

Davita®

SINGLE TENANT MEDICAL BUILDING

481 SHILOH ROAD | PLANO, TEXAS

OFFERING MEMORANDUM



**AVISON
YOUNG**

334 BEDS IN ALL-PRIVATE ROOMS, 400 PHYSICIANS IN 35
MEDICAL SPECIALTIES, & 83,000 PATIENTS PER YEAR

METHODIST RICHARDSON MEDICAL CENTER

DaVita Dialysis

SINGLE TENANT MEDICAL CLINIC

481 shiloh road | plano, texas

292 UNITS (STUDIO, 1 BEDROOM, 2 BEDROOM), 663
AVERAGE SF PER UNIT, \$859 AVERAGE RENT PER UNIT

THE SAVANNAH AT GATEWAY

SUBJECT PROPERTY

table of contents

executive summary	4
property overview	6
property photos	8
rent roll & lease summary	10
area demographics	12
the dialysis industry	14
davita's tenant profile	16
confidentiality agreement	18

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EXECUTIVE SUMMARY

Avison Young is pleased to present to offer for sale to qualified investors the opportunity to acquire fee simple interest DaVita Dialysis Dallas center located in the City of Plano, Texas within the Dallas Metropolitan Area. The building features a 15-year NNN lease basis with DaVita Dialysis, with over three years remaining and three 5-year options to renew. The subject property has ample parking within a premier regional medical corridor being half a mile from Methodist Richardson Medical Center, a 334-bed hospital.

investment summary

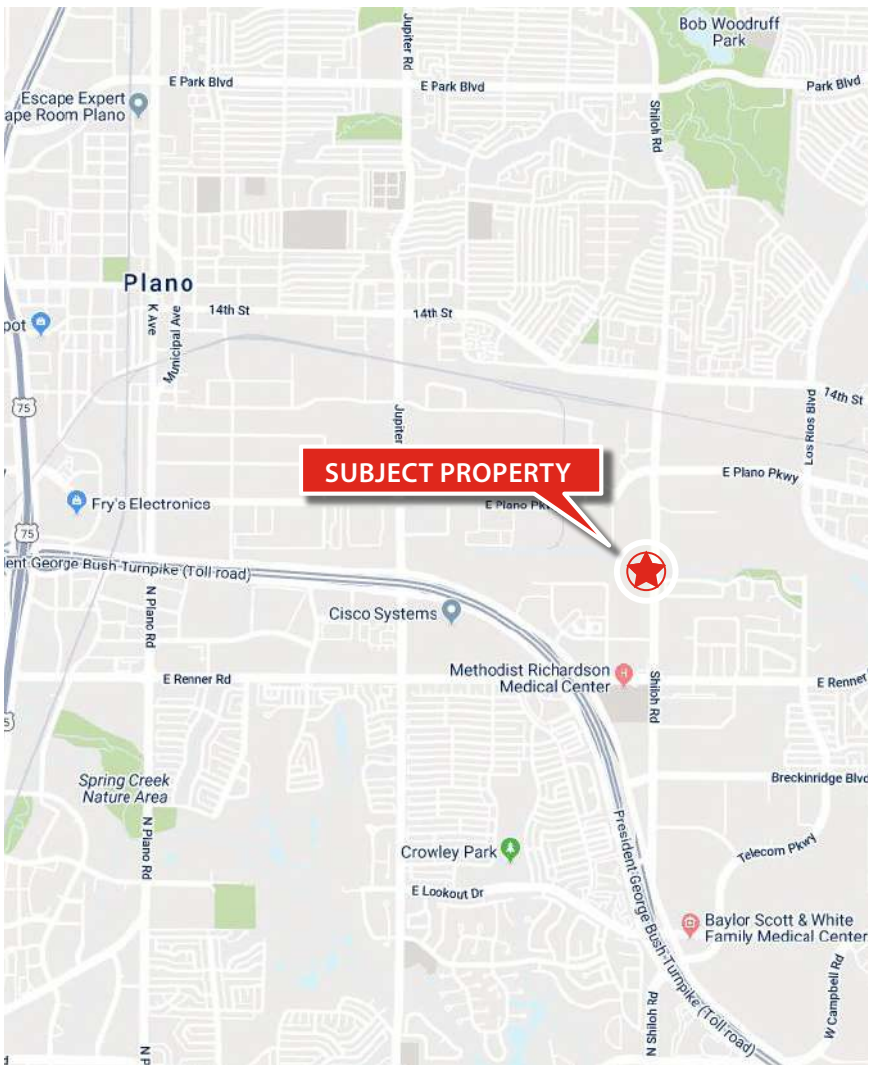
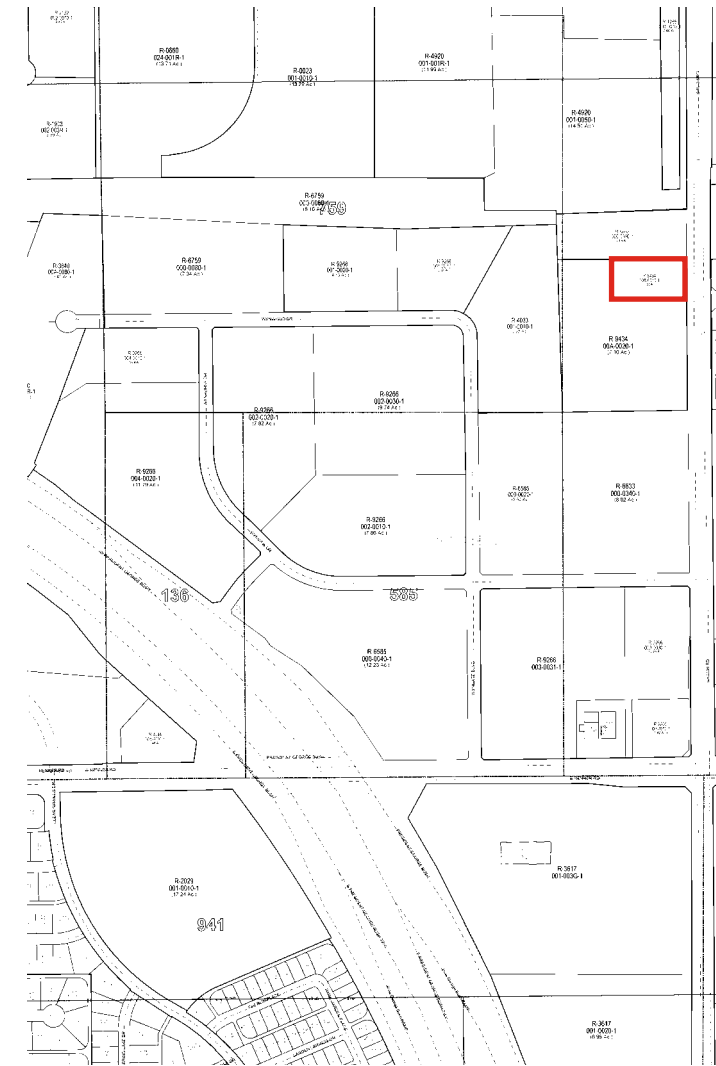
OFFERING PRICE	\$3,400,000
PRICE/ SF	\$403.03
CAP RATE	6%
LEASE STRUCTURE	NNN
CURRENT MONTHLY RENT	\$16,607.75
CURRENT ANNUAL RENT	\$199,293

