

# OFFERING MEMORANDUM

## DAVITA KIDNEY CARE

- CORE SAN FRANCISCO BAY AREA LOCATION
- NEW 15 YEAR LEASE WITH 10% RENT INCREASES
- NEW CONSTRUCTION, STATE-OF-THE-ART MEDICAL OFFICE
- STRONG FUNDAMENTALS - LOW RENT PER SQUARE FOOT



*Subject Property*

20359 LAKE CHABOT ROAD, CASTRO VALLEY, CALIFORNIA

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Net Lease Group





# DaVita Kidney Care

Castro Valley, CA

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# INVESTMENT OFFERING & HIGHLIGHTS

## THE OFFERING

- Completed in 2018, a brand new construction 9,913± sq. ft. state-of-the-art medical office building located in Castro Valley, California leased to TOTAL RENAL CARE, INC., and guaranteed by DAVITA, INC. for 15 years
- **Price: \$7,029,000 - 5.00% Cap Rate**

## LEASE / TENANT

- Strong Fundamentals - relatively low annual rent per sq. ft. of \$35.45
- New 15-year net lease with 10% rent increases every 5 years
- DaVita, Inc. (NYSE:DVA) is one of the fastest growing companies on the Fortune 500 with a total stockholder's equity of \$4.69 billion and 2017 revenues of \$10.88 billion
- DaVita treats 42% of all dialysis patients in the United States
- Warren Buffett's Berkshire Hathaway owns a 23% stake in DaVita, it's third largest holding by ownership percentage

## REAL ESTATE / AREA STRENGTHS

- Rare core San Francisco Bay Area single tenant net lease investment opportunity
- Strategically located in the heart of Castro Valley's medical corridor adjacent to the 130-bed Sutter Health Eden Medical Center, serving Castro Valley, Hayward, Fremont and surrounding communities
- Neighboring medical tenants include Bay Valley Medical Group (Stanford Health Care), Valley Medical Oncology Consultants (Stanford Health Care), Associated Orthopedic Surgeon and Bay Area Foot Care, to name a few
- Located on the high traffic medical corridor of Lake Chabot Rd (30,584 AADT) just off Castro Valley Blvd (33,970 ADT) and less than a half mile from Interstate 580 (202,000 ADT)
- Less than a mile from the Castro Valley BART (Bay Area Rapid Transit) Station providing direct service to San Francisco, Oakland and Contra Costa County
- Exceptional Demographics with over 333,500 residents within five miles and an average household income of \$96,150 within one mile



# INVESTMENT OVERVIEW



## LOCATION

20359 Lake Chabot Road, Castro Valley, California

## LOT SIZE

Approximately 0.72 acres— 31,363± square feet

## IMPROVEMENTS

Recently completed in 2018, a brand new construction 9,913± sq. ft. state-of-the-art medical office building with 33 onsite parking spaces.

## LEASE

Leased to **TOTAL RENAL CARE, INC.**, and guaranteed by **DAVITA, INC.** for 15 years from June 15, 2018 at an annual rent of \$351,423, increasing 10% every 5 years (see rent schedule) throughout the primary term of the lease. There are two 5-year renewal options at 95% of appraised Fair Market Rent Value (FMRV).

The lease is net with the tenant responsible for taxes, insurance and maintenance. The landlord is responsible for maintaining and replacing the roof, structure, exterior plumbing and electrical systems, and parking areas and driveways, and replacement of HVAC (not maintenance). Tenant will reimburse landlord on an amortized basis the cost for replacement of the roof, parking areas and HVAC. Tenant will also reimburse up to \$1,000/year in roof maintenance expenses. If the tenant exercises its options, the guaranty by DaVita, Inc., terminates at that point.

