industries LLC | 4,700 |
| Methodist Hospital | 2,732 |
| Willowbrook Mall | 1,294 |
| Keystone Concrete Placement | 1,200 |
| Willies Grill & Icehouse LLC | 1,100 |
| Texas Southern University | 945 |
| Proserv Operations Inc | 923 |
| Cypress Fairbanks Med Ctr Hosp | 850 |
| Toshiba International | 850 |
| Dril-Quip | 759 |
| Pall Corporation | 750 |

DEMOGRAPHICS

| | 1-Miles | 3-Miles | 5-Miles |
|-------------------|----------|----------|----------|
| 2018 Estimate Pop | 20,237 | 111,784 | 275,810 |
| 2010 Census Pop | 18,839 | 102,141 | 249,487 |
| 2018 Estimate HH | 8,544 | 41,933 | 98,103 |
| 2010 Census HH | 7,933 | 38,150 | 88,474 |
| Median HH Income | \$56,720 | \$65,894 | \$66,746 |
| Per Capita Income | \$32,387 | \$33,884 | \$33,171 |
| Average HH Income | \$76,711 | \$90,198 | \$93,143 |

* # of Employees based on 5 mile radius

INVESTMENT OVERVIEW

Planet Fitness is the tenant in a 21,069 square foot retail building situated at the intersection of Jones Road and West Road in the northwest Houston area called Jersey Village. The building was built in 1994 and renovated in 2017.

The tenant signed a 10 year lease in 2018 with rental escalations at the beginning of the sixth year. The tenant reimburses for real estate taxes, insurance and common area expenses. The landlord is responsible for roof, walls and foundation. The tenant is responsible for repairs and maintenance. The tenant and guarantor is PF Houston, LLC, a franchisee which operates 24 clubs in the greater Houston area.

Demographics are strong in the area. Within a one and three mile radius, average household incomes are \$77,000 and \$90,000 respectively while population in the same area is 20,000 and 111,000 respectively. Major traffic generators in the area include H-E-B, Kroger, Aldi, and Food Town, each of which are on different corners of the intersection.

Planet Fitness (PFIP LLC) is an American franchisor and operator of fitness centers. The company was founded in 1992 and is based in Hampton, New Hampshire. The company currently has approximately 1,742 clubs. They have locations in Canada, Dominican Republic, Panama, and Mexico. It markets itself as a “Judgment Free Zone” that caters to novice and casual gym users and is reported to be the nation’s fastest growing fitness center franchisee. In the fall of 2013, TSG Consumer Partners, LLC became an equity partner in the Planet Fitness franchise. The company reports that as of 2019, there are 76 corporate-owned gyms while the rest are independently owned and operated. The company is publicly traded on the NYSE and is currently trading at \$81 per share. S&P has given Planet Fitness a BBB- rating.