investment highlights

- **DaVita Healthcare Partners, Inc. DaVita (S&P: BB) is ranked #181 of Fortune 500 company in 2017** that provides a variety of healthcare services to over 1.7 million patients nationwide throughout it's operating divisions including dialysis.
- Lease provides for **Annual 2.5% annual rental increase** including thought option period.
- Lease Structure is a **NNN, with zero landlord responsibilities.** Landlord is not responsible for any maintenance of the building, HVAC, Parking and payment of taxes, utilities and insurance.
- **No Early Termination or Kick-Out Clause** – This lease is free from early termination options or early kick-out clauses during the initial and any exercised option terms which provides investors with secured and increasing return for years to come
- **Strong Guarantee** – DaVita, Inc. generated **\$11.38 billion in revenue yielding** it over \$617 million in net income; it has a \$3.8 billion net worth and holds a Ba2 credit rating with Moody's and BB rating with S&P
- **Growing Industry** – There are over 495,000 ESRD dialysis patients in the U.S. which has grown at an **annual compound rate of 3.8% over the last fifteen years**, including over 120,000 newly reported cases of ESRD in 2014
- **Insulated from Macroeconomic Changes** – Approximately 90% of DaVita, Inc.'s total dialysis patients are covered under some form of government-based program
- **Institutional-Quality Construction** – This institutional-quality facility's design features energy efficient operations that allow for operating-cost savings above and beyond DaVita's traditional dialysis clinic
- **Rent Growth** – Lease provides for **Annual 2.5% annual rental increase** including thought option period.

CLICK HERE FOR
DRONE VIDEO

481 SHILOH ROAD, PLANO, TEXAS



481 SHILOH RD, PLANO, TX



[CLICK HERE FOR
DRONE VIDEO](#)

property overview

PARCEL NUMBER	R-9434-00A-0010-1
PROPERTY TYPE	MEDICAL OFFICE BUILDING
BUILDING AREA	8,436 SF
LAND AREA	56,192 SF (1.29 ACRES)
ZONING	RT
YEAR BUILT	2008
PARKING	49 SPACES (5.8/1000 SF)

property highlights

- HALF A MILE FROM METHODIST RICHARDSON HOSPITAL WITH 334 LICENSED BEDS IN PRIVATE ROOMS, 400+ PHYSICIANS IN 35 SPECIALTIES, AND STATE-OF-THE CENTERS FOR TREATING COMPLEX MEDICAL CONDITIONS
- ADJACENT TO SENIOR LIVING HOME, THE SAVANNAH AT GATEWAY
- AMPLE PARKING WITH 49 SPACES (5.8/1000 SF)



