



TACOMA, WA

- NEW 20 YEAR LEASE
- STRUCTURED 10% RENT INCREASES
- SEATTLE/TACOMA #1 RETAIL MARKET IN 2019



Marcus & Millichap



 **400+**
LOCATIONS

 **\$195,542**
MEDIAN HOUSING VALUE

 **10%**
RENT INCREASES
Every 5 Years

 **268,651+**
POPULATION
Within 5 Miles

 **106,105+**
TOTAL HOUSEHOLDS

 **#1 RETAIL MARKET
IN 2019**

Restrained construction and steady demand have kept vacancy in the Seattle/Tacoma Metro Service Area below 4% for several years, boosting rents. It is also one of the nation's top job markets, which has steadily lifted buying power and expanded the population.

 **LONG-TERM,
CORPORATE LEASE**

This 24 Hour Fitness moved into the former Albertsons in 2017 and signed a 20-year, NN lease with three additional option periods, showing their continued interest in the growing area.

 **STRUCTURED 10%
RENT INCREASES**

Built into the lease and throughout all of the option periods are 10% increases every five years starting in year 4. These create strong NOI growth and provide a hedge against inflation over time.

INVESTMENT OVERVIEW

Marcus & Millichap is pleased to present this rare opportunity to purchase a free-standing, corporately guaranteed 24 Hour Fitness located in Tacoma, Washington. This fee-simple offering is a 44,647-square-foot state-of-the-art facility sitting on 3.67 acres, offering an abundant amount of parking. The new NN lease with eighteen years left along with the structured 10% increases every five years allow for great growth over time.

24 Hour Fitness moved into the former Albertsons in 2017 and completed \$4,000,000+ of tenant improvements to the property. The site is further enhanced by its close proximity to the Tacoma Pierce County Health Department building, several elementary, middle, and high schools, and multiple national retailers, including Walgreens, Autozone, Safeway, and 7-Eleven.

The Seattle/Tacoma metropolitan area will be the #1 retail market in 2019, according to Retail Index. The population has grown 13.1% since 2010 and is estimated to grow almost 5% more over the next 5 years. The estimated daytime working population within a 5-mile radius of the subject property is around 292,411 people, with around 106,105 households within the same radius.



OUTSTANDING DEMOGRAPHICS

The Seattle/Tacoma metropolitan area population has grown 13.1% since 2010 and is estimated to grow almost 5% more over the next 5 years. The estimated daytime working population within a 5-mile radius of the subject property is around 292,411 people.



RECENT IMPROVEMENTS

24 Hour Fitness moved into the former Albertsons in 2017 and completed \$4,000,000+ of tenant improvements to the property.



#3 HEALTH CLUB WITH \$1.51B+ IN 2018

Per Club Industry, 24 Hour Fitness is the #3 Health Club in the Top 100 with \$1.5B+ in 2018 revenue, representing an increase of 4.8 percent over the previous year.

OFFERING SUMMARY



\$14,138,000
Offering Price



10% Increases
Every 5 Years



6.00%
Cap Rate



7.05%
Average Cap Rate Over Term



\$848,293
Net Operating Income



3.67
Acres



44,647 SF
Gross Leasable Area (GLA)



2003 / 2017
Year Built / Reovated

LEASE SUMMARY

Lease Term	20 Years
Lease Commencement Date	03/2018
Lease End Date	02/2038
Years Remaining On Lease	18+ Years
Lease Type	NN
Type of Ownership	Fee Simple
Guarantor	Corporate Guarantee
Year Built / Renovated	2003 / 2016
Increases	10% Every 5 Years
Renewal Options	(3) 5-Year Options

