



Subject Property

Offering Memorandum

DaVita, Inc.

A corporately guaranteed single-tenant outpatient dialysis clinic

1103 New River Pkwy | Fallon, NV 89406



Stan Johnson Co.

THE NET LEASE AUTHORITY®

Confidentiality and Restricted Use Agreement

This Confidential Offering Memorandum (“COM”) is provided by Stan Johnson Company (“SJC”), solely for your consideration of the opportunity to acquire the commercial property described herein (the “Property”). This COM may be used only as stated herein and shall not be used for any other purpose, or in any other manner, without prior written authorization and consent of SJC.

This COM does not constitute or pertain to an offer of a security or an offer of any investment contract. This COM contains descriptive materials, financial information and other data compiled by SJC for the convenience of parties who may be interested in the Property. Such information is not all inclusive and is not represented to include all information that may be material to an evaluation of the acquisition opportunity presented. SJC has not independently verified any of the information contained herein and makes no representations or warranties of any kind concerning the accuracy or completeness thereof. All summaries and discussions of documentation and/or financial information contained herein are qualified in their entirety by reference to the actual documents and/or financial statements, which upon request may be made available. An interested party must conduct its own independent investigation and verification of any information the party deems material to consideration of the opportunity, or otherwise appropriate, without reliance upon SJC.

The Property may be financed or withdrawn from the market without notice, and its owner(s) reserve(s) the right to negotiate with any number of interested parties at any time. The Property is offered and sold by its owner(s) as is, where is, and with all faults, without representation or warranty of any kind except for any customary warranties of title.

BY ACCEPTING THIS COM, YOU AGREE THAT: (1) all information contained herein, and all other information you have received or may hereafter receive from SJC relating to the Property, whether oral, written or in any other form (collectively, the “Information”), is strictly confidential; (2) you will not copy or reproduce, and claim as your own without attribution to SJC, all or any part of this COM or the Information; (3) upon request by SJC at any time, you will return and/or certify your complete destruction of all copies of this COM and the Information; (4) for yourself and all your affiliates, officers, employees, representatives, agents and principals, you hereby release and agree to indemnify and hold harmless SJC all of its affiliates, officers, employees, representatives, agents and principals, from and with respect to any and all claims and liabilities arising from or related to the receipt or use of this COM and/or any other Information concerning the Property; (5) you will not provide this COM or any of the Information to any other party unless you first obtain such party’s acceptance and approval of all terms, conditions, limitations and agreements set forth herein, as being applicable to such party as well as to you; and (6) monetary damages alone will not be an adequate remedy for a violation of these terms and that SJC shall be entitled to equitable relief, including, but not limited to, injunctive relief and specific performance, in connection with such a violation and shall not be required to post a bond when obtaining such relief.

Offered Exclusively by

.....