334 BEDS IN ALL-PRIVATE ROOMS, 400 PHYSICIANS IN 35 MEDICAL SPECIALTIES, & 83,000 PATIENTS PER YEAR

METHODIST RICHARDSON MEDICAL CENTER

292 UNITS (STUDIO, 1 BEDROOM, 2 BEDROOM), 663 AVERAGE SF PER UNIT, \$859 AVERAGE RENT PER UNIT

THE SAVANNAH AT GATEWAY

SUBJECT PROPERTY

481 SHILOH RD, PLANO, TX



rent roll

ADDRESS	TENANT NAME	SF	LEASE START	LEASE END	MONTHLY RENT	MONTHLY RENT PSG
481 Shiloh Road Plano, Tx	Total Renal Care Texas	8,436	1/1/2007	10/31/2022	\$16,607.75	\$1.97
TOTAL		8,436	\$16,608			

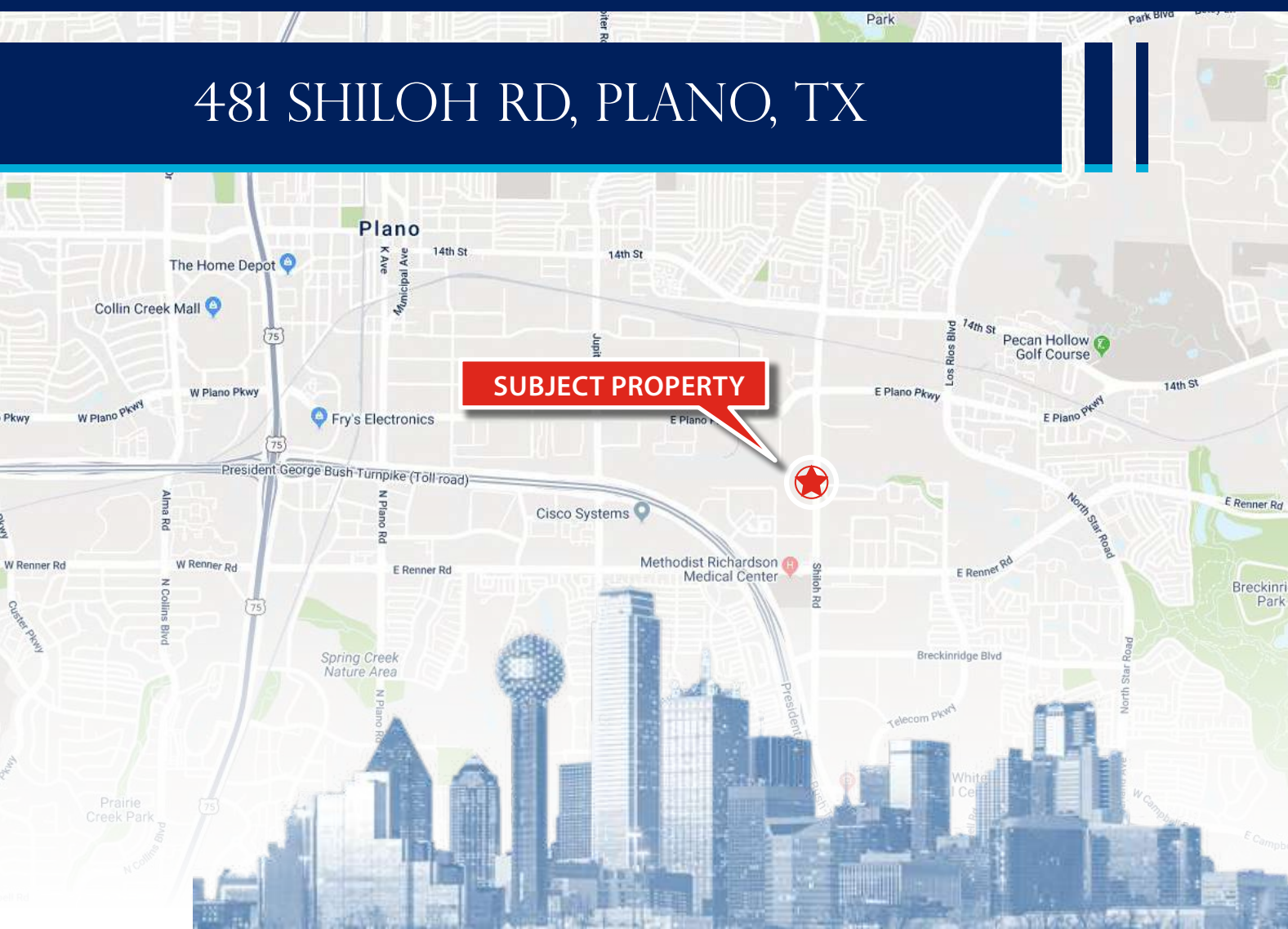
lease summary

TENANT	Total Renal Care Texas Limited Partnership
GUARANTOR	DaVita Healthcare Partners, Inc.
RENT COMMENCEMENT	November 1, 2007
LEASE EXPIRATION	October 22, 2022
LEASE TERM	15 Years
TERM REMAINING	3 Years & 3 Months - As of Aug 2019
RENEWAL OPTIONS	Three (3), Five-year Options
CURRENT MONTHLY RENT	\$16,607.75
RENTAL INCREASES	2% Annually
LEASE STRUCTURE	NNN

