

LA | FITNESS

BUFFALO, NEW YORK

Video



OFFERING MEMORANDUM



PEGASUS
INVESTMENTS

DEAL | TEAM

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com

O 310.691.1350 x 106

LIC # 01918111 (CA)

DAVID CHASIN

Managing Director

david@pegasusinvestments.com

O 310.691.1350 x 101

LIC # 01513027 (CA)

DAYLIN ACKERMAN

Vice President

dackerman@pegasusinvestments.com

O 310.691.1350 x 114

LIC # 02011508 (CA)

TONY VEILLER

Senior Associate

tveiller@pegasusinvestments.com

O 310.691.1350 x 113

LIC # 01995952 (CA)

STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com

O 310.691.1350 x 119

LIC # 02076409 (CA)

ADRIAN NORIEGA

Broker of Record

LIC # 10301207954 (NY)



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INVESTMENTS



Downtown Buffalo



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3701 MCKINLEY PARKWAY
LA | FITNESS
BUFFALO, NEW YORK

04

EXECUTIVE | SUMMARY





OFFERING SUMMARY

Pegasus Investments Real Estate Advisory Inc., as exclusive investment sale advisor to seller, is pleased to offer a single tenant, freestanding LA Fitness secured by a corporate backed net lease with 11 years of firm lease term remaining and 10% rent increases every 5 years. Located in Blasdell, New York, a desirable bedroom community of Buffalo within the affluent Hamburg community, the area is known for its upscale lifestyle, regional access to outdoor recreation, and highly acclaimed school district. Within Blasdell, the property is situated on a large 4.7-acre outparcel to the McKinley Mall which is anchored by JC Penney, Sears, Best Buy and Bed & Bath and Beyond. The property benefits

tremendously from its highly visible and accessible ring road location, creating strong synergy with the traffic generated by the mall while also enabling it to operate independent of the mall and cater to daily needs consumers capable of accessing the property directly from the heavily trafficked Milestrip Road. Completed in 2014, the 35,000 SF building was newly constructed as a build to suit for LA Fitness to accommodate its most cutting edge specifications and lifestyle amenities which include a full-length indoor pool, spa and basketball court. Investors will benefit from a favorable net lease that requires the tenant to self-maintain its parcel, offering a truly passive net leased investment.



It is critical to note that this property was developed in connection with a major initiative by LA Fitness to dominate the Buffalo and Rochester markets. Specifically, in the summer of 2014, LA Fitness acquired six gyms in Buffalo which included four Buffalo Athletic Clubs and two Rochester Athletic Clubs. The company subsequently closed four of those gyms and relocated members of those gyms to this new LA Fitness location and surrounding LA Fitness clubs across the region. The subject property is one of seven LA Fitness clubs scattered across the city of Buffalo and is the only LA Fitness within nearly 6-miles, serving a population of approximately 150,000 people. The company's strategic plan of aggregation and consolidation while simultaneously developing new, state-of-the-art clubs such as the subject property has resulted in exceptional market share dominance and membership retention.



\$9,040,370

List Price



6.75%

Cap Rate



\$610,225*

NOI

*NOI effective as of the
5/1/2020 increase date.

Headquartered in Irvine, California, LA Fitness is the undisputed fitness club leader and the largest privately held fitness club in the country. Currently, LA Fitness owns and operates approximately 700 locations in its portfolio and is rumored to generate approximately \$2.1B in annual revenue, a 5.70% increase over the rumored revenue earned in 2016. Their gyms are typically located in higher demographic areas catering to affluent members with discretionary income demanding superior facilities to what is commonly found at discount clubs, but also offer significant value relative to the luxury tier. LA Fitness has been ranked the #1 health club in the industry for seven straight years on Club Industry's Top 100 list and its properties are widely owned within portfolios of the nation's leading single tenant REITs.

As the southern-most LA Fitness in the Buffalo metro serving the upscale towns of Hamburg and Blasdell, the property is easily accessible by an established network of major surface streets and highways given its regional location. The LA Fitness and McKinley Mall retail corridor are located just off of I-90, the New York State Thruway which connects Buffalo, New York to Cleveland, Ohio and carries average daily traffic of 37,140 ADT. The property sits within a regional destination retail corridor which includes best in class national tenants including Wegmans, Home Depot, Hobby Lobby and TJ Maxx. The property fronts Milestrip Road, which sees traffic counts of 25,000 ADT and is located just two miles from New Era Stadium, home to the NFL's Buffalo Bills.