Marc Barber
Associate Director
#B.1002083.LLC

Contact Broker

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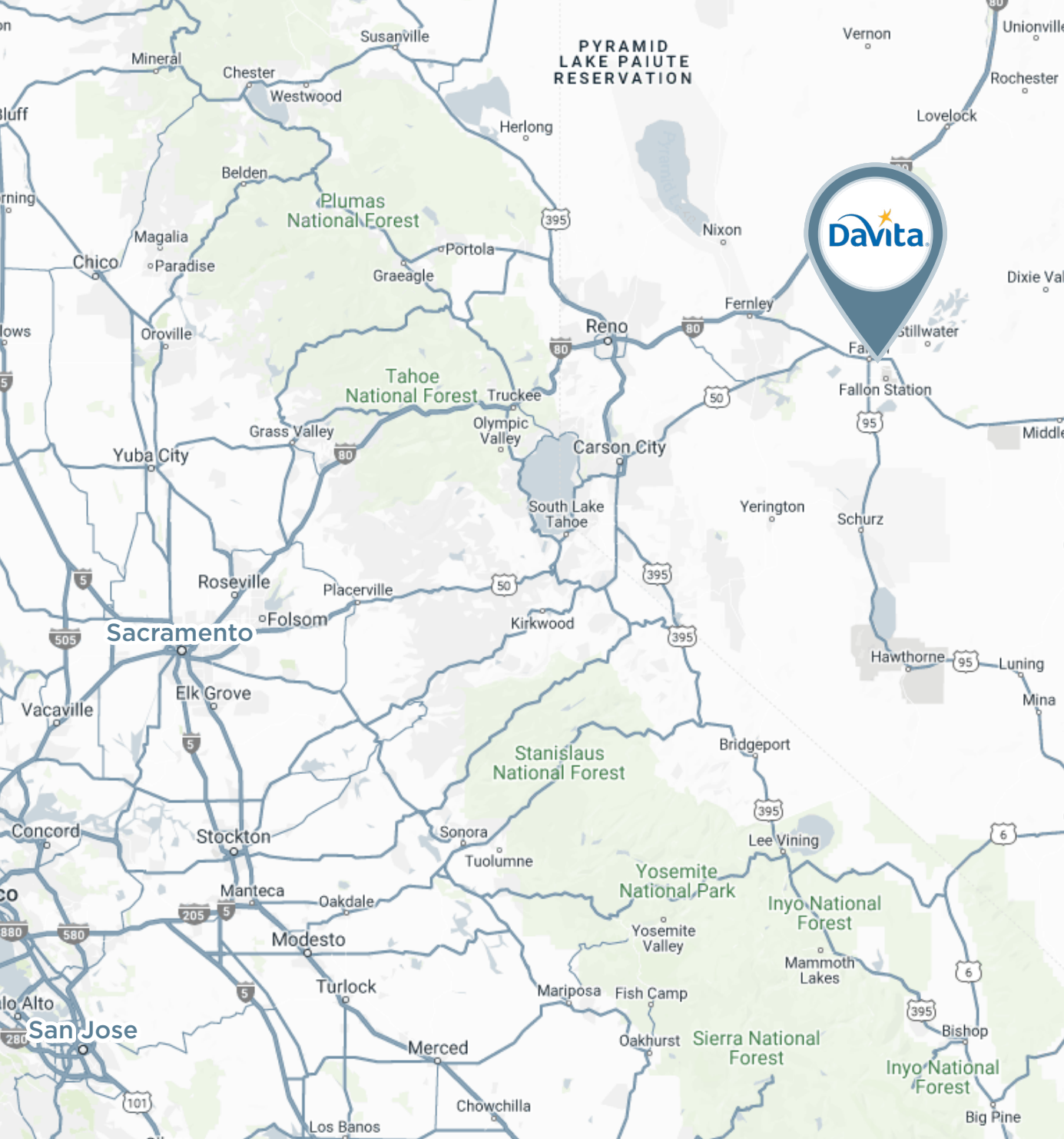
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Section One

About the Investment





\$ Offering Price:
\$2,915,800

% Cap Rate:
6.35%

Executive Summary

Guarantor:	DaVita, Inc.
Credit:	Corporate (NYSE: DVA)
Credit Rating:	S&P: BB
Interest:	Fee Simple
Encumbrances:	Free & Clear
Address:	1103 New River Parkway
City, ST:	Fallon, NV
Land (Acres):	1.3 acres
RBA:	8,000 SF
Term Remaining:	3.5 years
Options:	3, 5-year options
Increases:	2.5% Annually
Expenses:	NN Lease
NOI:	\$184,910
NOI/SF:	\$22.00

The Offering

Stan Johnson Company (“SJC”), on behalf of Ownership as its exclusive advisor, is pleased to offer for sale the 100% fee simple interest in the single tenant retail property, DaVita, located at 1103 New River Pkwy – Fallon, NV 89406. The Property is located off of Lincoln Hwy (+/- 16,458 VPD).

DaVita Dialysis has just under 3.5 years remaining on their lease in addition to three (3) five (5) year options. The lease structure boasts annual 2.5% escalations to help hedge against inflation during the base term and options set to align with market rent at the time. The NN lease places minimal responsibility upon the landlord making this an ideal passive income investment for someone looking for an internet-resistant tenant.

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.



Representative Photo

Investment Highlights



Limited landlord responsibilities

NN lease with landlord responsibility limited to roof/ structure and HVAC



Attractive 2.5% annual rental increases

Annual rent increase of 2.5%



No competition

DaVita Kidney Care is the only kidney care center in all of Fallon, Nevada



Financially strong tenant operating in a growing industry

DaVita opened and acquired 170 dialysis centers in the U.S. during 2018

Section Two

About the Tenant



Defining the Dialysis Industry

Dialysis, Kidney Care and the Healthcare 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.

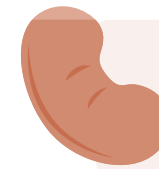
According to the United States Renal Data System, there were approximately 495,000 ESRD dialysis patients in the U.S. in 2015. The underlying ESRD dialysis patient population has **grown at an approximate compound rate of 3.8% from 2000 to 2015**, the latest period for which such data is available. The 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.

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

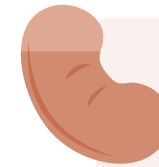
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Stage 1

Kidney Function >90%

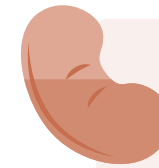
Damage but **normal** kidney function. Usually no symptoms.



Stage 2

Kidney Function 60-89%

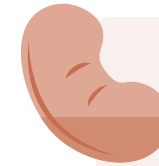
Damage with **mild loss** of kidney function. Might see blood in urine or show damage in MRI or CT scan.