RENTAL ESCALATIONS	LEASE TYPE	LEASE OPTIONS	PROPERTY TAXES	UTILITIES	EXPENSES
Anniversity of the commencement date (November 1st) the rent shall be increased by 2.0% annually over the rent for the prior Lease Year.	NNN	Four (3) additional period of Five (5) years each.	Lessee Pays	Lessee Pays	Lessee Pays



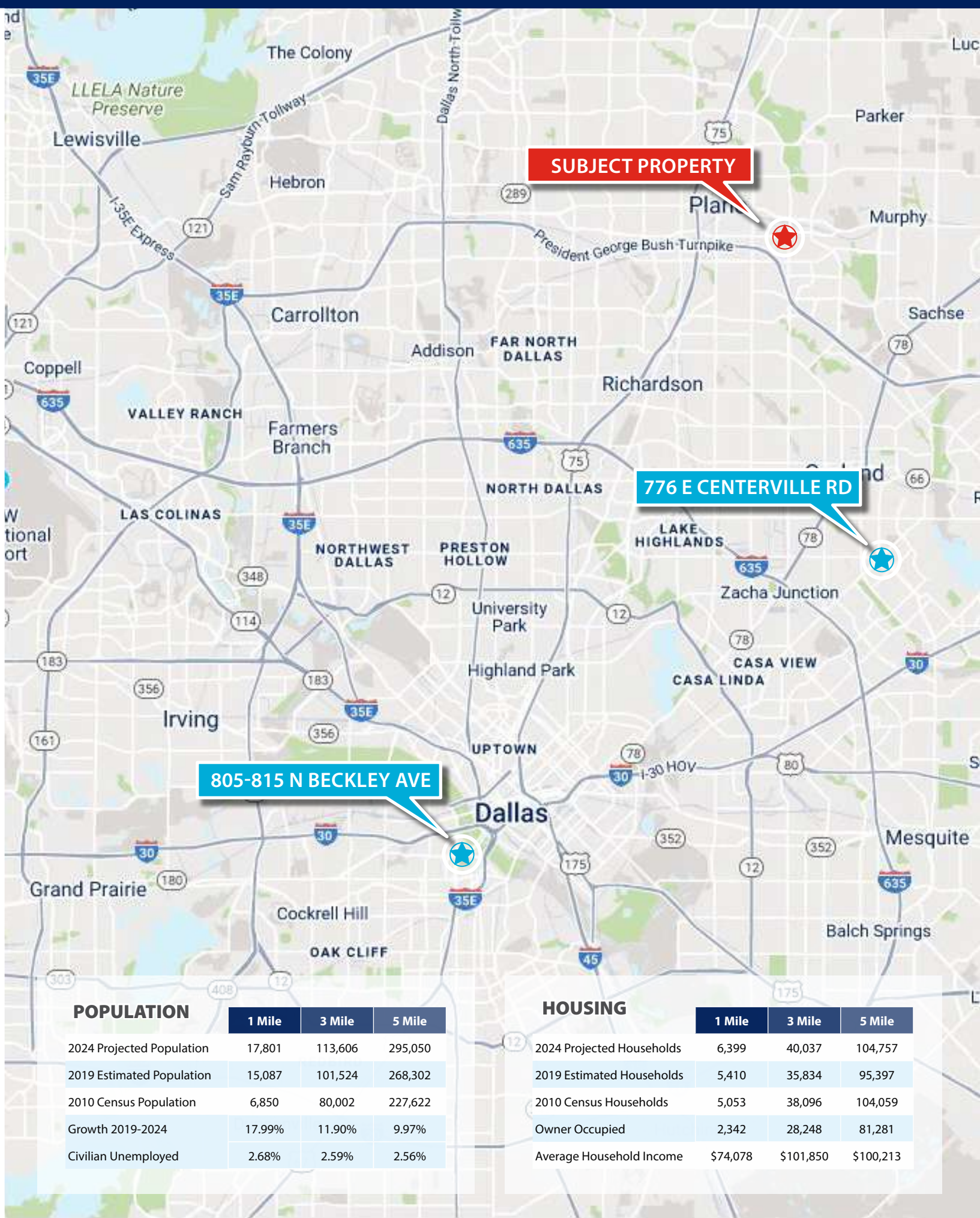
481 SHILOH RD, PLANO, TX



The Dallas metro division has the sixth-largest population in the U.S. with 4.9 million people. Dallas has developed a strong industrial and financial sector, as well as becoming a major inland port, due largely to the presence of Dallas/Fort Worth International Airport, one of the largest and busiest airports in the world. The city is home to University of Texas Southwestern Medical School, Texas Woman's University, University of North Texas at Dallas, Paul Quinn College as well as a number of religious affiliated and community colleges. The most notable event held in Dallas is the State Fair of Texas, which has been held each year at Fair Park since 1886, bringing an estimated \$350 million to the city's economy annually. The Red River Shootout, which pits the football teams of University of Texas at Austin and University of Oklahoma against one another at the Cotton Bowl, also brings significant crowds to the city.