## RENT SCHEDULE

Investment Period	Annual Rent	Cap Rate
Year 1 - 5	\$351,423	5.00%
Year 6 - 10	\$386,565	5.50%
Year 11 - 15	\$425,222	6.05%
Year 16 - 20 (Option 1)	FMRV	TBD
Year 21 - 25 (Option 2)	FMRV	TBD

## CURRENT RENT PER SQ. FT.

\$35.45 per sq. ft. per year - \$2.95 per sq. ft. per month

**PRICE: \$7,029,000 — 5.00% Cap Rate**



# SITE PLAN

**Davita**

9,913± SF

LAKE CHABOT ROAD - 30,584 AATD





## ABOUT THE TENANT

The tenant is a 100%-owned DaVita subsidiary, “Total Renal Care, Inc.” Financial statements are not available.

## ABOUT THE GUARANTOR – DAVITA HEALTHCARE PARTNERS, INC.

**DAVITA, INC. (“DAVITA”)**, formerly DaVita Healthcare Partners, Inc., a Fortune 500® company, is a leading provider of kidney care in the United States, delivering dialysis services and education to patients with chronic kidney disease and end stage renal disease. It is listed on the NYSE: “DVA.” As of Dec 31, 2017, DaVita operated or provided administrative services at 2,747 outpatient dialysis centers in the United States. The company also operated 237 outpatient dialysis centers located in 11 countries outside the United States. It was founded in 1992 and is headquartered in Denver.

For the fiscal year ended December 31, 2017, total revenues were \$10.9 billion and a net income was \$664 million. Total stockholder’s equity was \$4.69 billion.

DaVita controls more than 33% of the U.S. dialysis market and Fresenius Medical Center controls a similar portion. The rest of the market is fragmented, served by hospitals and much smaller chains. Davita is treating 42.2 percent of all dialysis patients in the United States. They have cornered a serious share of the market as the greater portion of the American population continues to age, the demand for DaVita’s services will only increase. This is fueling the construction of new dialysis centers. During 2017, 160 new centers were opened, representing a total net increase of approximately 6.8 percent from 2016.

DaVita is rated “BB” by Standard and Poor’s.

More information can be obtained at [www.davita.com](http://www.davita.com)