ASSUMABLE FINANCING

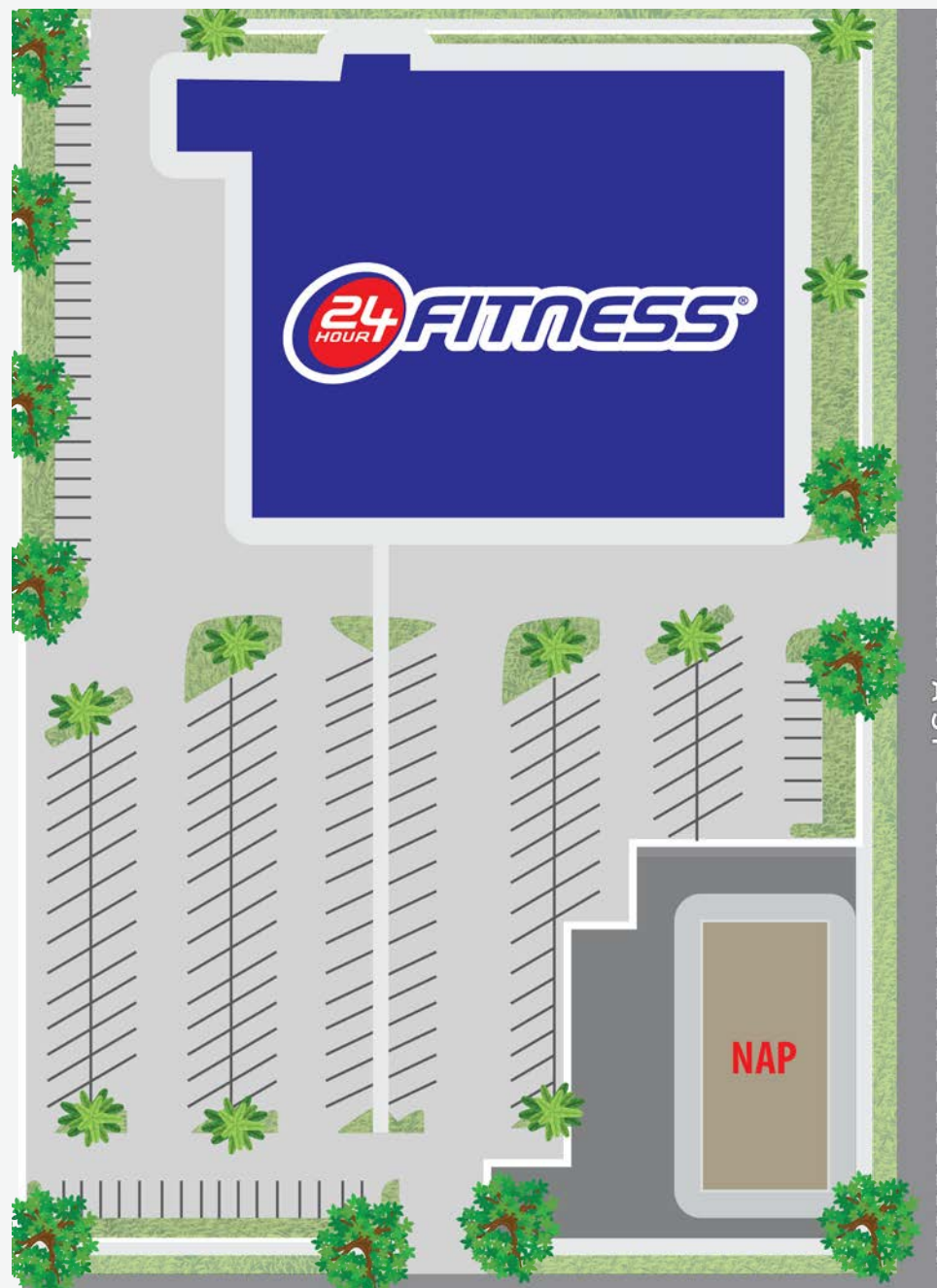
EXISTING BALANCE	\$8,736,353
Loan To Value	61.79%
Interest Rate	4.48%
Amortization Period	25 Years
Loan Constant	6.66%
Annual Debt Service Payment	\$391,389
Year 1 Debt Service Coverage	2.17
Year 1 Debt Yield	9.71%
Year 1 Net Cash Flow After Debt Service	\$456,904



