ORION COMMERCIAL PARTNERS LLC

Case Study: BPA 1, LLC, ALLSTAR FItness

Assignment

Allstar Fitness is a successful chain of health clubs operated by a local entrepreneur who sought to expand into other markets through the sale of the underlying real estate of one or several clubs in the region. This owner-operator client required a rapid sale in order to capitalize on new opportunities under contract in other regions. Additionally, the client desired a premium over other niche investment sale comparables due to the premier location and the successful operating history of the club over the previous decade.

Challenges

The club selected for disposition had excellent market position; however at the time of the sale the real estate investment community regarded the property to be an unusual concept that was 3 to 4 times larger than typical competing projects. Incorrect perceptions abounded in the market about the chain's level of success, and Allstar was unwilling to relinquish its 10-year leaseback to allow another operator to buy the club and compromise it's market share. Finally, the property's single tenant, special purpose nature made financing unavailable except in the event of high net worth ownership and cross-collateralizations.

Results

Dan Foster led an Investment Team to assess which of the assets provided the highest real estate equity distributions. After determining with ownership that its flagship site would yield much more than anything else in the portfolio, the team identified specific private capital groups seeking stable coupons as the buyer pool which would underwrite the asset the most aggressively. After exposing the property in the initial marketing campaign,

Dan's team cultivated investor interest by visiting an array of West Coast private investors seeking entry into the Seattle market and who were known to have high net worth and liquidity. After generating trips to Seattle and to the site by prospective buyers, an atmosphere of competition for the asset was created which tipped several parties into active negotiations.

The sales team overcame concerns about an "oversized club-concept" by demonstrating lack of land supply where competing product could be developed due to improperly zoned or poorly situated availabilities. This helped prove the club's unique size gave it a near-monopoly on the ability to provide a wide array of health-related activities in one place. After positioning buyers into a 'horse race', the schedule for negotiations was compressed and a well-heeled, reputable buyer with a reputation for closing without re-trading or other upsets was selected. With certainty of closing, the client was able to commit to other business interests without fear of failure to raise the capital he required. The 70,000 SF project closed ahead of schedule for $17.2 mil ($250/SF) which represented a capitalization rate of 8.0% on Net Operating Income.

411 First Avenue South • Suite 610 • Seattle, WA 98104 • 206.734.4100 • www.orioncp.com