



THE SECOND GENERATION ADVANTAGE

Converting vacant retail into high-performing fitness real estate — lower buildout, landlord incentives, faster openings.

RETROFITNESSFRANCHISING.COM

EXECUTIVE SUMMARY

A ONCE-IN-A-CYCLE REAL ESTATE OPPORTUNITY

A structural shift in American retail has created a rare opening for fitness franchise operators. Waves of big-box and junior-anchor closures have released quality second-generation space into a market where landlords urgently need traffic-driving, internet-resistant tenants.

Fitness has emerged as their preferred answer. For the first year on record, service-based tenants leased more U.S. retail space than traditional goods-based retailers — and fitness

operators have proven particularly adept at absorbing vacated boxes.

For multi-unit operators, second-generation conversions offer lower buildout costs, meaningful landlord incentives, faster openings, and placement in corridors already proven by prior anchors.

This paper examines the retail vacancy landscape, why landlords are actively courting fitness tenants, the conversion economics, and how the Retro Fitness footprint is purpose-fit for the opportunity.

6,000

NET U.S. STORE CLOSURES
OVER 2024–2025

1ST

YEAR ON RECORD SERVICE
TENANTS OUT-LEASED GOODS-
BASED RETAIL

15–18_K

SQ. FT. RETRO FITNESS
PROTOTYPE — SIZED FOR
JUNIOR-ANCHOR BOXES

AMERICA'S EMPTY BOXES ARE FITNESS'S **NEXT GREAT LOCATIONS.**

Proven corridors. Existing infrastructure. Motivated landlords. The best sites of the next decade aren't waiting to be built — they're waiting to be converted.

MARKET CONTEXT

THE RETAIL VACANCY LANDSCAPE

U.S. retail is undergoing a right-sizing cycle. Store closures outpaced openings by nearly 6,000 locations across 2024–2025, driven by bankruptcies and footprint reductions at national chains including Big Lots, Joann, Party City, Rite Aid, and 99 Cents Only — with department store contractions continuing into 2026.

Critically, this is happening while overall retail vacancy sits near historic lows — roughly 4–4.4% nationally — and new construction remains among the weakest this century. The

result is a **two-speed market**: prime small-format space is scarce and competitive, while large-format and junior-anchor boxes — the shadow supply from chain closures — are available, and landlords are motivated to fill them.

Lower-tier centers feel this acutely. Class C mall vacancy now exceeds 13% — more than double top-tier centers. When an anchor goes dark, the entire center's traffic suffers, giving landlords a powerful incentive to backfill with tenants that generate daily visits.

4.4%

NATIONAL RETAIL VACANCY —
NEAR HISTORIC LOWS

13.3%

CLASS C MALL VACANCY —
OVER 2X TOP-TIER CENTERS

3RD

WEAKEST YEAR THIS CENTURY
FOR NEW RETAIL
DEVELOPMENT (2025)

THE TURNING POINT

SERVICE TENANTS NOW **ANCHOR RETAIL**

2025 marked a structural turning point: for the first year on record, service-based retailers leased more space in the U.S. than traditional goods-based tenants, according to CoStar. Fitness operators have proven particularly adept at absorbing second-generation retail space — especially former big-box and junior-anchor locations.

Where landlords once resisted gyms over parking and co-tenancy concerns, that resistance has faded. With limited new construction and persistent demand for well-located space, fitness tenants are now courted for what they deliver: recurring daily foot traffic, long lease terms, and immunity to e-commerce disruption.

The future of retail means less in-person shopping, more eating, and more sweating. Landlords increasingly view health and fitness concepts as essential anchors.

INDUSTRY PERSPECTIVE

With multiple national chains vacating boxes and few traditional retailers to replace them, leasing brokers describe the current landlord posture simply: **there's nobody else looking — backfill it.**

WHY LANDLORDS WANT **FITNESS** TENANTS

INTERNET-RESISTANT DEMAND

A workout cannot be shipped. Fitness protects a center's relevance as goods-based retail migrates online.

DAILY, REPEAT FOOT TRAFFIC

Members visit multiple times per week at concentrated peak hours, feeding co-tenant sales before and after work.

LONG-TERM LEASE COMMITMENTS

Fitness anchors commonly sign 10–15 year terms, stabilizing center economics for owners and lenders.

ABSORPTION OF HARD-TO-LEASE SPACE

Gyms can activate deep floor plates, limited-frontage boxes, and second-floor space that traditional retailers reject.

This landlord motivation translates directly into deal economics. Across markets, owners are offering meaningful **tenant improvement (TI) allowances** to convert vacant boxes for fitness use, and large-format fitness rents have compressed — with many newer big-box fitness deals signing below rates seen in prior cycles — reflecting landlord urgency to backfill.

THE ECONOMICS OF **CONVERSION**

For the operator, second-generation space changes the development math on three fronts.

01

LOWER CAPITAL REQUIREMENTS

Converting an existing vanilla box eliminates ground-up construction and often inherits usable HVAC, sprinklers, restrooms, parking fields, and site infrastructure. Combined with landlord-funded TI packages, effective buildout cost per square foot can fall materially versus new development.

02

FASTER SPEED TO REVENUE

Conversions bypass entitlement, sitework, and shell construction timelines. A faster opening means pre-sale marketing and membership acquisition begin sooner — accelerating the path to stabilized recurring revenue.

03

PROVEN TRADE AREAS

Second-generation boxes sit in corridors already validated by prior anchors: established traffic patterns, mature co-tenancy, ample parking, and strong visibility. The demographic homework has effectively been done by the previous tenant's site-selection team.

SITE CRITERIA

WHAT MAKES A STRONG CONVERSION CANDIDATE

- **Junior-anchor footprint in the 15,000–20,000 sq. ft. range** — large enough for a full-amenity club, small enough to avoid big-box liabilities.
- **High-visibility positioning** in a grocery-anchored or convenience-driven center with daily-needs traffic.
- **Abundant parking** compatible with concentrated morning and evening peak usage.
- **Clear ceiling heights and open floor plates** suitable for strength, cardio, and group fitness zones.
- **Landlord alignment** — owners motivated to fund improvements in exchange for a long-term, traffic-driving anchor.

INDUSTRY PERSPECTIVE

Operators of gyms occupying second-generation space frequently pay **stronger rent than the previous occupant** while delivering steadier traffic — the profile that moves landlords from reluctant to proactive.

BUILT FOR THIS REAL ESTATE

- **A flexible 15,000–18,000 sq. ft. prototype** that slots cleanly into vacated junior-anchor and mid-size boxes — the most abundant category of second-generation supply.
- **A right-sized format** that delivers big-box amenities without big-box occupancy costs, protecting unit economics.
- **An HVLP membership engine** that generates the daily traffic landlords are underwriting — strengthening the operator's negotiating position on rent and TI.
- **Multiple revenue centers** — personal training, Retro Blends Smoothie Bar, Pro Shop — that maximize revenue per square foot in a conversion footprint.
- **Corporate real estate and site-selection support** to evaluate conversion candidates, trade areas, and landlord deal structures.

CONCLUSION

WINDOWS LIKE THIS CLOSE.

The convergence is rare: an abundance of quality second-generation space, landlords actively incentivizing fitness tenants, and a consumer shift that has made wellness concepts the new anchors of American retail. Operators who move during this window can secure proven locations at development costs and lease terms that ground-up construction cannot match. As backfill demand absorbs the current supply of vacated boxes, the incentive environment will normalize.

If you're a multi-unit operator evaluating expansion, let's connect and discuss how Retro Fitness converts second-generation space into first-class performance.

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