ANNUALIZED OPERATING DATA

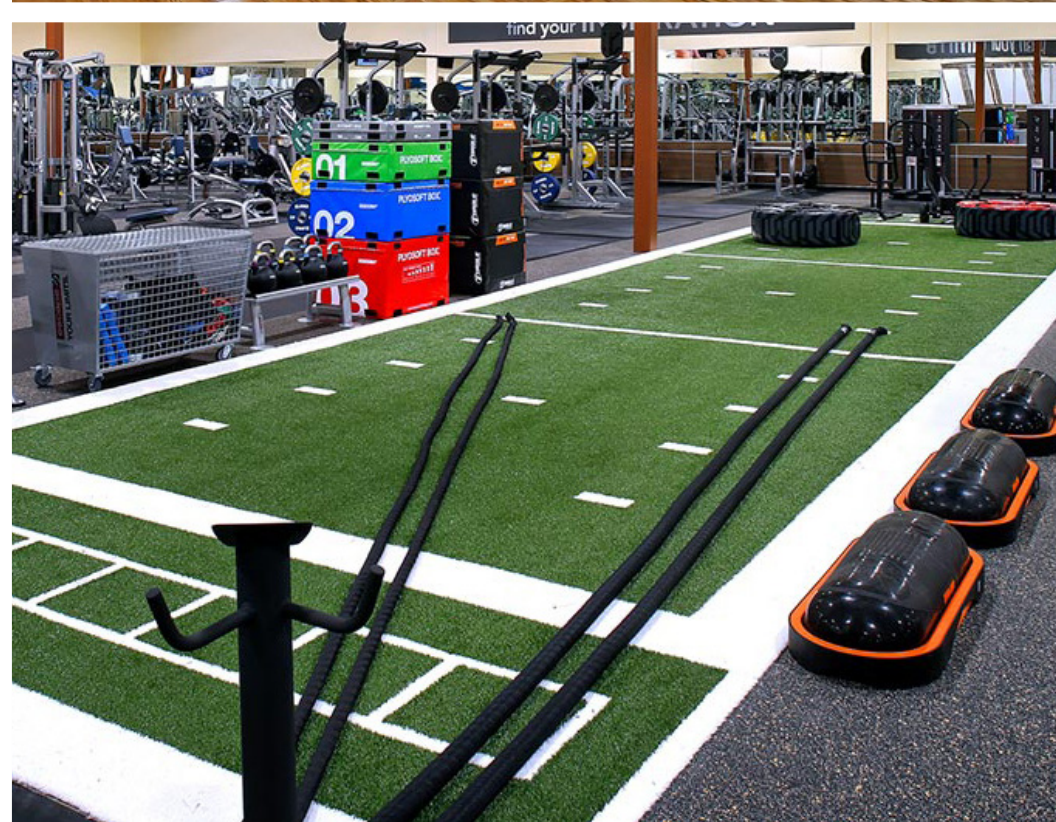
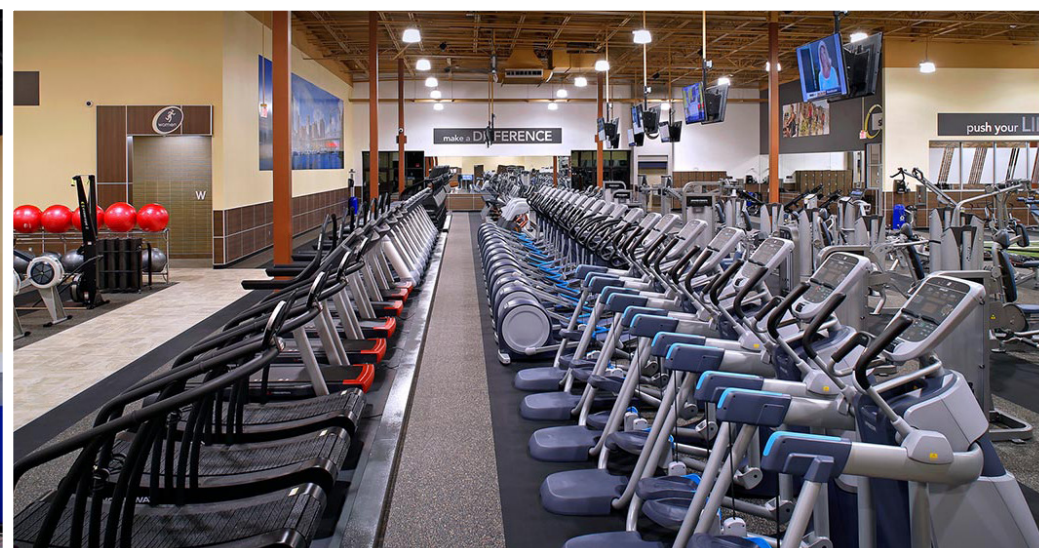
RENT PERIOD	ANNUAL RENT	MONTHLY RENT	RENT/ SF	CAP RATE
Current	\$848,293	\$70,691	\$19.00	6.00%
04/01/2023-03/30/2028	\$933,122	\$77,760	\$20.90	6.60%
04/01/2028-03/30/2033	\$1,026,435	\$85,536	\$22.99	7.26%
04/01/2033-03/30/2038	\$1,129,078	\$94,090	\$25.29	7.99%
OPTION PERIODS				
04/01/2043-03/30/2048	\$1,241,986	\$103,499	\$27.82	8.78%
04/01/2048-03/30/2053	\$1,366,184	\$113,849	\$30.60	9.66%
04/01/2053-03/30/2058	\$1,502,803	\$125,234	\$33.66	10.63%