Richardson, just north of Dallas, will soon become the new headquarters location for Aprima Medical Software Inc. Aprima is a medical tech company that provides electronic health record software for medical offices. This is on par with the trend of dentists, optometrists, physicians and even veterinarians opening practices in DFW at a rapid rate. Among metropolitan areas, Dallas-Fort Worth-Arlington experienced the largest numeric growth not only from 2017 to 2018 (131,767) but also from 2010 to 2018 (1.11 million). Please see the largest hospital systems below.

- | | |
|---|---|
| 1. Baylor University Medical Center
a. 3500 Gaston Ave. | 4. Texas Health Harris Methodist Fort Worth Hospital
a. 1301 Pennsylvania Ave. |
| 2. Parkland Health & Hospital System
a. 5201 Harry Hines Blvd. | 5. Medical City Dallas
a. 7777 Forest Lake Drive |
| 3. Texas Health Presbyterian Hospitals of Dallas
a. 8200 Walnut Lane | |



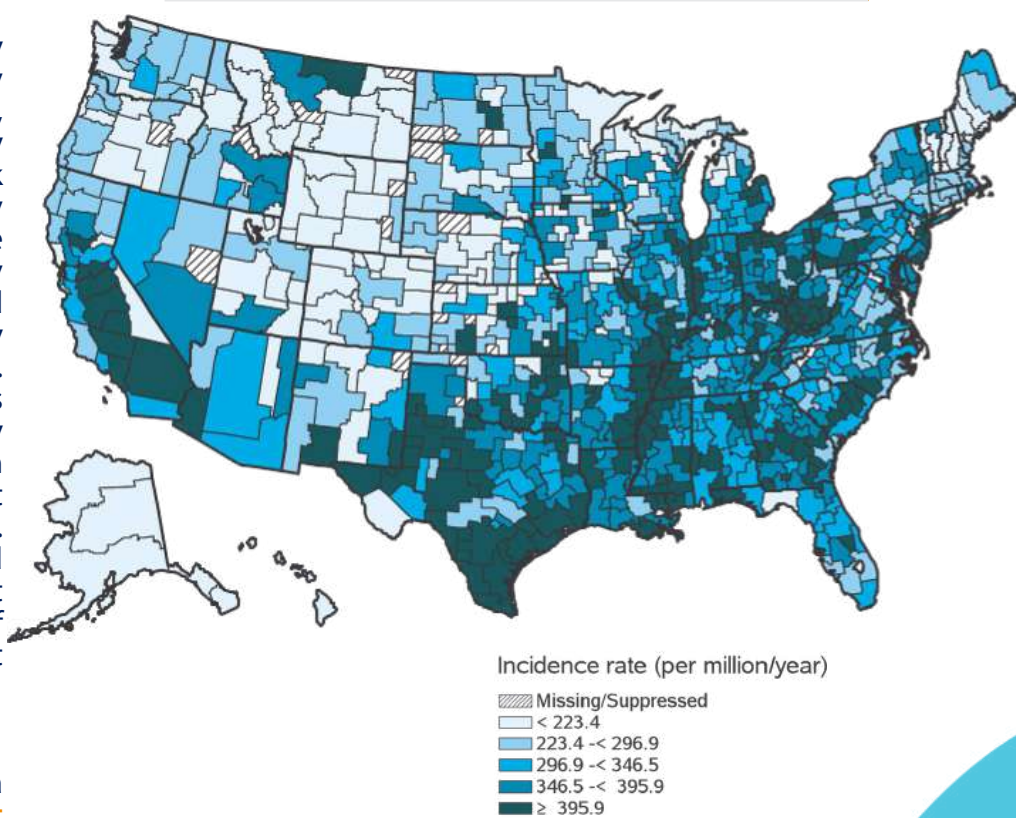
the dialysis industry

The loss of kidney function is normally irreversible. Kidney failure is typically caused by Type I and Type II diabetes, high blood pressure, polycystic kidney disease, long-term autoimmune attack on the kidney and prolonged urinary tract obstruction. End-stage renal disease ("ESRD") is the stage of advanced kidney impairment that requires: (1) continued dialysis treatments; or (2) a kidney transplant – in order to sustain life. Dialysis is the removal of toxins, fluids and salt from the blood of patients by artificial means. Patients suffering from ESRD generally require dialysis at least three times a week for the rest of their lives. These treatments are most often received at an outpatient dialysis clinic. This report contains data pertaining to the sale of these leased single-tenant outpatient dialysis clinics nationwide.

According to the United States Renal Data System, **there were 726,331 prevalent cases of ESRD in the U.S.** in 2016. The underlying ESRD dialysis patient population has grown at an approximate compound rate of 3.8% from 2000 to 2015, the latest period for which such data is available. The growth rate is attributable to the aging of the U.S. population, increased incidence rates for diseases that cause kidney failure such as diabetes and hypertension, lower mortality rates for dialysis patients and growth rates of minority populations with higher than average incidence rates of ESRD. The expansion of the outpatient dialysis clinic real estate footprint has also grown at an exponential rate over this same time period.

