

DaVita Kidney Care

OFFERING MEMORANDUM

7500 West Lane, Stockton, California



Subject Property



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DaVita Kidney Care

Stockton, CA

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THE OFFERING

- Completed in April 2019, a brand new construction 13,600± sq. ft. state-of-the-art medical office building located in Stockton, California leased to Total Renal Care, Inc., and guaranteed by DaVita, Inc., for 15 years
- **Price: \$7,716,000 - 5.00% Cap Rate**

LEASE / TENANT

- New 15 year net lease with 10% rent increases every 5 years throughout the lease including the renewal options
- Strong Fundamentals – relatively low rent per sq. ft. of \$28.37 per year – \$2.36 per month
- DaVita, Inc. (NYSE:DVA) is one of the fastest growing companies on the Fortune 200 with a total stockholder's equity of \$3.70 billion and 2018 revenues of 11.41 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 infill Northern California net lease investment opportunity
- Brand new construction build-to-suit medical office for DaVita Kidney Care with ample on-site parking
- Strategically situated fronting the high traffic arterial of West Lane (33,700 ADT) and directly across the street from the Stockton Kaiser Permanente Medical Facility – a major referral source for DaVita
- Located in a major medical and retail corridor just off the high traffic intersection of West Lane and Hammer Lane with combined traffic counts of over 72,000 vehicles per day
- Adjacent to the property is Costco Wholesale, and other tenants in the immediate area include Walgreens, Stockton Honda dealership, Toyota Town of Stockton dealership, Big Lots, DD's Discounts, among numerous others
- Busy north central Stockton location with direct access to both Interstate 5 and Highway 99 via Hammer Lane
- Strong demographics with over 280,150 residents with an average household income of \$73,690 within five miles of the subject property



LOCATION

7500 West Lane, Stockton, California

LOT SIZE

Approximately 2.06 Acres - 89,734± square feet

IMPROVEMENTS

Recently completed in April 2019, a brand new 13,600± sq. ft. state-of-the-art medical office building with ample onsite parking

LEASE

Leased to **Total Renal Care, Inc.**, AND GUARANTEED BY **DaVita, Inc.**, for 15 years from July 1, 2019 at an annual rent of \$385,832, increasing 10% every 5 years (see rent schedule) throughout the lease. There are three 5-year renewal options with 10% rent increases at the start of each option.

The lease is net with the tenant responsible for taxes, insurance and maintenance of the premises. The landlord is responsible for maintaining and replacing the roof, structure, exterior plumbing and electrical systems, 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. The guaranty by DaVita, Inc. terminates at the expiration of the initial term of the lease.

RENT SCHEDULE

Investment Period	Annual Rent	Cap Rate
Year 1-5	\$385,832	5.00%
Year 6-10	\$424,415	5.50%
Year 11-15	\$466,857	6.05%
Year 16-20 (Option 1)	\$513,542	6.66%
Year 21-25 (Option 2)	\$564,944	7.32%
Year 26-30 (Option 3)	\$621,520	8.05%

CURRENT RENT PER SQ. FT.