New Era Field
Buffalo Bills Stadium

Erie Community College

McKinley Mall

jcpenny

OLD NAVY

BED BATH &
BEYOND

BEST
BUY

sears

ULTA
BEAUTY

DIPSON
THEATRES

BARNES & NOBLE
BOOKSELLERS

HOBBY
LOBBY



Wegmans

Subject
Property



Pier 1 imports

OUTBACK
STEAKHOUSE

TJ-maxx

savers



KeyBank

POPEYES
LOUISIANA KITCHEN

LANE BRYANT



Ruby Tuesday



JO-ANN fabric and craft stores
dressbarn
five BELOW SHOE CARNIVAL



Party City

OfficeMax



INVESTMENT HIGHLIGHTS

CORPORATE NET LEASE WITH 10% RENT INCREASES

- The lease features fixed 10% rent increases every 5 years (2025, 2030, etc.)
- Backed by LA Fitness' corporate entity, which is considered best in class within the large format fitness industry and heavily owned by major single tenant REITs
- LA Fitness is responsible for maintenance of the common areas on its parcel

#1 IN THE BUFFALO MARKET

- The undisputed #1 gym operator in the region – LA Fitness has seven locations in the Buffalo market giving it the largest presence of any national fitness chain in the market
- Reportedly one of the busiest gyms in the market, the subject property performs at a high level attracting members seeking amenities not found in all other clubs, including an indoor basketball court, indoor pool, sauna & whirlpool spa

STRATEGIC, CORE RETAIL LOCATION SERVING A LARGE REGION OF SOUTHERN BUFFALO

- Part of the McKinley Parkway retail corridor, a key commercial thoroughfare adjacent to I-90 that is home to numerous best in class regional anchors including Wegmans, The Home Depot, BJ's Wholesale and Hobby Lobby
- Located in the Blasdell \ Hamburg area of Buffalo, a desirable, upscale bedroom community less than a 10 mile drive from downtown Buffalo
- No other large format, national gyms exist within five miles of this location, and the closest LA Fitness is six miles away
- Serving large trade area population of 133,000 with \$76,000 average household income (5-mile radius)
- Seamless access along busy Milestrip Road with average daily vehicle counts of 25,000 ADT
- Less than two miles from New Era Stadium, home to the NFL's Buffalo Bills





MISSION CRITICAL LOCATION RESULTING FROM AGGREGATION AND CONSOLIDATION OF COMPETING FITNESS CLUBS

- In the summer of 2014, Fitness International LLC (LA Fitness's corporate entity) acquired four Buffalo (NY) Athletic Clubs and two Rochester (NY) Athletic Clubs, and subsequently closed four of the six clubs, relocating its members to nearby LA Fitness locations
- Subject property is a recently constructed (2014) state of the art facility and includes an indoor pool which is incredibly expensive to replicate
- The acquisition, closure, and relocation of members supports the fitness club's presumed strategic plan to create brand awareness as the leading, high-end fitness club in the Buffalo metro
- The grand opening of the subject property in April 2014 demonstrates the importance of this location to LA Fitness within the Buffalo metro as it achieves substantial membership resulting from limited competition in the immediate surrounding area

ANNUALIZED OPERATING DATA

	MONTHLY RENT	ANNUAL RENT	RENT/SF	CAP RATE
Current – 4/30/2025	\$50,852.08	\$610,225	\$17.44	6.75%
5/1/2025 – 4/30/2030	\$55,937.29	\$671,248	\$19.18	7.43%
Option 1	\$61,531.02	\$738,372	\$21.10	8.17%
Option 2	\$67,684.12	\$812,209	\$23.21	8.98%
Option 3	\$74,452.54	\$893,430	\$25.53	9.88%

LA FITNESS – THE LEADING FITNESS CLUB IN THE COUNTRY

- With an estimated 705 locations and a rumored \$2.1B in annual revenue, LA Fitness is the largest privately held fitness club in the country
- Continued growth into new markets and additional club openings have helped drive a reported increase of nearly 6.0% in annual revenues year over year
- Ranked the #1 health club in the industry for seven straight years on Club Industry's Top 100 list
- Clubs feature industry leading state of the art fitness equipment, heated lap pool and whirlpool, saunas, full court basketball, racquetball, indoor cycling, personal training, a kids program offering babysitting service to members