In 2016, there were 124,675 newly reported cases of ESRD

INCIDENCE RATE OF ESRD 2012 - 2016



Much of the industry growth has been funded by the federal government. Since 1972, the federal government has provided healthcare coverage for ESRD patients under the Medicare ESRD program regardless of age or financial circumstances. ESRD is the first and only disease state eligible for Medicare coverage both for dialysis and dialysis-related services and for all benefits available under the Medicare program. For patients with Medicare coverage, all ESRD payments for dialysis treatments are made under a single bundled payment rate.

Moreover, there has been a natural steady increase to U.S. healthcare spending over the past twenty years that has added to the expansion of the dialysis market. These increases have been driven, in part, by the aging of the baby boomer generation, lack of healthy lifestyles both in terms of exercise and diet, rapidly increasing costs in medical technology and pharmaceutical research, and provider reimbursement structures that may promote volume over quality in a FFS environment. These factors, as well as the steady growth of the U.S. population, have made the healthcare industry a growing market.

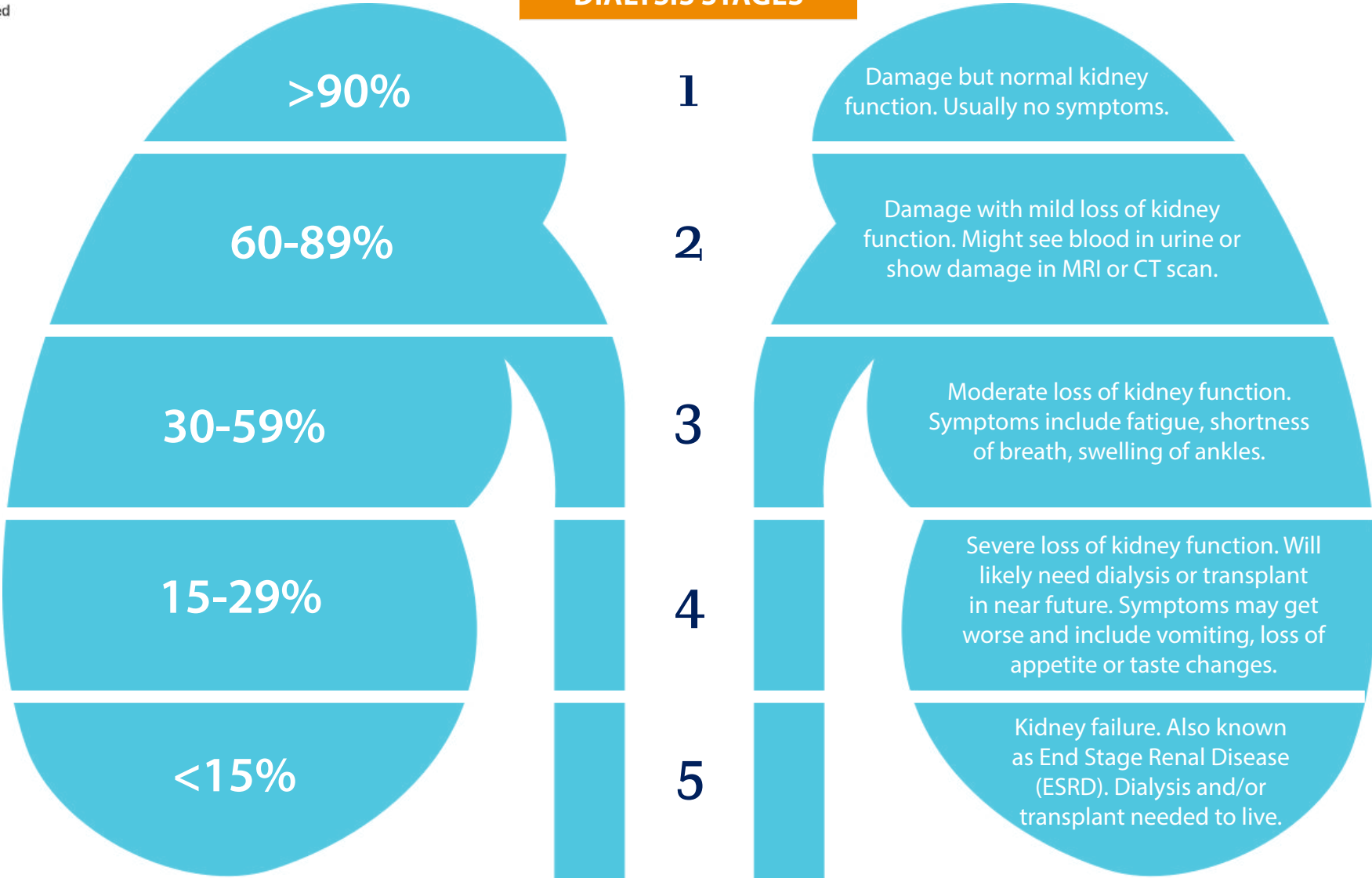
In 2015, CMS reported that **healthcare accounted for 17.8% of the U.S. gross domestic product and that healthcare spending increased 5.8% to reach \$3.2 trillion.** Medicare spending grew 4.5% to \$646 billion in 2015 or 20% of National Health Expenditures, according to CMS. Medicare's share of the federal budget was 14.8% in 2015 according to the Congressional Budget Office. Medicare is frequently the focus of discussions on how to moderate the growth of both federal spending and healthcare spending in the U.S.