SAN FRANCISCO

MARIN COUNTY

RICHMOND

BERKELEY

PIEDMONT

MONTCLAIR

ALAMEDA

OAKLAND

OAKLAND  
INTERNATIONAL  
AIRPORT

256,000  
CARS PER DAY

SAN LEANDRO

580

LAKE CHABOT

FASHION FAIRE PLACE

BevMo!  
GameStop  
Michaels  
SUPERCUTS  
MATTRESS FIRM

Lucky CHASE  
Bank of America  
Togo's  
Round Table  
us bank

BAYFAIR CENTER

TARGET  
KOHLS  
FITNESS  
PETSMART  
macy's

146,000  
CARS PER DAY

SAN LORENZO

CASTRO VALLEY

30,584  
CARS PER DAY

33,970  
CARS PER DAY

202,000  
CARS PER DAY

580

CASTRO VALLEY BLVD

Davita

SUTTER HEALTH  
EDEN MEDICAL  
CENTER

STANFORD  
HEALTH CARE

STANFORD  
HEALTH CARE

EDEN EMERGENCY  
GROUP/O'BRIEN  
URGENT CARE

EDEN MEDICAL  
BUILDING

ARCO

Denica's  
REAL FOOD KITCHEN

BURGER  
KING





## SILICON VALLEY

MOUNTAIN VIEW  
Google

PALO ALTO  
hp

MENLO PARK  
facebook

REDWOOD CITY  
ORACLE

SAN MATEO  
NETSUITE

FOSTER CITY  
VISA

DUMBARTON BRIDGE

SAN MATEO BRIDGE

880



256,000  
CARS PER DAY

HAYWARD EXECUTIVE AIRPORT

## HAYWARD

FOOTHILL BOULEVARD

580



202,000  
CARS PER DAY

238

580

## CASTRO VALLEY

33,970  
CARS PER DAY



ARCO



CASTRO VALLEY BLVD  
LAKE CHARLOTTE

EDEN MEDICAL BUILDING

Davita



STANFORD HEALTH CARE

SUTTER HEALTH EDEN MEDICAL CENTER





# DOWNTOWN CASTRO VALLEY

## 580 MARKETPLACE



## CASTRO VILLAGE



202,000  
CARS PER DAY

580

BART

CASTRO VALLEY

CVS  
CASTRO VALLEY  
SGY CENTER

Round Table  
TACO BELL

Lucky  
Papa Murphy's  
CHASE  
Quickly  
ups  
pet food express

Bank of America  
Jack  
in the box

BURGER KING

Denica's  
Real Food Kitchen

ARCO

Starbucks

Davita

EDEN MEDICAL  
BUILDING

LAKE CHABOT RD

30,584  
CARS PER DAY

STANFORD HEALTH CARE

SUTTER HEALTH  
EDEN MEDICAL  
CENTER

STANFORD  
HEALTH CARE

33,970  
CARS PER DAY

McDonald's



# REGIONAL MAP



## LOCAL MAP



SUTTER HEALTH  
EDEN MEDICAL  
CENTER

DOWNTOWN  
CASTRO VALLEY

CASTRO VALLEY BLVD

REDWOOD RD

GROVE WAY

A ST

B ST





## SITE LOCATION

The DaVita property is located on the high traffic medical corridor of Lake Chabot Road just off Castro Valley Boulevard (33,970 AADT) and half a mile from Interstate 580 (202,000 AADT). Castro Valley Boulevard is the primary east-west arterial and retail corridor in Castro Valley and connects the DaVita property to downtown Castro Valley. Directly north of the DaVita property is the Sutter Health Eden Medical Center, an award winning 130-bed acute care medical and surgical hospital serving the residents of Castro Valley, Hayward, San Leandro, and other surrounding communities. The Castro Village shopping center, anchored by Safeway, TJ Maxx and Ross, is located less than a mile from the DaVita property along Castro Valley Boulevard in downtown Castro Valley.



Castro Valley, part of Alameda County, is an affluent suburb in the East Bay region of the San Francisco Bay Area. Directly to the west is San Leandro; Hayward and Fremont are directly south; and the cities of Dublin, Pleasanton, and San Ramon are just east of Castro Valley. Lake Chabot lies at the north end of Castro Valley.

## TRANSPORTATION

Castro Valley is primarily accessed by both Interstate 580 and Interstate 880. Interstate 580, located less than a half mile from the DaVita property, is a heavily traveled spur route of Interstate 80 that runs from San Rafael in the San Francisco North Bay to Interstate 5 near Tracy in the Central Valley. It provides a connection from the Bay Area to the southern San Joaquin Valley and Southern California via Interstate 5, as Interstate 5 bypasses the Bay Area to the east. The interstate 580 exit for Castro Valley Blvd is less than half a mile from the DaVita property.

Interstate 880 runs parallel to the eastern shore of the San Francisco Bay and connects San Jose with Oakland while providing drivers access to the Oakland International Airport. Drivers can access Castro Valley by utilizing Interstate 238, which is a short auxiliary route that connects I-880 with I-580.

The Castro Valley BART Station, less than a mile from the DaVita property, is located in the middle of the frequently traveled Interstate 580. The station is situated next to a large residential community, is only three blocks from the Castro Village Shopping Center and is surrounded by various stores and restaurants. The station provides access to the Dublin/Pleasanton BART line, which provides service to San Francisco, Oakland, Contra Costa County, and both Oakland and San Francisco International Airports.

AC Transit (Alameda-Contra Costa Transit District) is an Oakland-based public transit agency serving the western portions of Alameda and Contra Costa counties in the East Bay of the San Francisco Bay Area. AC Transit also operates Transbay routes across San Francisco Bay to San Francisco and selected areas in San Mateo and Santa Clara counties. AC Transit serves many colleges and universities including UC Berkeley and Stanford. Most routes connect with regional train services, Primarily BART, as well as other bus lines, ferries and subways.