\$28.37 per sq. ft. per year - \$2.36 per sq. ft. per month

PRICE: \$7,716,000 - 5.00% Cap Rate

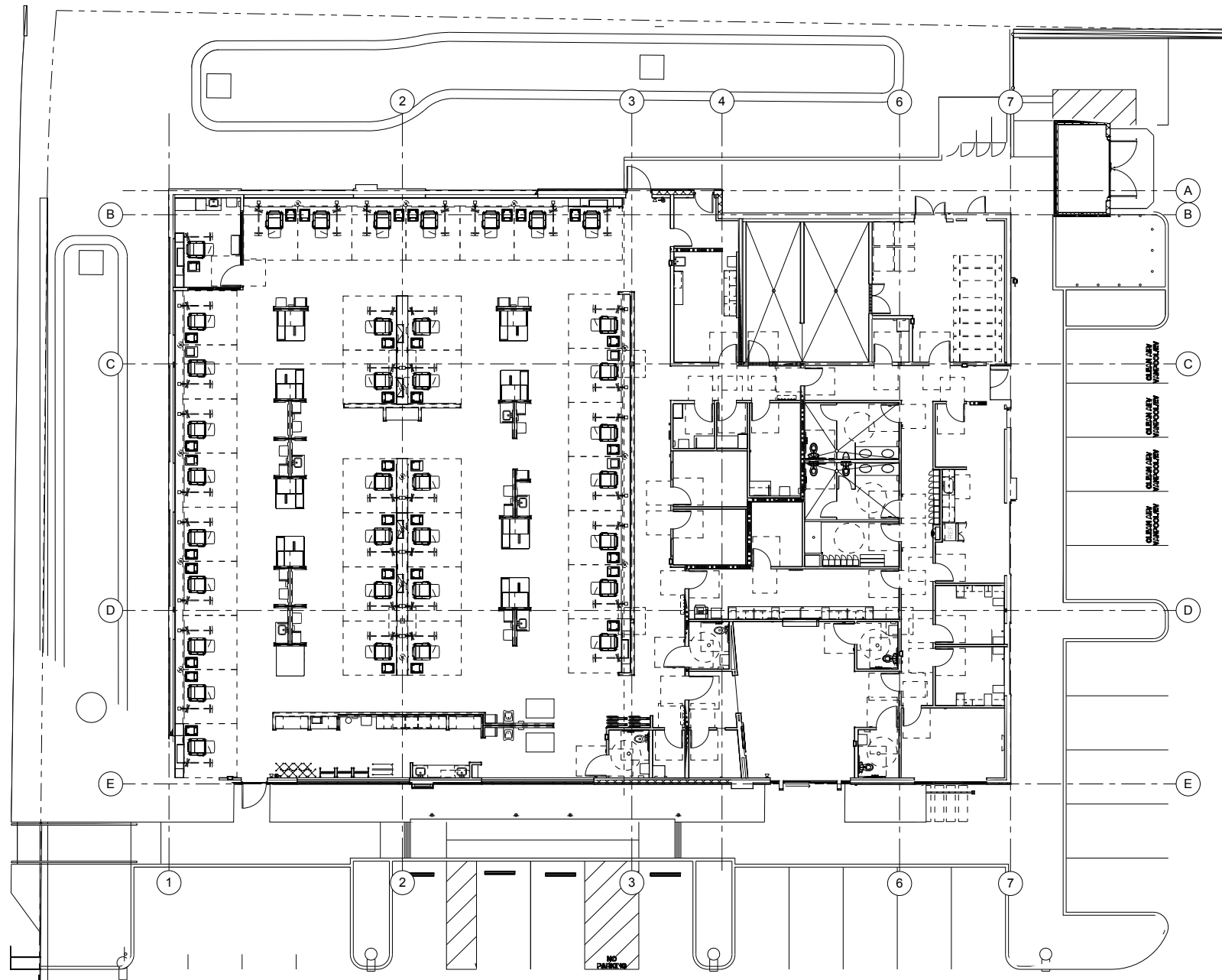
SITE PLAN

WEST LANE FRONTAGE ROAD

DaVita
13,600± SF

LOADING

FLOOR PLAN



ABOUT THE TENANT

DaVita Inc. (“**DaVita**”), a Fortune 200 Company, is a leading provider of kidney dialysis services for patients with chronic kidney failure or end stage renal disease (ESRD). The company operates kidney dialysis centers and provides related lab services in outpatient dialysis centers. It also provides outpatient, hospital inpatient, and home-based hemodialysis services; owns clinical laboratories that provide routine laboratory tests for dialysis and other physician-prescribed laboratory tests for ESRD patients; and management and administrative services to outpatient dialysis centers. In addition, the company provides disease management services; vascular access services; clinical research programs; physician services; and comprehensive care services. As of December 31, 2018, it provided dialysis and administrative services in the United States through a network of 2,664 outpatient dialysis centers; and operated 241 outpatient dialysis centers located in 9 countries outside of the United States. Further, the company provides acute inpatient dialysis services in approximately 900 hospitals and related laboratory services in the United States. The company was formerly known as DaVita HealthCare Partners Inc. and changed its name to DaVita Inc. in September 2016. DaVita Inc. was founded in 1994 and is headquartered in Denver, Colorado.