Growth in Medicare spending is expected to continue due to population demographics. According to the U.S. Census Bureau, the U.S. population aged 65+ is expected to be 83.7 million in 2050 — almost double its estimated population of 43.1 million in 2012.

The Medicare program was established in 1965 and became effective in 1967 as a federally funded U.S. health insurance program for persons aged 65 and older, and it was later expanded to include individuals with ESRD and certain disabled persons, regardless of income or age. Since its formation, Medicare has grown to an approximately \$646 billion program in 2015, covering approximately 57 million Americans and, based on the growing number of eligible beneficiaries and increases in the cost of healthcare, CBO projects that net Medicare spending will increase from \$592 billion in 2016 to \$1.1 trillion in 2026.

© United States Renal Data System

DIALYSIS STAGES



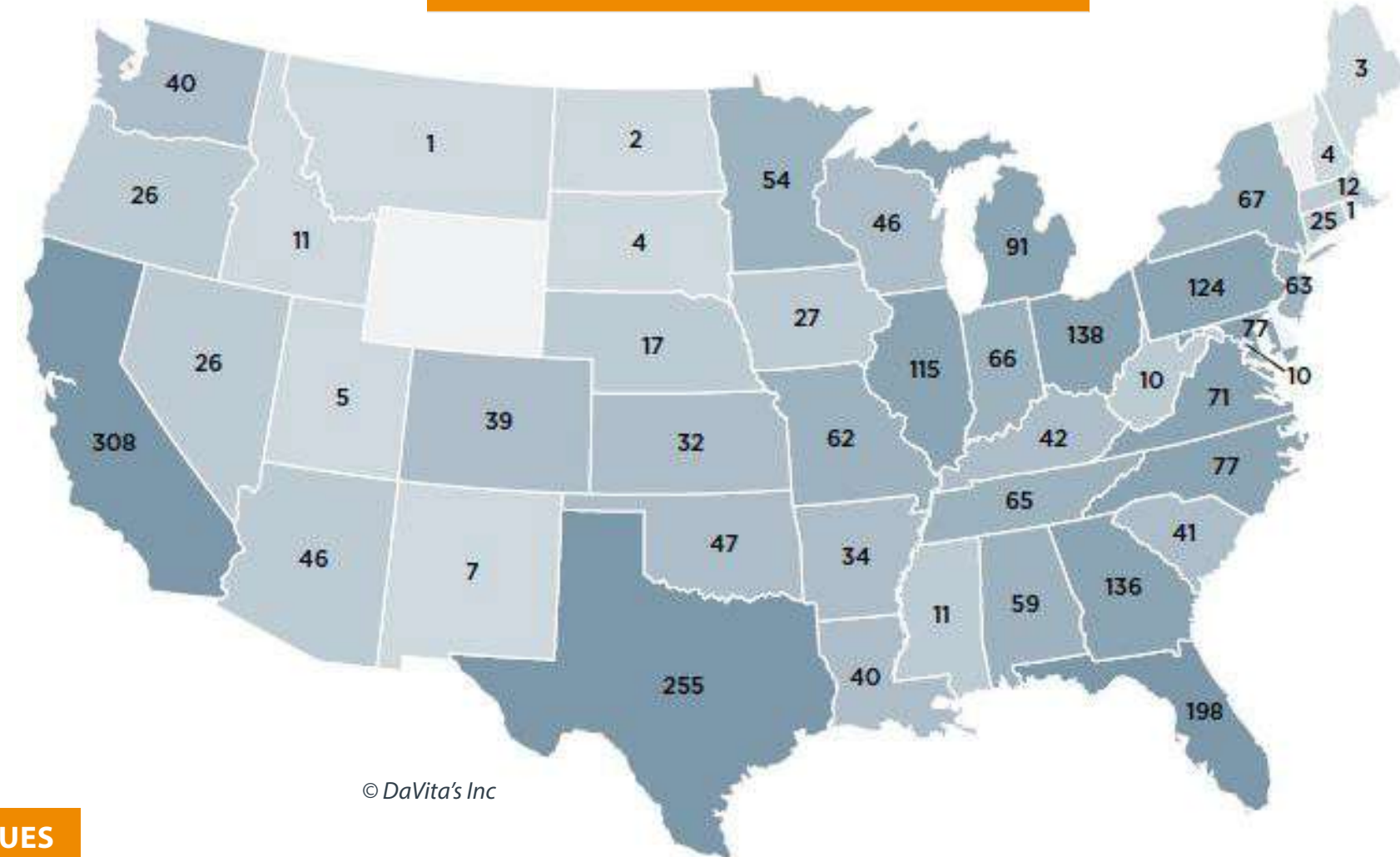
Davita®

tenant profile

DaVita is a Fortune 500® health care provider focused on transforming care delivery to improve quality of life for patients around the globe. The company is the **largest provider of kidney care services in the U.S.** and has been a leader in clinical quality and innovation for 20 years. Through DaVita Kidney Care, the company treats patients with chronic kidney failure and end stage renal disease. DaVita is committed to bold, patient-centric care models, implementing the latest technologies and moving toward integrated care offerings for all. As of March 31, 2019, **DaVita served 203,000 patients at 2,664 outpatient dialysis centers** in the United States. The company also operated 241 outpatient dialysis centers in nine countries across the world. DaVita has reduced hospitalizations, improved mortality, and worked collaboratively to propel the kidney care industry to adopt an equitable and high-quality standard of care for all patients, everywhere.

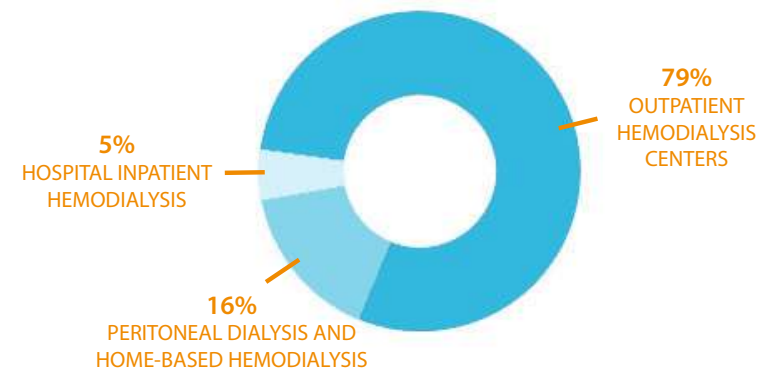
In 2018, Davita's overall network of U.S. outpatient dialysis centers increased by 154 dialysis centers, primarily as a result of opening new dialysis centers and from acquisitions of existing dialysis centers. The overall number of patients that we serve in the U.S. increased by approximately 2.5% in 2018 as compared to 2017. Approximately 90% of our 2018 consolidated revenues were derived directly from our U.S. dialysis and related lab services business. Approximately 79% of our 2018 dialysis patient services revenues were derived from outpatient hemodialysis services in our 2,630 consolidated U.S. dialysis centers. Approximately 69% of our total U.S. dialysis and related lab patient services revenues for the year ended December 31, 2018 were from government-based programs, principally Medicare, Medicaid, Medicareassigned and managed Medicaid plans, representing approximately 89.6% of our total patients. Approximately 44% of our U.S. dialysis and related lab services net revenues for the year ended December 31, 2018, were generated from patients who have Medicare as their primary payor.

