

Fitness Assets Continued To Draw Investors In Q4

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By Lynn Pollack

Fitness assets are expected to continue to draw strong investor demand in the net lease space as consumers continue to prioritize wellness in the wake of the COVID-19 pandemic, according to a new analysis from B+E Net Lease.

“Fitness clubs typically trade at higher cap rates than the rest of the STNL market, a rate that is higher than most current lending rates,” the firm notes in a new report analyzing the sector. “With transactions slowing due to these rising interest rates, B+E expects fitness assets to continue attracting investors as they are one of the main asset classes still transacting with positive leverage.”

Fitness brands were among the hardest-hit by the global pandemic, as lockdowns shuttered operations and consumers flocked to in-home, tech-driven options. But as Covid restrictions lifted, experiential retail concepts provided lift to the overall sector as foot traffic to fitness centers – and those retailers located in the immediate vicinity – ticked up.

That consumer demand has driven investors interest, according to B+E, which cites CoStar data showing that the number of such transactions year-to-date has more than doubled compared to 2020 and sales prices increased by approximately 180%. As of Q4, B+E notes that while cap rates have gone up somewhat, sales prices also increased by 43% year over year, suggesting the market for fitness properties may be recovering from the pandemic and that the relationship between cap rates and sales prices is “heavily influenced” by market rents.

In Q4, B+E tracked 63 fitness properties on the market with an average offering cap rate of 6.34% and an average remaining lease term of 11.1 years. The average offering price clocked in just about \$4.8 million. Parsing the data further, of those 63 on-market properties B+E noted that 10 had 15 or more years left remaining on their lease, which 25 had remaining lease terms of 10 to 15 years and 28 had nine or less years remaining.

Planet Fitness, which has 2,291 locations and a market cap of \$7 billion, accounted for 15 of the on market properties B+E tracked as of Q4, with an average offering cap rate of 6.19%, an average remaining lease term of 10.1 years and an average offering price of \$4.79 million. Meanwhile, Irvine-based LA Fitness which has 744 locations nationally, accounted for 14 on-market properties in Q4 with an average offering cap rate of 6.05%, average remaining lease term of 11.9 years and average offering price of \$9.6 million.

24 Hour Fitness accounted for four on-market properties with an average offering cap rate of 6.97%, an average remaining lease term of 10.2 years and an average offering price of \$8.18 million.