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% of all dialysis patients in the United States. They have cornered a serious share of the market, and as the greater portion of the American population continues to age, the demand for DaVita’s services will only increase.

For the fiscal year ended December 31, 2018, total revenues were \$11.41 billion and total stockholder’s equity was \$3.70 billion. DaVita is rated “BB” by Standard and Poor’s.

More information can be obtained at www.davita.com





111,000
CARS PER DAY



STONE CREEK VILLAGE
SHOPPING CENTER

LANE BRYANT BOUDIN SF

Rubio's FIVE GUYS
FRESH MEXICAN GRILL BURGERS and FRIES



EAST MARCH LANE

WEBERSTOWN MALL

JCPenney sears

Dillard's FOREVER 21

Panera CRISPOTE

SHERWOOD MALL SHOPPING CENTER

macy's HomeGoods

PETCO DICK'S SPORTING GOODS

ULTA GNC

BEST BUY WELLS FARGO

PACIFIC AVENUE

38,700
CARS PER DAY



dd's DISCOUNTS

VALERO STARBUCKS COFFEE

BANK OF THE WEST

COSTCO Walgreens

Sprint jiffylube

Pollo Loco Sizzler

IHOP PIZZA HUT

WEST LANE

HAMMER LANE



ACURA HONDA

scion TOYOTA

39,700
CARS PER DAY



92,000
CARS PER DAY

LOWE'S

THE HOME DEPOT

Burlington
Coat Factory

WAL-MART
SUPERCENTER

NISSAN

Herrick

CESAR CHAVEZ
HIGH SCHOOL

39,700
CARS PER DAY

ACURA HONDA
SCION TOYOTA

STOCKTON
auto mall

Cadillac CHRYSLER LINCOLN
DODGE BUICK
CHEVROLET Ford GMC Jeep
KIA HYUNDAI enterprise Hertz

COSTCO Wholesale Walgreens
Sprint jiffylube
PoloLoco Sizzler
IHOP Pizza Hut

Carl's Jr.