## AIRPORT

The property is located 8 miles southeast of Oakland International Airport, 27 miles east of San Francisco Airport and 32 miles north of San Jose International Airport. Oakland and San Jose International Airports are easily accessible by Interstate 880. Drivers wishing to access San Francisco International Airport must cross the bay using the San Mateo bridge then drive less than 5 miles north using Highway 101.



# SAN FRANCISCO BAY AREA

The San Francisco Bay Area is one of the most desirable regions in the world for institutional, private and off-shore investors. The combination of banks, financial services, high technology, leading biotechnology and life science companies, as well as nearly 50% of the country's annual investment capital is being allocated to Bay Area companies. The Bay Area economy continues to be diverse and will continue to experience strong growth. The area is home to more than 7 million people and consists of nine counties, 101 cities, and comprises 7,000 square miles. All of the region's nine counties touch the San Francisco Bay. The region is one of the most appealing places to live in the United States. It has a mild climate, a splendid natural setting, and an informed, sophisticated culture. Its geographic hub, San Francisco, is considered one of the most beautiful and cosmopolitan cities in the world and a famed destination for travelers.

## INNOVATION HOTBED

The Bay Area has world-class research facilities and the venture capital to fund risky but potentially breakthrough ideas. Among the research centers that dot the region are federal institutions (like Lawrence Berkeley National Lab, Lawrence Livermore National Lab, NASA Ames Research Center, and Sandia National Labs), new state facilities (e.g., the California Institute of Regenerative Medicine for stem cell research, QB3, and CITRIS), renowned universities like Stanford, UC Berkeley, UC San Francisco, UC Davis, and UC Santa Cruz, and many private laboratories operating in advanced science fields.

California leads the nation in the number of doctorate-level scientists and engineers, small business innovation awards, patents, and federal, academic and industry R&D expenditure. The Bay Area contributes to this leadership. Several local universities rank in the top 20 in the United States as recipients of R&D funding from the National Science Foundation. The Bay Area is also home to the largest number of Top 10-ranked graduate programs among comparable regions.

The Bay Area is a rich pool for venture capitalists because of this fertility in ideas, its expertise at developing them, and its web of entrepreneurial and management talent. The region consumes a disproportionate share of the country's venture capital – both in absolute terms and as a percentage of local GDP. In fact, in 2017 the Bay Area received over 40% of all U.S. venture capital spending.

Bay Area companies also tend to gain venture capital earlier than firms elsewhere. The first round of financing usually comes 11.6 months after launch, compared to 16.6 months in Boston and the U.S. as a whole. In Silicon Valley, this swift access to venture capital is evident in every high-tech sector, from consumer and business services and electronics (each gaining funds 50% faster than the U.S. average) to software. As a result, local companies can obtain capital and move ideas and products into the marketplace faster than elsewhere.





# AREA DEMOGRAPHICS

2018 Summary	1 mile	3 miles	5 miles
Population	26,389	193,222	358,976
Households	9,972	66,719	120,622
Families	6,427	45,534	84,425
Average Household Size	2.61	2.85	2.93
Owner Occupied Housing Units	5,264	33,739	66,972
Renter Occupied Housing Units	4,707	32,981	53,650
Median Age	40.3	36.9	37.4
Median Household Income	\$72,855	\$68,829	\$72,149
Average Household Income	\$96,145	\$93,508	\$95,646

Projected 2023 Summary	1 mile	3 miles	5 miles
Population	27,514	201,984	374,713
Households	10,355	69,373	125,267
Families	6,682	47,448	87,851
Average Household Size	2.62	2.87	2.95
Owner Occupied Housing Units	5,840	37,329	73,427
Renter Occupied Housing Units	4,515	32,044	51,840
Median Age	40.9	37.8	38.4
Median Household Income	\$86,679	\$81,773	\$84,656
Average Household Income	\$115,731	\$111,402	\$113,681







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