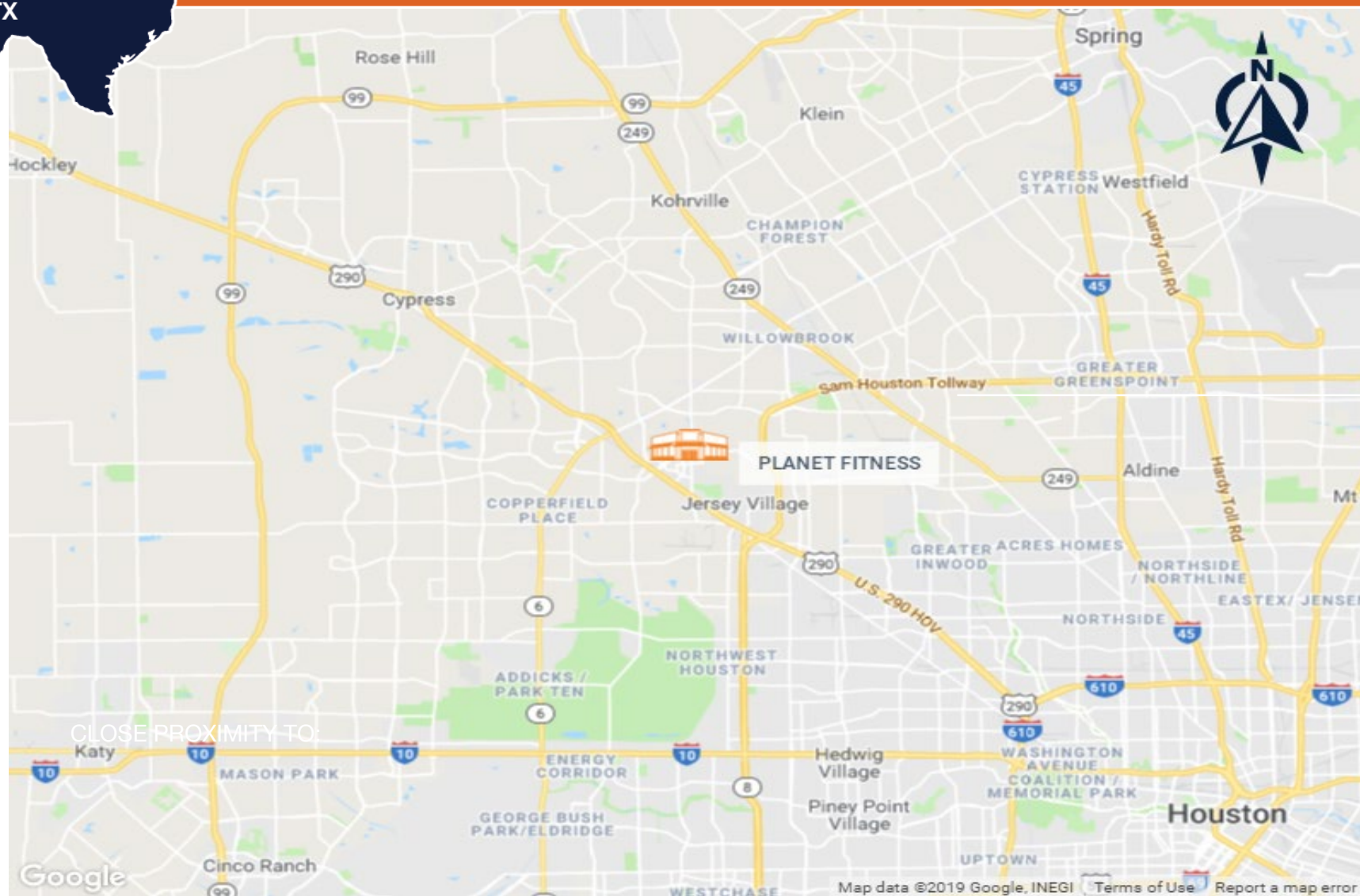
INVESTMENT HIGHLIGHTS

- 24-Unit Operator
- All Expenses Reimbursed
- Building Renovated in 2017
- Strong Demographics
- H-E-B, Kroger, Aldi, and Food Town All Located at This Intersection