BANK OF AMERICA STARBUCKS

HAMMER LANE

Davita

KAISER PERMANENTE

33,800
CARS PER DAY

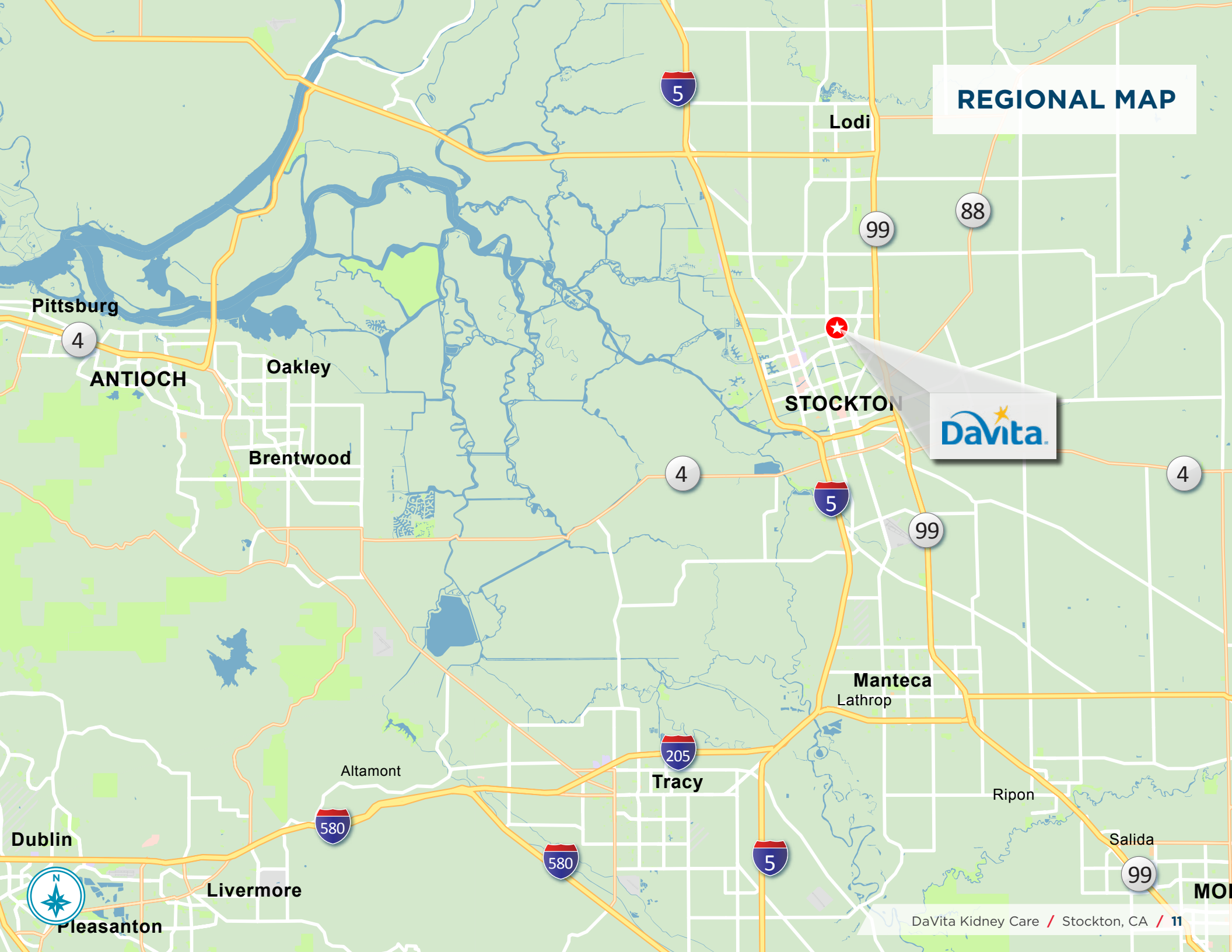
WEST LANE



SITE LOCATION

The DaVita property strategically fronts the high traffic medical and retail corridor of West Lane (33,700 ADT) just off East Hammer Lane (39,000 ADT). Located directly across the street from the DaVita property is the Stockton Kaiser Permanente Medical Facility that serves the residents of Stockton, Lodi, Linden and other surrounding communities. Adjacent to the DaVita property is a bustling Costco Wholesale, and other national tenants located in the immediate area include Walgreens, Stockton Honda dealership, Toyota Town of Stockton dealership, Big Lots, DD's Discounts, Walmart, Lowe's and the Stockton Auto Mall (Ford, Dodge, Lincoln, Buick, Hyundai, Hertz), among numerous others. East Hammer Lane is the primary east-west arterial route in northern Stockton that connects to Interstate 5 four miles to the west of the DaVita property and to Highway 99 two miles to the east.

REGIONAL MAP



LOCAL MAP



STOCKTON



The City of Stockton (population of 300,899), the county seat of San Joaquin County, is one of California's fastest growing communities. Stockton is currently the 13th largest city in California with a dynamic, multi-ethnic and multi-cultural population. The city is located on the San Joaquin River, in the northern farmland of San Joaquin Valley, a sub region of the Central Valley. The city is located 83 miles east of San Francisco and 50 miles south of Sacramento. In and around Stockton are thousands of miles of waterways which make up the California Delta.