LA | FITNESS®

TENANT SUMMARY

Lessee Name	Fitness International LLC
Type of Ownership	Fee Simple
Lease Entity Type	Corporate
Lease Type	NN
Common Area Maintenance	Tenant Responsible
Roof and Structure	Landlord Responsible
Term Remaining	± 11 Years
Lease Commencement Date	4/28/2014
Lease Expiration Date	4/30/2030
Increases	10% Increases Every 5 Years
Options Remaining	Three, 5-Year Options
Next Rent Increase	5/1/2025



SECOND LARGEST CITY IN NEW YORK STATE – TOP 50 U.S. METRO

- The Buffalo-Niagara Falls metropolitan area has a combined population of about 1.3M – the 49th largest in the U.S.
- Strategically located within 500 miles of 40% of the U.S. population, the Buffalo Niagara Region plays a vital role in facilitating commerce and trade between Canada and the United States – two of the world's largest trading partners

\$65M AIRPORT RENOVATION AND \$400M MASTER PLAN

- Commenced in 2017 with an expected completion date of 2021, the Buffalo Niagara International Airport is undergoing a \$80M state of the art upgrade designed to alleviate passenger congestion
- The renovation project is part of a \$400M master plan led by the Niagara Frontier Transportation Authority that is expected to span another 15 years
- The Buffalo Niagara International Airport currently serves an estimated 5M+ passengers per year – the master plan expansion is expected to support up to 8M annual passengers

MAJOR EMPLOYMENT DRIVERS

- **Tesla Gigafactory 2:** In 2014, Tesla began the production of solar cells and panels at its Gigafactory 2 in Buffalo
 - The 1.2M SF factory is receiving \$750M in funding from the state of New York for its construction – will eventually create nearly 5,000 jobs statewide
- **Rich Products Corporation (“Rich’s”):** a privately held, multinational food products corporation headquartered in Buffalo
 - Employs 11,000 people worldwide and posted \$3.6B in revenue in 2017
- **Ford Buffalo Stamping Plant:** ~2.45M SF facility situated on 88 acres that produces doors, quarter panels, hoods, fenders and floor pans
 - Current total employment is 1,120
- **M&T Bank Corporation:** a bank holding company headquartered in Buffalo
 - Operates 780 branches throughout the Northeast and has a market cap of \$24B (NYSE: MTB)

1 GYM
OPERATOR IN
REGION



14

PHYSICAL | DESCRIPTION





LA FITNESS

BUILDING & SITE PROFILE



LA Fitness

Property Name



**3701 McKinley Parkway
Blasdell, NY 14129**

Street Address



144889 160.07-2-26.121

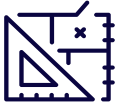
Assessor's Parcel Number



C2

Zoning





± 35,000 SF

GLA



± 4.72 Acres

Lot Size



2014

Year Built



± 291 Spaces

Parking Spaces



8.31 : 1,000 SF

Parking Ratio

18

TENANT | PROFILE





LA FITNESS

Private | www.lafitness.com



OVERVIEW

Founded in Southern California in 1984, LA fitness is a privately owned health fitness club chain. With over 700 branches across the states and millions of members in North America, LA Fitness's state-of-the art clubs span the continent and continue to expand its presence sustainably in an industry often equated with fad and fashion. With over 20,000 dedicated team members and highly trained staff, LA Fitness strives to provide effective and enjoyable work out options to members of all ages and interests. All LA Fitness clubs offer cardiovascular-training and strength-training equipment, free weights and group exercise classes. Most clubs also offer a heated lap pool and whirlpool, full court basketball, racquetball, indoor cycling, personal training, a kids program, and a sauna. There is also a babysitting service for members who bring their kid to the club. With an annual revenue of over \$2.1B, LA Fitness sits at the top in the health club industry and is ranked #1 by Club Industry in its Top 100 Health Clubs of 2017.



Irvine, CA
Headquarters



± 700
Locations



1984
Year Founded



± 20,103
Employees



Committed to fulfill the needs of each distinct community it serves, the club not only exceeds industry standard with its cutting-edge amenities, but also pays great attention to details of its community's daily health needs outside of the club. Launched in 2012, LA Fitness's blog Living Healthy helps guide club members successfully achieve their health and fitness goals with meticulously curated content including nutrition advice and inspirational stories from medical professionals and certified trainers. Always looking for innovative ways to engage with members, LA Fitness also launched the Living Healthy podcast - an extension of the blog with an audio format, which serves as an additional resource for members to better achieve their health and fitness goals on their own terms.