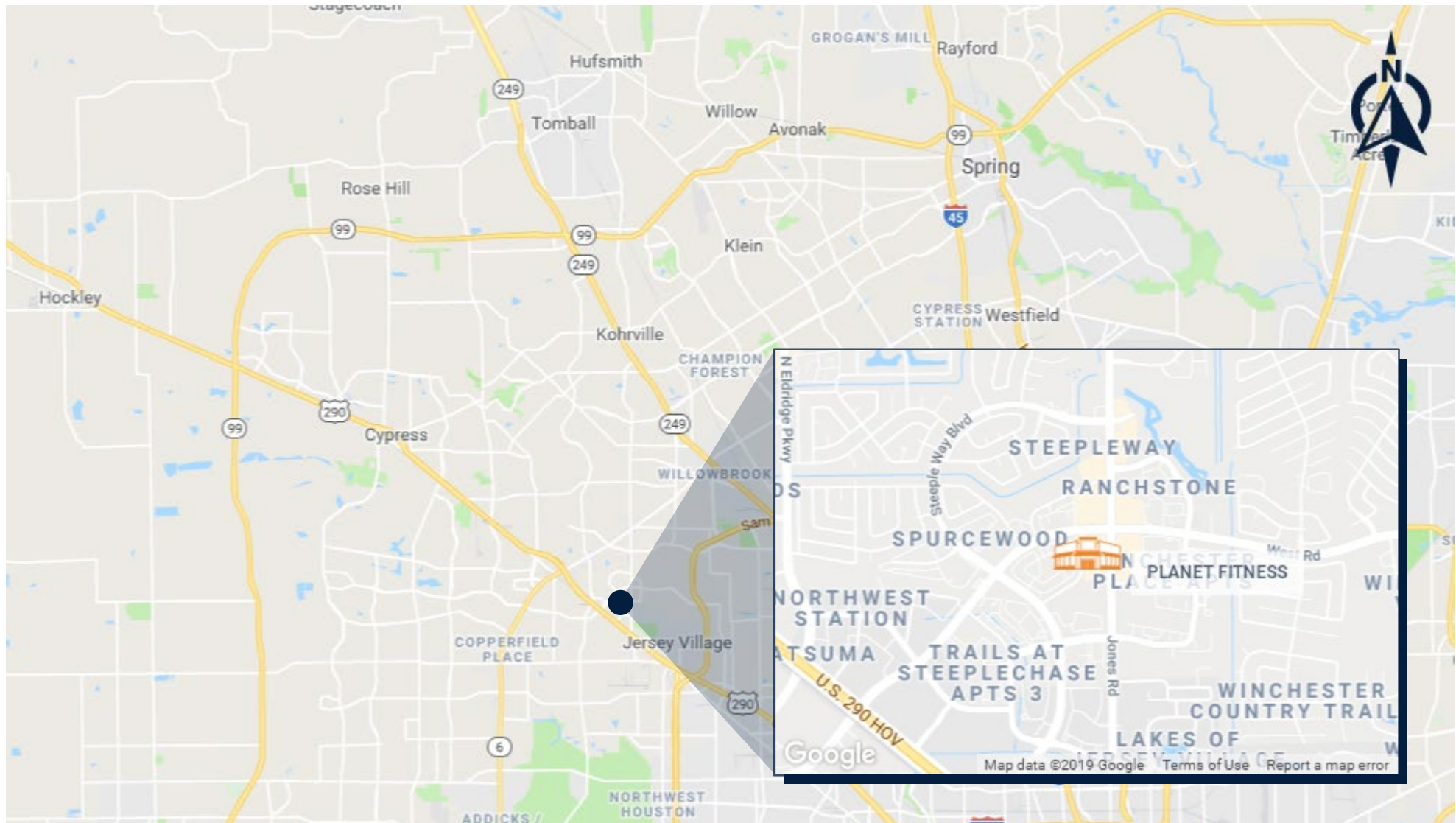




9425 Jones Road, Houston, Texas 77065



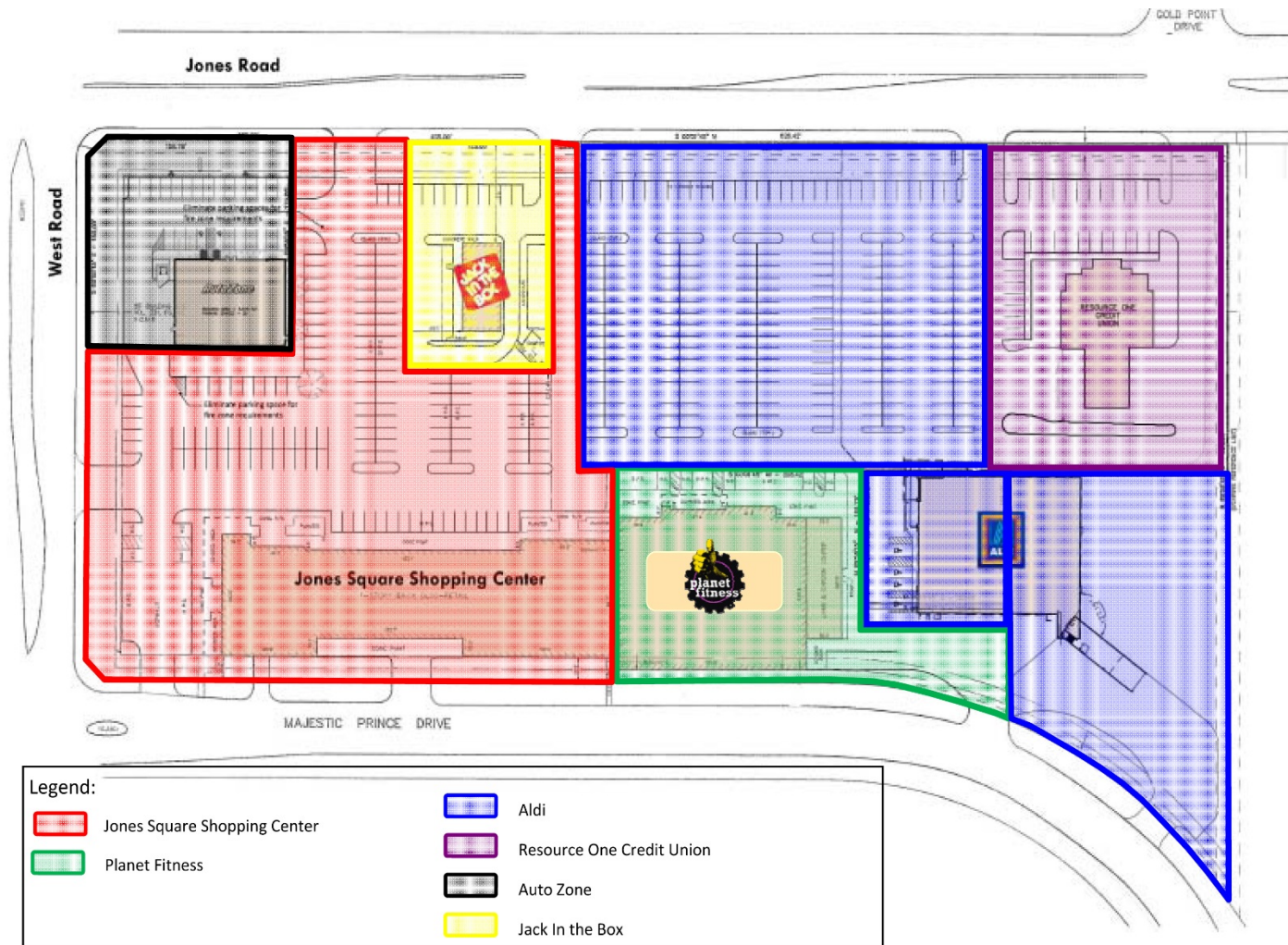
9425 Jones Road, Houston, Texas 77065











PROPERTY SUMMARY

| THE OFFERING | |
|---------------------|--------------------------------------|
| Property | Planet Fitness |
| Property Address | 9425 Jones Road Houston, TX 77065 |
| Price | \$3,160,000 |
| Capitalization Rate | 6.50% |
| Price/SF | \$149.98 |

| PROPERTY DESCRIPTION | |
|------------------------|------------|
| Year Built / Renovated | 1994 |
| Gross Leasable Area | 21,069 SF |
| Zoning | N/A |
| Type of Ownership | Fee Simple |
| Lot Size | N/A |

| LEASE SUMMARY | |
|---------------------------------|-------------------------------|
| Property Subtype | Net Leased Fitness Center |
| Tenant | Planet Fitness |
| Rent Increases | Year 5-10 @ \$226,491.72/Year |
| Guarantor | * Franchisee Guarantee |
| Lease Type | NNN |
| Lease Commencement | 1/15/18 |
| Lease Expiration | 1/15/28 |
| Lease Term | 10 |
| Term Remaining on Lease (Years) | 8.6 |
| Renewal Options | Two Five-year Options |
| Landlord Responsibility | Roof, Walls, and Foundation |
| Tenant Responsibility | Repairs and Maintenance |
| Right of First Refusal/Offer | N/A |

ANNUALIZED OPERATING INFORMATION

| INCOME | |
|----------------------|-----------|
| Net Operating Income | \$205,423 |

| RENT SCHEDULE | | | | |
|---------------|-------------|--------------|---------|----------|
| YEAR | ANNUAL RENT | MONTHLY RENT | RENT/SF | CAP RATE |
| Current | \$205,423 | \$17,119 | \$9.75 | 6.50% |
| Year 5-10 | \$226,492 | \$18,874 | \$10.75 | 7.17% |
| Option 1 | \$249,246 | \$20,771 | \$11.83 | 7.89% |
| Option 2 | \$274,105 | \$22,842 | \$13.01 | 8.67% |



NOTES

*PF Houston, LLC is a franchisee and operates 24 clubs in the greater Houston area.