Stockton is located along Interstate 5, State Route 99, inland California's major north-south highways, and State Route 4 - amid the farmland of the Central Valley. State Route 4 and the dredged San Joaquin River connect the city with the San Francisco Bay Area to its west. Due to its location at the "crossroads" of the Central Valley and a relatively extensive highway system, Stockton is easily accessible from virtually anywhere in California.

ECONOMY

Historically an agricultural community, Stockton's economy has since diversified to include telecommunications and manufacturing companies along with the development of hospitality and tourism venues.

The Port of Stockton is largest fully operating inland seaport on the West Coast, approximately 75 nautical miles east of the Golden Gate Bridge in San Francisco. Set on the San Joaquin River, the port operates a 2,000 acres transportation center with berthing space for 17 vessels up to 900 ft. in length. The Port of Stockton has 120 tenants and is served by BNSF & UP Railroads. The port also includes 1.1 million square feet of dockside transit sheds and shipside rail trackage and 7.7 million square feet of warehousing.

The Waterfront Events Center is part of a massive revitalization project that will include a marina, high-rise condominiums, and the Downtown Transit Center. The center includes Stockton Arena, Banner Island Ballpark, a Sheraton Hotel and Conference Center, and commercial/retail space.

The Stockton Arena is a 10,000-seat indoor arena used primarily for ice hockey, indoor soccer and arena football. It was announced in January 2015

that the Stockton Arena will be home to the Stockton Heat of the American Hockey League.

The Banner Island Ballpark, a 5,300-seat baseball stadium, is home to the Stockton Ports, a minor league affiliate to the Oakland Athletics in the North Division of the Class A - Advanced California League.

EDUCATION

The University of the Pacific ("Pacific") moved to Stockton in 1924 from San Jose. This non-profit university is the only private school in the United States with less than 10,000 students enrolled to offer eight different professional schools and offers a large number of degree programs. In addition to its liberal arts college, and its schools of education, engineering, business, international studies and music, it has three professional graduate schools: The School of Dentistry in San Francisco, the School of Law in Sacramento, and the school of Pharmacy and Health Sciences located in Stockton. Pacific offers more than 100 academic programs and more than 60 undergraduate degrees. Pacific has an administrative staff of 966, 3,457 undergraduates and 2,739 postgraduates.

Other schools located in the Stockton area include:

- National University (the second largest private university in the state)
- San Joaquin Delta College, features Distance Learning Education and Internet Classes. Additional sites are being set up to expand access to education in distant locations
- California State University, Stanislaus established a Stockton campus on the grounds of the former Stockton State Hospital. The hospital was the first state mental institution in California
- Humphreys College and School of Law (which has its main campus in Stockton and a branch campus in Modesto, California)
- Kaplan College of Stockton
- Christian Life College is a private four-year Bible college offering Associate and Bachelor of Arts degrees in Bible and Theology or Christian Music
- MTI Business College
- UEI College

TRANSPORTATION

Highways

Due to its location at the “crossroads” of the Central Valley and a relatively extensive highway system, Stockton is easily accessible from virtually anywhere in California. Interstate 5 and State Route 99, California’s major north-south thoroughfares, pass through the city limits. The east-west highway State Route 4 also passes through the city, providing access to the San Francisco Bay Area as well as the Sierra Nevada and its foothills to the east. The San Joaquin River connects the city with the Sacramento Delta and the San Francisco Bay Area to its west. Stockton is the western terminus of State Route 26 and State Route 88, which extends to the Nevada border. In addition, Stockton is within an hour of Interstate 80, Interstate 205 and Interstate 580.

Rail

Stockton is connected to the rest of the nation through a network of railways. Amtrak and Altamont Commuter Express (ACE) both make stops in Stockton, with Amtrak providing passenger access to the rest of the nation. Union Pacific and BNSF Railway, the two largest railroad networks in North America both service Stockton and its port via connections with the Stockton Terminal and Eastern Railroad and Central California Traction Company, who provide local and interconnecting services between the various rail lines. Recently, BNSF Railway opened a much needed \$150 million intermodal freight transport facility in southeast Stockton, which satisfies long-haul transportation needs.