1 IN TOP 100
HEALTH CLUBS
- CLUB INDUSTRY



22

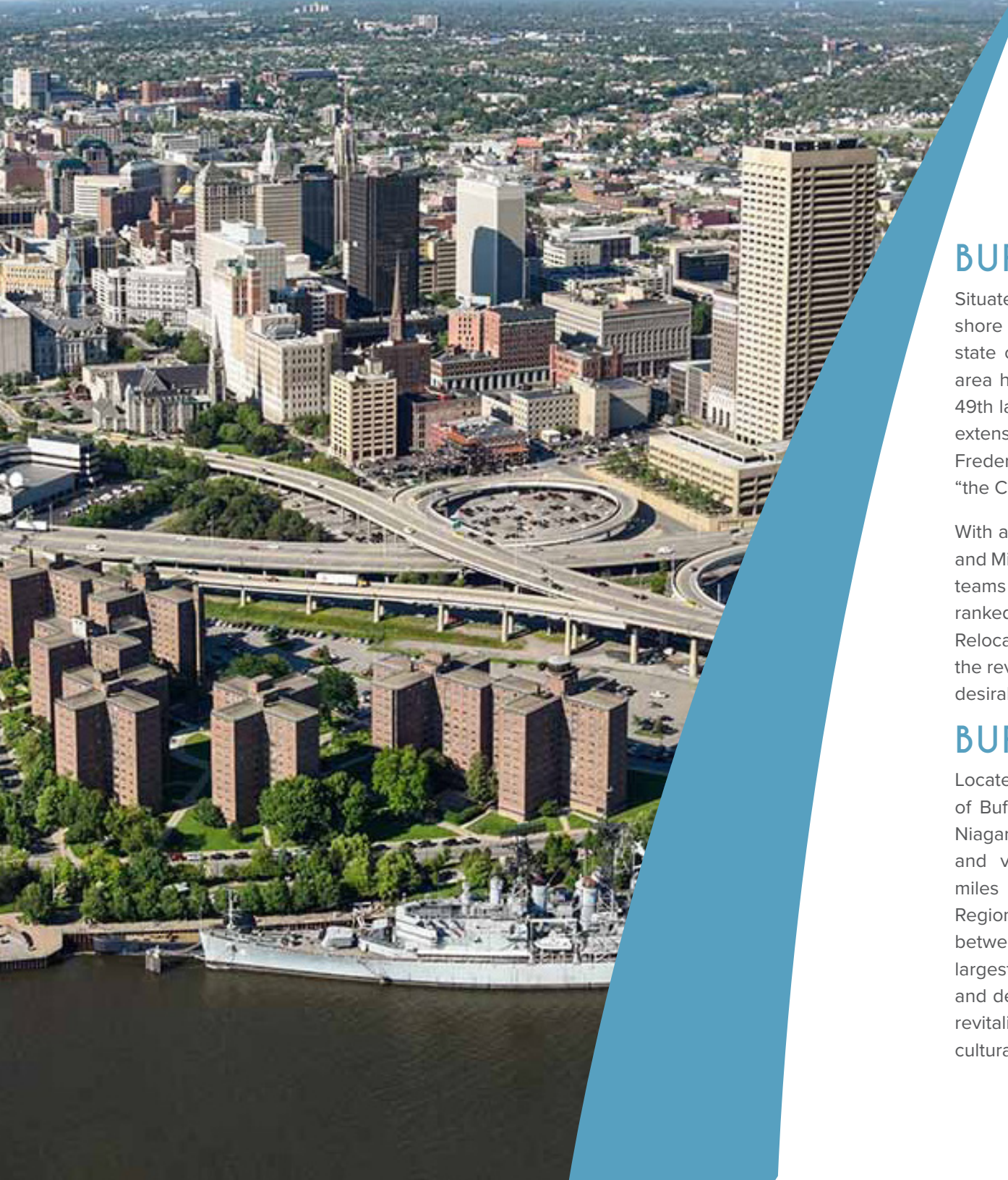
MARKET | AREA





LA | FITNESS





BUFFALO, NEW YORK

Situated at the head of the Niagara River and on the eastern shore of Lake Erie, Buffalo is the second largest city in the state of New York. The Buffalo-Niagara Falls metropolitan area has a combined population of about 1.3 million – the 49th largest in the U.S. Recognized for its urban layout and extensive park system designed by Joseph Ellicott and Frederick Law Olmsted, Buffalo city is fondly referred to as “the City of Trees” by its residents.