SITE PLAN



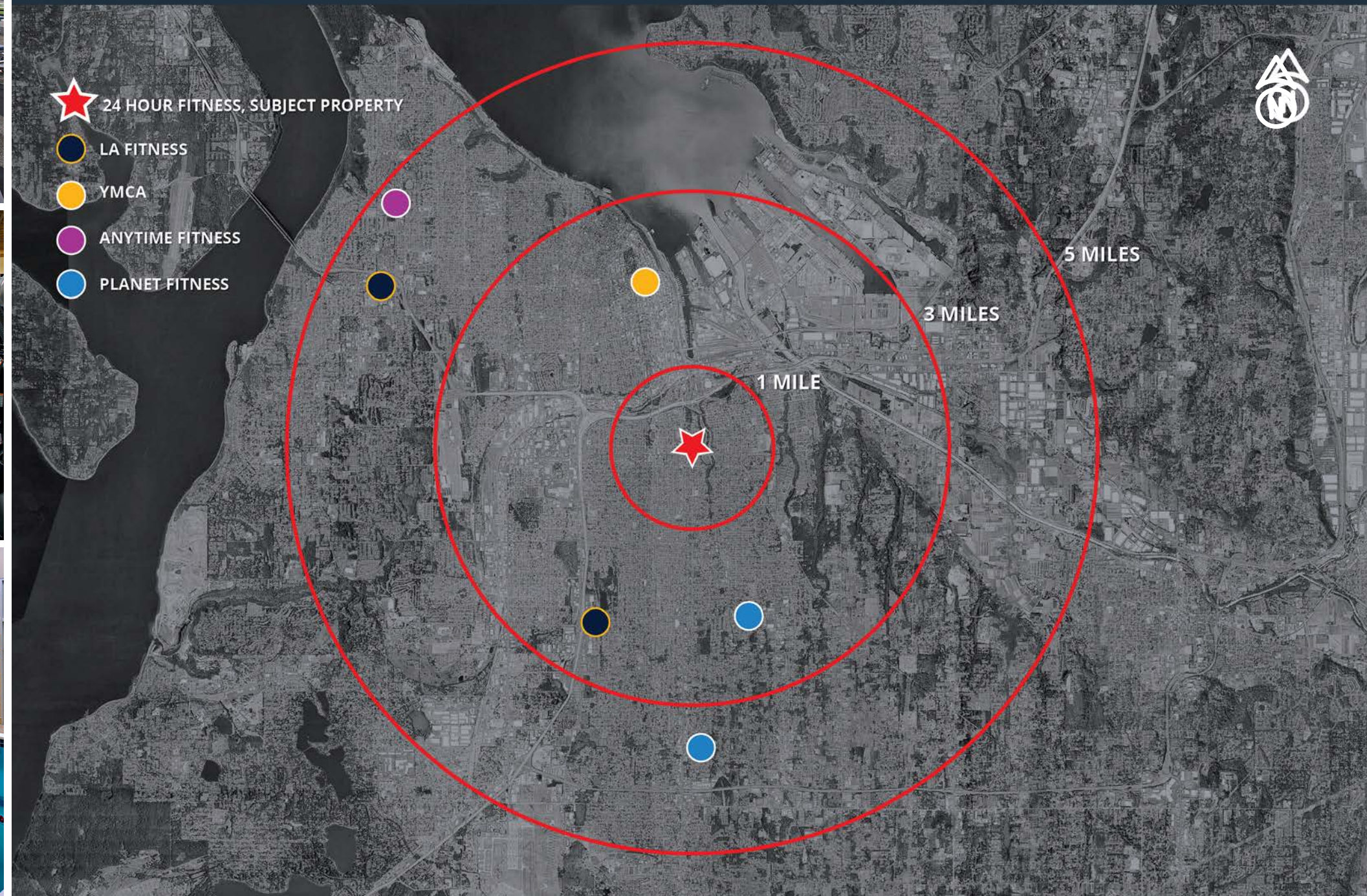


INTERIOR PHOTOS



Property Description | 24 HOUR FITNESS | 111 S 38th St, Tacoma, WA 98418

COMPETITION MAP

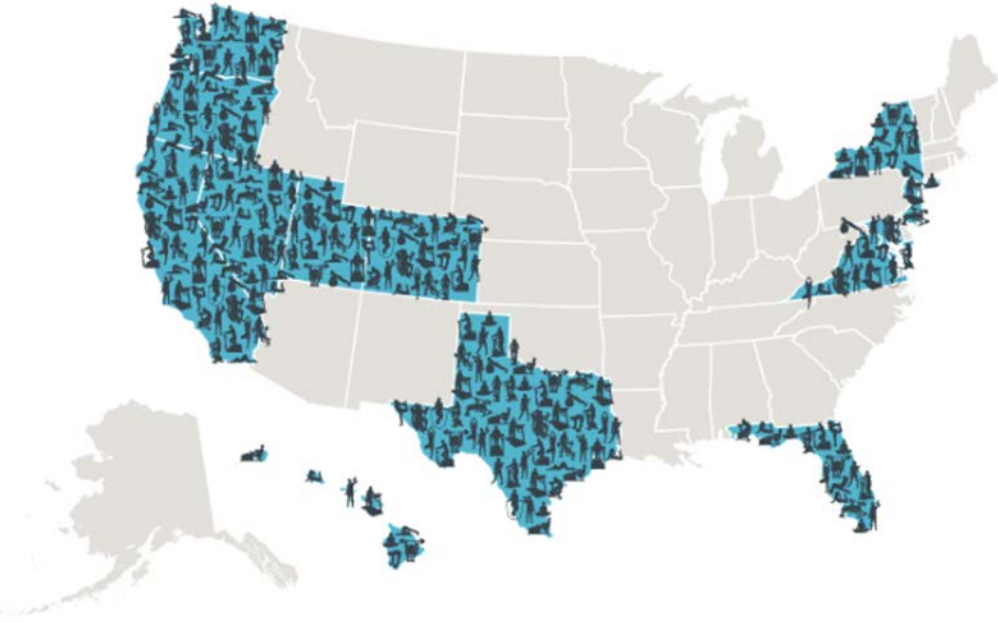


TENANT SUMMARY

24 Hour Fitness, the third largest privately owned and operated fitness center chain in the U.S., began as a one-club operation in 1983. Since then, the chain has grown to 400+ locations with more than 22,000 employees in 13 states (more than 148 locations in California), 4 million members and more than \$1.44 billion in annual revenue.

From the beginning, the vision of 24 Hour Fitness was to make fitness a way of life by creating the ultimate in multi-sport fitness centers by making them affordable and accessible to people of all abilities and fitness levels. Members are offered aerobic, cardiovascular and weight lifting activities at each of its locations. In addition, some facilities have squash, racquetball, and basketball courts; swimming pools; steam and sauna rooms; tanning rooms; whirlpools; and personal training. They are one of the only fitness chains open 24 hours a day.

Active in the community, 24 Hour Fitness sponsors many charitable events and organizations, including being official sponsor fo the U.S. Olympic and Paralympic Teams. 24 Hour Fitness also created their own foundation called the Helping Hands Foundation in 2011. This foundation helps team members (employees) who experience significant and unavoidable hardship, such as hurricanes or fires.



New CEO Tony Ueber was previously chairman of 24 Hour Fitness' board of directors and took over from Chris Roussos in January 2019. Before joining 24 Hour Fitness, Ueber was president and CEO of Results Physiotherapy, a physiotherapy company with 39 locations across nine states. As part of their new member-centric mission for 2019, 24 Hour Fitness outlined three goals. The first is enabling consumers to work out whenever they choose to and wherever they prefer—whether in a club or on the go. The second is to provide members with personalized, useful contextual guidance on movement, nutrition, mindset, and regeneration. The third is to motivate and reward members, while ensuring they stay engaged and have fun throughout their fitness journeys.