Air

Stockton is served by Stockton Metropolitan Airport (SCK), located on county land just south of city limits. Daily non-stop service to and from Las Vegas, NV and Phoenix-Mesa, Arizona is provided by Allegiant Air.

The nearest international airport is Sacramento International Airport (SMK) located off of Interstate 5 approximately 58 miles north of Stockton. In 2014, SMK handled 8,971,526 passengers. Domestic service is provided by all the big carriers. Oakland International Airport (OAK) and San Francisco International Airport (SFO) are approximately 67 and 85 miles from Stockton, respectively.



Sacramento, the state capital of California, is located along the Sacramento River and just south of the American River's confluence in California's expansive Central Valley. With a current population of 537,354, it is the sixth largest city in California and the 35th largest city in the United States. Sacramento is the core cultural and economic center of the Sacramento Metropolitan Area which includes seven counties and has a combined population of over 2,927,000.

ECONOMY

Setting the course for a dynamic future, Sacramento is fueling its economic development efforts in innovative industry sectors including clean technology, agriculture, and life sciences and health services. Sacramento serves as the state capital, making the government sector important to the region's economy. During the past three decades, however, the local economy has diversified considerably, and government jobs now comprise just 25 percent of total employment, compared with 40 percent in 1970. The government sector is expected to grow by 0.7 percent annually through 2020. Businesses headquartered in the area include Sutter Health, Blue Diamond Growers, Teichert, and The McClatchy Company, with significant operations for Dignity Health and Kaiser Permanente also located in the area. Regional higher education institutions - California State University, Sacramento; University of California, Davis (along with the world-renowned UC Davis Medical Center in the city); University of the Pacific McGeorge School of Law and three community colleges within the county - offer opportunities for internships, technology transfer, and contribute substantially to the quality of the region's labor pool.

The city's major employers are widely dominated by the local and state government and local health systems. The geographic location, qualified

workforce, lower cost of living, access to government and higher education, quality of life, amenities and cultural offerings are all key ingredients that make Sacramento the place to be.

Major employers in the area include:

- State of California
- Sacramento County
- UC Davis Health System
- Dignity/Catholic Healthcare
- Intel
- Kaiser Permanente
- Sutter Health
- Sacramento City Unified School District

EDUCATION

California State University, Sacramento, is the largest university in the city and one of 23 campuses in the California State University system. Drexel University Sacramento and the University of the Pacific McGeorge School of Law are in Sacramento. In addition, the University of California, Davis, is in nearby Davis, 15 miles west of the capital. The UC Davis Medical Center, a world-renowned research hospital, is located in the city of Sacramento. The Los Rios Community College District consists of several two-year colleges in the Sacramento area - American River College, Cosumnes River College, Sacramento City College, Folsom Lake College, plus a large number of outreach centers for those colleges. Sierra College is on the outskirts of Sacramento in Rocklin.



AREA DEMOGRAPHICS

2018 Summary	1 mile	3 miles	5 miles	Projected 2023 Summary	1 mile	3 miles	5 miles
Population	28,346	147,486	280,166	Population	29,727	156,042	295,271
Households	8,276	44,860	90,599	Households	8,638	47,037	94,743
Families	6,196	32,525	63,244	Families	6,458	34,088	66,056
Average Household Size	3.37	3.21	3.03	Average Household Size	3.39	3.24	3.05
Owner Occupied Housing Units	3,664	22,387	44,869	Owner Occupied Housing Units	4,100	24,946	49,758
Renter Occupied Housing Units	4,612	22,473	45,730	Renter Occupied Housing Units	4,537	22,091	44,985
Median Age	30.7	32.4	33.4	Median Age	31.7	33.0	33.9
Median Household Income	\$40,778	\$49,328	\$50,713	Median Household Income	\$45,369	\$56,554	\$57,825
Average Household Income	\$55,197	\$70,297	\$73,697	Average Household Income	\$64,116	\$84,322	\$88,102





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