MARCUS & MILLICHAP CAPITAL CORPORATION CAPABILITIES

MMCC—our fully integrated, dedicated financing arm—is committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We leverage our prominent capital market relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, Fannie Mae, Freddie Mac and HUD to provide our clients with the greatest range of financing options.

Our dedicated, knowledgeable experts understand the challenges of financing and work tirelessly to resolve all potential issues to the benefit of our clients.



**Closed 1,678
debt and equity
financings
in 2018**



**National platform
operating
within the firm's
brokerage
offices**



**\$6.24 billion
billion total
national
volume in 2018**



**Access to
more capital
sources than
any other firm
in the industry**

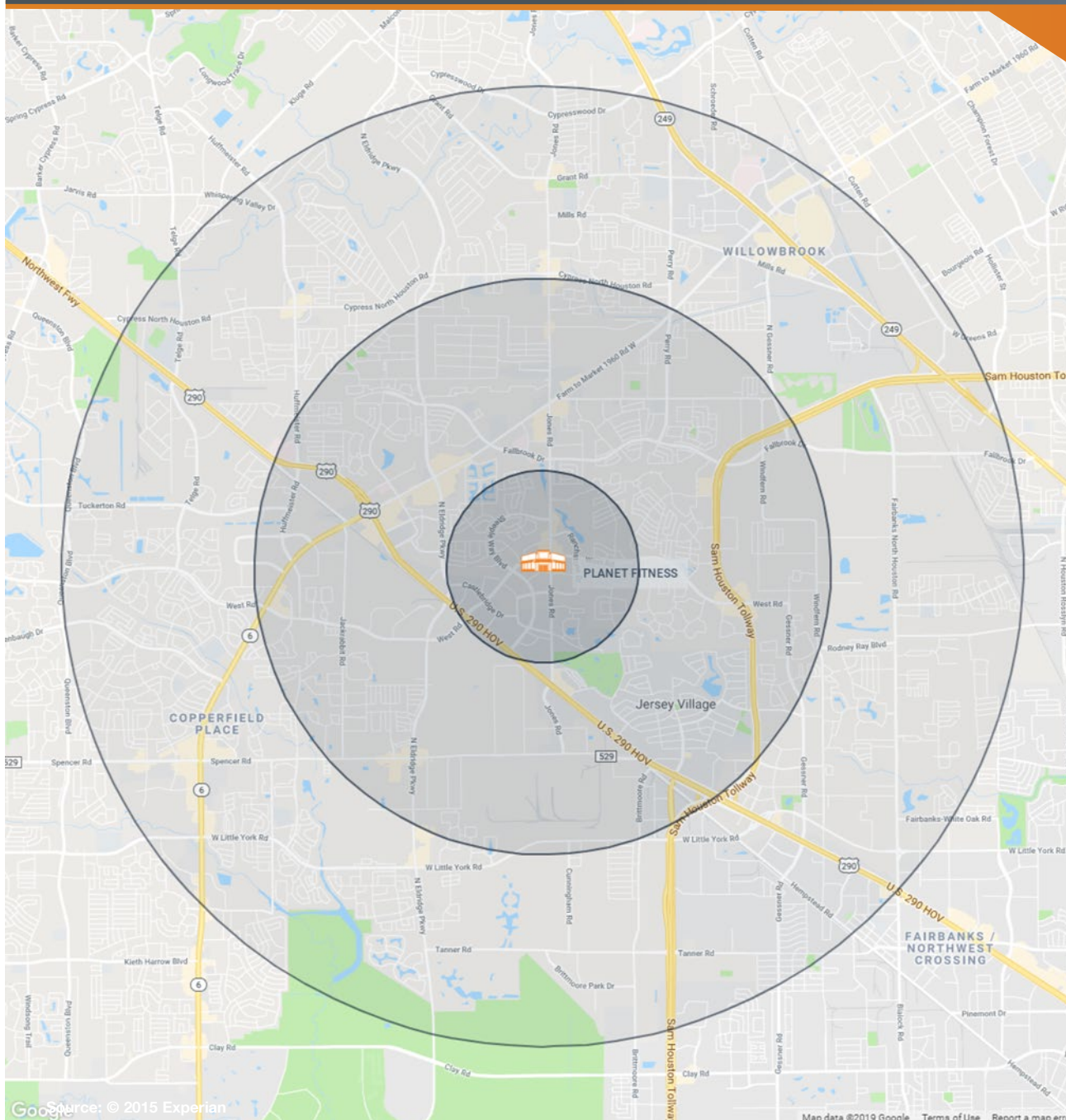
WHY MMCC?