DAVITA DIALYSIS CENTERS BY STATE



© DaVita's Inc

US DIALYSIS PATIENT SERVICES REVENUES



Davita's holds approximately a **37%** share of the U.S. Dialysis Market

2018 REVENUES FROM DIALYSIS & RELATED LAB SERVICES



>200,000
DIALYSIS PATIENTS

9
COUNTRIES SERVED
OUTSIDE THE U.S.

55,000
DAVITA TEAMMATES IN
THE U.S.

\$11 Million
DONATIONS FROM
DAVITA TEAMMATES TO
LOCAL NONPROFITS
SINCE 2011

180,000
HOURS OF VOLUNTEER
WORK BY DAVITA
TEAMMATES, FAMILY &
FRIENDS SINCE 2006

12
YEARS ON FORTUNE'S
WORLD'S MOST
ADMIRABLE COMPANIES
LIST

CONFIDENTIALITY AGREEMENT

This Offering Memorandum contains select information pertaining to the business and affairs of 481 Shiloh Road in Plano, Texas. It has been prepared by Avison Young. This Offering Memorandum may not be all-inclusive or contain all of the information a prospective purchaser may desire. The information contained in this Offering Memorandum is confidential and furnished solely for the purpose of a review by a prospective purchaser of the Property. It is not to be used for any other purpose or made available to any other person without the written consent of Seller or Avison Young. The material is based in part upon information supplied by the Seller and in part upon financial information obtained from sources it deems reliable. Owner, nor their officers, employees, or agents makes any representation or warranty, express or implied, as to the accuracy or completeness or this Offering Memorandum or any of its contents and no legal liability is assumed or shall be implied with respect thereto. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and conduct their own due diligence.

By acknowledging your receipt of this Offering Memorandum from Avison Young, you agree:

- 1. The Offering Memorandum and its contents are confidential;
- 2. You will hold it and treat it in the strictest of confidence; and
- 3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Avison Young expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of 481 Shiloh Road in Plano, Texas or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Avison Young or any of their affiliates or any of their respective officers, Directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.

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EXCLUSIVE ADVISOR:

**AVISON
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PRIME INVESTMENT OPPORTUNITY
SINGLE TENANT NNN MEDICAL BUILDING



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