With a prolific cultural and art scene blending Northeastern and Midwestern US traditions and its two professional sports teams – the Buffalo Bills and the Buffalo Sabres – Buffalo is ranked as #2 in Sperling’s Best Places - The 10 Best Cities to Relocate to in the US. The burgeoning craft beer scene and the revitalized neighborhoods make Buffalo one of the most desirable cities to reside in in the State of New York.

BUFFALO NIAGARA REGION

Located along the Canada-United States border, the city of Buffalo sits at the entryway into the bi-national Buffalo Niagara Region – an international district with a diverse and vibrant economy. Strategically located within 500 miles of 40% of the U.S. population, the Buffalo Niagara Region plays a vital role in facilitating commerce and trade between Canada and the United States – two of the world’s largest trading partners. The Buffalo Niagara partnership and development has been a critical component towards a revitalized and economically sustainable future as well as a cultural attraction with enriched history and traditions.



2ND
LARGEST CITY IN
NEW YORK STATE

TOP EMPLOYERS

State of New York

Federal Executive Board (United States
of America)

Kaleida Health

University at Buffalo

Catholic Health



ECONOMIC SNAPSHOT

Serving as the county seat of Erie County, Buffalo is a major gateway for commerce and travel for the Buffalo Niagara Region. The city itself enjoys a steadily growing economy that has been transforming from industrial business to tourism, health care and education. In recent years, Buffalo has undergone outstanding transformations as over \$1B of investment has flowed from the State of New York and other sources. This money has contributed to technological, residential and commercial development.

The city's unemployment rate has dropped significantly to 4.2% as of August 2018 and has an affordable cost of living that is 14.4% below the national average. The low unemployment rate mirrors a healthy labor trend. With a steady job count growth along with the low cost of living, Buffalo continues to draw more labor forces into the city, further contributing to the city's economic strength.

PEGASUS INVESTMENTS



NEW DEVELOPMENT

With the redevelopment of downtown, the city of Buffalo is experiencing a vigorous economic renaissance. During the past few years, Downtown Buffalo has attracted more than \$3B from both public and private investors. A total of \$100M worth of infrastructure projects have been completed or are scheduled to take place in the near future, bringing substantial changes in Buffalo's downtown scenery. Projects such as the residential development of the Canalside and the expansions of the Buffalo Niagara Medical Campus (BNMC), along with commercial development such as 500 Pearl Street and 1091 Main Street together illustrate the revitalization and vibrancy of Buffalo.

\$3B+ PRIVATE & PUBLIC INVESTMENT



Architectural Rendering - Canalside Development

CANALSIDE RESIDENTIAL DEVELOPMENT

Recently approved by the state's waterfront agency, two five-story brick buildings overlooking the Canalside are anticipated to undergo construction beginning March 2019. The \$21M development will set the groundwork for a sustainable and vibrant waterfront neighborhood, featuring 41 residential units and ground floor retail. First-floor retail is expected to open by Memorial Day 2020, with residential units following shortly thereafter. Within the next five or ten years, a residential-based community with a mix of uses is expected to grow along the waterfront and become an aesthetic attraction that also preserves the beauty of the historic Canalside.

BUFFALO'S HIGH-TECH MANUFACTURING INNOVATION HUB

Buffalo's High-Tech Manufacturing Innovation Hub at RiverBend is a clean energy, high-tech manufacturing and innovation complex. Occupying a 23-acre footprint at RiverBend, it was designed to house SolarCity's Giga Factory, the largest solar panel manufacturing operation in the Western Hemisphere. The hub attracts companies to establish themselves in its facilities with its state-of-art equipment and infrastructure. Since SolarCity was acquired by Tesla in the fall of 2016, the site has created more than 500 jobs with solar panel production which significantly boosted employment rate in Buffalo.



Architectural Rendering - RiverBend

UNIVERSITY AT BUFFALO

Located on a 1,350 acre campus in northern Buffalo, the University at Buffalo is the largest and most comprehensive campus in the State University of New York system. With an eclectic selection of academic programs, the university embraces a tradition of academic excellence, pathbreaking research, provocative creative expression, and meaningful community service. Along with the cultural and recreational riches of Western New York, UB provides a unique and diverse environment for students and faculties to constantly learn and explore.