**Optimum financing solutions
to enhance value**

**Our ability to enhance
buyer pool by expanding
finance options**

**Our ability to enhance
seller control**

- **Through buyer qualification support**
- **Our ability to manage buyers finance expectations**
- **Ability to monitor and manage buyer/lender progress, insuring timely, predictable closings**
- **By relying on a world class set of debt/equity sources and presenting a tightly underwritten credit file**



CREATED ON MAY 9, 2019

| | 1 Miles | 3 Miles | 5 Miles |
|-----------------------------|-----------|-----------|-----------|
| POPULATION | | | |
| 2023 Projection | 20,512 | 113,504 | 282,151 |
| 2018 Estimate | 20,237 | 111,784 | 275,810 |
| 2010 Census | 18,839 | 102,141 | 249,487 |
| 2000 Census | 14,928 | 75,907 | 183,121 |
| INCOME | | | |
| Average | \$76,711 | \$90,198 | \$93,143 |
| Median | \$56,720 | \$65,894 | \$66,746 |
| Per Capita | \$32,387 | \$33,884 | \$33,171 |
| HOUSEHOLDS | | | |
| 2023 Projection | 8,755 | 43,470 | 102,217 |
| 2018 Estimate | 8,544 | 41,933 | 98,103 |
| 2010 Census | 7,933 | 38,150 | 88,474 |
| 2000 Census | 6,354 | 27,358 | 63,558 |
| HOUSING | | | |
| 2018 | \$168,590 | \$172,982 | \$170,016 |
| EMPLOYMENT | | | |
| 2018 Daytime Population | 14,800 | 97,167 | 247,740 |
| 2018 Unemployment | 3.60% | 3.32% | 3.68% |
| 2018 Median Time Traveled | 30 | 32 | 33 |
| RACE & ETHNICITY | | | |
| White | 54.05% | 55.46% | 56.52% |
| Native American | 0.07% | 0.05% | 0.05% |
| African American | 18.73% | 15.07% | 13.93% |
| Asian/Pacific Islander | 12.85% | 14.16% | 13.24% |

INFORMATION ABOUT BROKERAGE SERVICES

Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

TYPES OF REAL ESTATE LICENSE HOLDERS

- **A BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- **A SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:

AS AGENT FOR OWNER (SELLER/LANDLORD): The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

AS AGENT FOR BUYER/TENANT: The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

AS AGENT FOR BOTH - INTERMEDIARY: To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
 - o that the owner will accept a price less than the written asking price;
 - o that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
 - o any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

AS SUBAGENT: A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

LICENSE HOLDER CONTACT INFORMATION: This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

Marcus & Millichap

Licensed Broker /Broker Firm Name or Primary Assumed
Business Name

9002994

License No.

tim.speck@marcusmillichap.com

Email

972-755-5200

Phone

Tim A. Speck

Designated Broker of Firm

432723

License No.

tim.speck@marcusmillichap.com

Email

972-755-5200

Phone

Ford Noe

Licensed Supervisor of Sales Agent/Associate

709695

License No.

ford.no@marcusmillichap.com

Email

713-452-4200

Phone