

The New York Times

July 2, 2013

Even Boutique Gyms Need Back Offices as They Grow

By JULIE SATOW

Elizabeth Cutler stepped gingerly over the myriad electrical wires that snaked across the floor and pointed to a room not much larger than a closet, outfitted with a phone, chair and flat-screen television.

“This is a SoulPod, where employees can have private conversations or Skype,” said Ms. Cutler, 45, her billowy black pants and pink top in contrast to the construction chaos around her. She was giving a tour recently of the new corporate headquarters in Lower Manhattan for SoulCycle, the rapidly expanding chain of boutique cycling gyms that she co-founded in 2006.

The company, which has grown to more than 700 employees from just two when it started, is among a wave of boutique gyms, spinning studios and fitness companies that are expanding at a healthy clip. With such growth comes the need for more back office space to handle scheduling, corporate partnerships, marketing and training, fitness experts said.

Tough Mudder, which organizes 12-mile obstacle courses that feature challenges like the Dirty Ballerina and the Boa Constrictor, recently leased an entire floor at MetroTech Center in Brooklyn, with an option to double its space over the next two years.

Flywheel Sports, the company that competes with SoulCycle for dominance in the New York boutique cycling market, is expanding its offices nearly fourfold on the Upper West Side, and Barry’s Bootcamp, a Los Angeles transplant, recently leased its first offices in Chelsea.

“More people are forgoing their gym membership or supplementing it with specialized experiences like boot camps or cycling studios,” said Alexia Brue, a co-founder of Well & Good, a wellness media company. “In the last six months especially, we have seen the momentum pick up, with a lot of these studios in expansion mode, and with that comes the need for back offices.”

For SoulCycle, the company, which was acquired by Equinox Fitness in 2011, has 17 studios in New York and California with a goal to open another 15 studios each year for the next five years. “We have expanded from a fitness studio into a lifestyle brand and this new space is

part of the transition,” said Ms. Cutler, who continues to run the daily operations with her co-founder, Julie Rice.

Its new offices, for 85 corporate employees, are next door to its newest West Village studio on Leroy Street. Stretching across two airy floors of a former jewelry factory, it includes a ‘SoulUniversity’ — a mock front desk where employees can practice greeting clients — and a “SoulCommissary,” or employee kitchen.

The 20,000 square feet also include a private cycling studio to train new teachers; a photography studio for shooting its clothing lines (it designs 12 collections a year); and a stretching and workout area for instructors. There is even an area dedicated to SoulSocial, its internal software programmers who design proprietary systems for answering customers’ e-mails and signing in to classes.

The space, at Greenwich Street and Leroy Street, is an upgrade from the company’s former offices in a cramped room next to the laundry machines at its TriBeCa studio. “It is definitely a far cry from the \$169 Ikea table we used to sit around,” said Ms. Cutler.

Tough Mudder, which was founded in 2009, is also creating a new corporate headquarters. “We are in explosive growth mode right now,” said Guy Livingstone, a co-founder. The company is on pace to post \$120 million in annual revenue at the end of this year and hopes to reach \$200 million in revenue by the end of 2014. “We are diversifying into other types of events and commercial activities, like opportunities in the training space and travel-booking around our events.”

Tough Mudder is spread across eight smaller offices in Dumbo, Brooklyn, for just over 20,000 square feet. It signed a seven-year lease for 35,000 square feet at MetroTech Center in Downtown Brooklyn and is building out the space now, with plans to move in November. It also has an option to take an additional full floor for a total of 70,000 square feet over the next two to three years.

Flywheel Sports is also expanding. “In just three and a half years we have gone from one studio to 24, plus we have partnership deals such as on cruise ships, and so we have scaled accordingly,” said Jay Galluzzo, the company’s co-founder and chief executive.

The company has 30 employees in New York, as well as employees in Florida and regional managers across the country. “Our office was like a game of musical chairs, with everyone sharing space and working on communal tables,” he said. The company will relocate from its current, 1,500-square-foot offices behind its studio on West 21st Street in the Flatiron neighborhood to a new 4,000-square-foot space at 150 Amsterdam Avenue later this month.

Barry's Bootcamp opened its first studio in New York in 2011 and has been operating without an office since then. "It has been a challenge. I have had to hold a lot of my meetings at Soho House," the private club in the meatpacking district, said Joey Gonzalez, the chief operating officer at the company. When a 2,000-square-foot space became available next door to its Chelsea studio on West 20th Street, "we followed up right away and took it. The market is so tight right now, if you see something you have to grab it."

The new offices house four people in addition to Mr. Gonzalez, including two retail managers and the East Coast regional manager. "It is great for collaboration. We can now just turn around in our chairs and say, 'What about this design?' and actually feel the fabrics and make decisions together," Mr. Gonzalez said.

Rents for exercise studios can range widely, largely based on whether the space is on an avenue or a side street. In the West Village, for example, where SoulCycle is now headquartered, rents can go from \$150 to \$400 a square foot, said Tyler Scalzo, an associate at the brokerage firm Newmark Grubb Knight Frank.

On West 18th Street in Chelsea, where Mr. Scalzo recently brokered a new lease for Swerve Fitness, the rent was approximately \$80 a square foot. "If that had been on Fifth Avenue, it would have been much more expensive, probably \$400 to \$500 a square foot," he said.

For people whose career is working in fitness, sitting at a desk and similar trappings of traditional corporate life can be anathema.

One way to soften the corporate atmosphere, gym owners have found, is to find office spaces that are physically connected to a studio. "It was really important that we were directly adjacent to a studio, since everyone who works at Flywheel rides and we can use it as a test kitchen and interact with customers," Mr. Galluzzo said.

Still, with the cost of real estate high and space so constrained, it can be a challenge. It took Ms. Cutler close to a year to find the space on Leroy Street. "We are so obsessed with our Soul culture, we had to stay connected to a cycling studio, but it was a long process finding the right space," Ms. Cutler said.