BLASDELL, NEW YORK

Often referred to as the “Gateway to the Southtowns” of Erie County, Blasdell is a village conveniently located 15 minutes south of downtown Buffalo. With a below average cost of living relative to the rest of the state of New York and an exciting food and pub scene, Blasdell is ranked as one of the best suburbs to live in in New York.

PROPERTY DEMOGRAPHICS



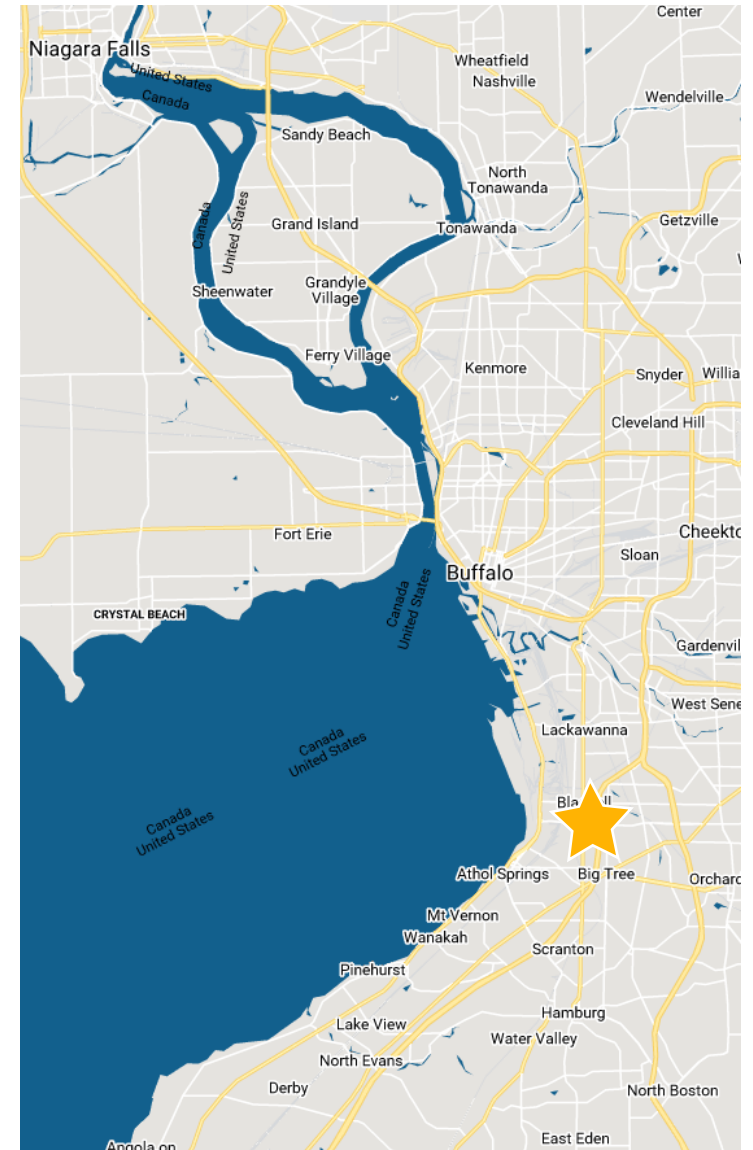
POPULATION	1-MILE	3-MILE	5-MILE
2018 Estimate	6,593	48,307	133,674
Growth 2010 - 2018	4.35%	3.89%	1.59%



HOUSEHOLDS	1-MILE	3-MILE	5-MILE
2018 Estimate	2,935	21,279	56,751
Growth 2010 - 2018	4.45%	4.20%	1.65%



INCOME	1-MILE	3-MILE	5-MILE
2018 Est. Average Household Income	\$64,075	\$67,853	\$76,222



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LA | FITNESS

BUFFALO, NEW YORK



CONFIDENTIALITY & DISCLAIMER STATEMENT

The information contained in this Offering Memorandum is proprietary and strictly confidential. It is intended to be reviewed only by the party receiving it from Pegasus Investments and should not be made available to any other person or entity without the written consent of Pegasus Investments. This Offering Memorandum has been prepared to provide summary, unverified information to prospective purchasers, and to establish only a preliminary level of interest in the subject property.

The information contained herein is not a substitute for a thorough due diligence investigation. Pegasus Investments has not made any investigation, and makes no warranty or representation, with respect to the income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition of the business prospects of any tenants, or any tenant's plans or intentions to continue its occupancy of the subject property.