INTERNET RESISTANT TENANT

The fitness club sector is flexing its muscles.

Fitness and health clubs have grown to be a more than a \$32-billion-a-year industry, with more than 40,000 clubs across the U.S. boasting more than 62.4 million members.

The current environment appears to offer a perfect storm for the fitness center sector as consumers become more health-conscious and the economy continues to improve.

Fitness concepts are also more internet-resistant than traditional retailers - you cannot work out online.

The fact that neighborhood centers provide goods and services that are not purchased online is very attractive to both private and institutional investors.



FITNESS INDUSTRY BY THE NUMBERS



32B+
health and fitness
industry in the U.S.



40,000+
clubs across
the U.S.



62.4M+
members
across the U.S.



20%
of American adults
have a fitness club
membership



3 - 4%
annual growth
for the last ten
years

**Estimates per IHRSA & Club Industry*

MARKET OVERVIEW

TACOMA, WA

Tacoma, Washington is a mid-sized urban port city and the county seat of Pierce County, Washington. The city is on the Puget Sound, 32 miles southwest of Seattle, 31 miles northeast of the state capital, Olympia, and 58 miles northwest of Mount Rainier National Park. It is the second-largest city in the Puget Sound area and the third-largest in the state. The city also serves as the center of business activity for the South Sound region, which has a population around 1 million, and is experiencing unprecedented growth.

Tacoma is home to a vibrant, creative community of writers, artists and musicians, photographers, filmmakers, passionate entrepreneurs and business owners. Microsoft and Amazon have headquarters in the nearby area.

With more than \$1 billion being invested in downtown Tacoma alone, private investment has surpassed public investment by a nearly 4:1 ratio. Urbanites are drawn to downtown for its competitively priced living spaces with sweeping mountain, city and water views, while families gravitate toward Tacoma's charming neighborhoods with big city amenities.



Famous Pagoda In
Point Defiance Park

A haven for hikers, runners and cyclists, Tacoma offers a variety of options for those who love the outdoors. Point Defiance Park is one of the largest urban parks in the country at 700 acres, and the Scenic Five-Mile Drive allows access to many of the park's attractions, such as Owen Beach, Fort Nisqually, and the Point Defiance Zoo & Aquarium.

The city is alive with activity from students attending the University of Washington Tacoma, the University of Puget Sound, The Evergreen State College Tacoma campus, local trade and technical colleges, and nearby Pacific Lutheran University.

Tacoma's gourmards and culinary connoisseurs have cultivated a scene for foodies that's made national press, while its world-renowned museums, top-notch meeting and convention spaces, and huge headliner concerts have drawn visitors from across the globe.

Just 20 minutes away from the Seattle-Tacoma International Airport, and easily accessible from downtown Seattle and other neighboring cities, Tacoma is a city on the rise.



Downtown Tacoma

DEMOGRAPHICS TACOMA



POPULATION	1 Mile	3 Miles	5 Miles
2024 Projection	20,036	134,707	290,616
2019 Estimate	18,510	123,934	268,651
2010 Census	16,348	106,292	238,343
Growth 2019-2024	8.24%	8.69%	8.18%
Growth 2010-2019	13.22%	16.60%	12.72%

HOUSEHOLDS	1 Mile	3 Miles	5 Miles
2024 Projection	7,452	52,138	114,862
2019 Estimate	6,898	47,916	106,105
2010 Census	6,177	40,810	93,740
Growth 2019 - 2024	8.03%	8.81%	8.25%
Growth 2010 - 2019	11.67%	17.41%	13.19%
Owner Occupied	3,912	21,713	50,228
Renter Occupied	2,986	26,203	55,877

HOUSEHOLDS BY INCOME	1 Mile	3 Miles	5 Miles
2019 Estimate			
<\$25,000	1,729	12,608	23,959
\$25,000 - \$50,000	1,516	10,947	25,715
\$50,000 - \$75,000	1,461	9,605	20,636
\$75,000 - \$100,000	1,237	6,567	14,451
\$100,000 - \$125,000	449	3,594	8,102
\$125,000 - \$150,000	162	2,323	5,733
\$150,000 - \$200,000	213	1,406	4,102
\$200,000+	129	865	3,406
2019 Avg Household Income	\$61,744	\$62,299	\$68,885
2019 Med Household Income	\$52,491	\$50,997	\$53,843

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