The information contained in this Offering Memorandum has been obtained from sources we believe to be reliable; however, Pegasus Investments has not verified, and will not verify, any of the information contained herein, nor has Pegasus Investments conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. Some or all of the photographs contained within may have been altered from their original format. All potential buyers must take appropriate measures to verify all of the information set forth herein.

DEAL | TEAM

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com

O 310.691.1350 x 106

LIC # 01918111 (CA)

DAVID CHASIN

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O 310.691.1350 x 101

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LIC # 02011508 (CA)

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STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com

O 310.691.1350 x 119

LIC # 02076409 (CA)

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PEGASUS
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ABOUT PEGASUS INVESTMENTS

Pegasus Investments Real Estate Advisory ("Pegasus Investments") represents a broad range of clients, from institutional investment firms to developers, high net worth individuals, family trusts and partnerships in connection with the purchase & sale and leasing of high quality investment properties nationwide. Pegasus Investments is one of the foremost leading advisory firms within the single tenant and multi-tenant triple net leased retail property category having completed in excess of \$1 billion in volume since 2014.

Pegasus Investments offers a highly differentiated advisory platform given its ability to collaborate within a vertically integrated environment with Pegasus Capital Markets and Pegasus Asset Management to ensure a seamless transaction for all parties involved. The result is highly customized, creative, streamlined execution.



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1901 Avenue of the Stars, Suite 630
Los Angeles, CA 90067

www.pegasusinvestments.com
310.691.1350
LIC # 01961545 (CA)

DAVID CHASIN

Managing Director

david@pegasusinvestments.com
O 310.691.1350 x 101
LIC # 01513027 (CA)

KEN CHASIN

Founder

ken@pegasusinvestments.com
O 310.691.1350 x 100
LIC # 00776468 (CA)

TREVOR NELSON

Managing Director

tnelson@pegasusinvestments.com
O 310.691.1350 x 104
LIC # 01495150 (CA)

BRAD KRITZER

Managing Director

bkritzer@pegasusinvestments.com
O 310.691.1350 x 106
LIC # 01918111 (CA)

KEVIN SHELburn

Senior Vice President

kshelburn@pegasusinvestments.com
O 310.691.1350 x 105
LIC # 01861409 (CA)

DAYLIN ACKERMAN

Vice President

dackerman@pegasusinvestments.com
O 310.691.1350 x 114
LIC # 02011508 (CA)

KATHERINE WEAVER

Vice President

kweaver@pegasusinvestments.com
O 310.691.1350 x 115
LIC # 02004937 (CA)

TONY VEILLER

Senior Associate

tveiller@pegasusinvestments.com
O 310.691.1350 x 113
LIC # 01995952 (CA)

ANDREW COHEN

Senior Associate - Leasing

acohen@pegasusinvestments.com
O 310.402.0211
LIC # 01996379 (CA)

MARC MEINHARDT

Associate

mmeinhardt@pegasusinvestments.com
O 310.691.1350 x 122
LIC # 01865441 (CA)

STEPHEN APFEL

Senior Analyst

sapfel@pegasusinvestments.com
O 310.691.1350 x 119
LIC # 02076409 (CA)

MICHAEL SPECTOR

Director of Sales & Operations

mspector@pegasusinvestments.com
O 310.691.1350 x 109
LIC # 01969966 (CA)

ANDI BUSTAMANTE

Head of Marketing

abustamante@pegasusinvestments.com
O 310.691.1350 x 116

JASMINE GUO

Marketing Associate

jguo@pegasusinvestments.com
O 310.691.1350 x 121

TALIA TONTI

Office Manager

ttonti@pegasusinvestments.com
O 310.691.1350 x 108

ABOUT PEGASUS

Pegasus is a boutique commercial real estate investment and advisory firm based in Los Angeles, California. Specializing in retail shopping centers, single tenant net leased and multifamily properties throughout the United States, Pegasus has consistently delivered on its 30 year reputation of providing high quality, white glove service throughout all stages of the investment sales process. Pegasus provides its clients, which include high net worth private investors, family trusts, private & public REITs, local and regional developers and syndicators with advisory services encompassing underwriting, market research, investment sales and asset management. Pegasus continues to set the bar for high quality, boutique investment sales brokerage and advisory by relying on its industry-leading talent, which include experienced institutional and private sector investors.