Stage 3A & 3B

Kidney Function 45-59% & 30-44%

Moderate loss of kidney function. Symptoms include fatigue, shortness of breath, swelling of ankles.



Stage 4

Kidney Function 15-29%

Severe loss of kidney function. Will likely need dialysis or transplant in near future. Symptoms may get worse and include vomiting, loss of appetite or taste changes.



Stage 5

Kidney Function <15%

Kidney **failure**. Also known as **End-Stage Renal Disease (ESRD)**. Dialysis and/or transplant needed to live.



Industry Fast Facts

- There were 120,688 newly reported cases of end-stage renal disease in 2014
- There are currently more than 125,000 people waiting for lifesaving organ transplants in the U.S. Of these, nearly 83% are awaiting kidney transplants.
- Medicare spending for beneficiaries aged 65+ who have CKD exceeded \$50B in 2014, representing 20% of all Medicare spending in this age group

Defining the Dialysis Industry

Dialysis, Kidney Care and the Healthcare Industry cont'd

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.

\$\$\$\$\$ 1 in 5

1 out of every 5 Medicare dollars was for patients with CKD. That's **\$98 billion** for people with CKD, including **\$34 billion** for people on dialysis

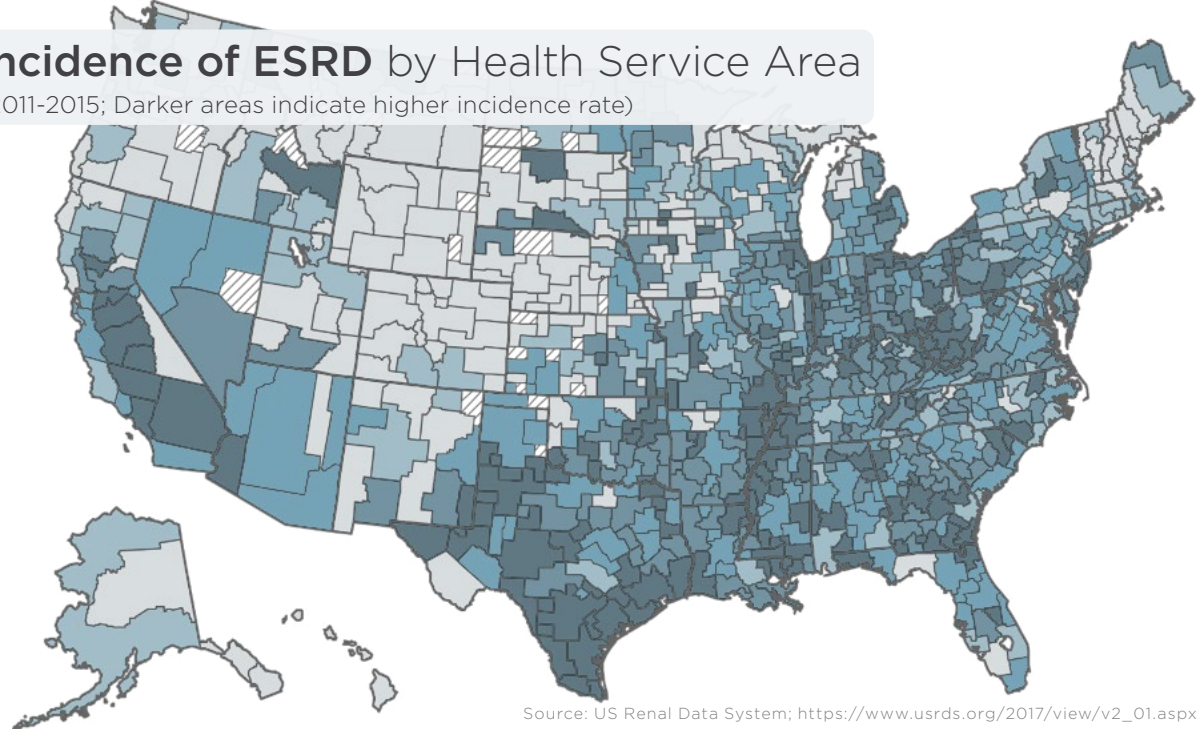
Growth in Medicare spending is expected to continue due to population demographics. According to the U.S. Census Bureau, the U.S.

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.

Incidence of ESRD by Health Service Area

(2011-2015; Darker areas indicate higher incidence rate)



Industry Fast Facts

- 495,000 ESRD dialysis patients in the U.S.; Growing at a compound rate of 3.8%
- Total Medicare fee-for-service spending in the general Medicare population increased by 3.8% in 2014 to \$435.6B, with \$32.8B, or 7.2%, of that overall spending accounting for ESRD patients
- 1 in 7 U.S. adults has kidney disease, and many don't know it.
- Kidney disease is the 9th leading cause of death in the U.S.

Dialysis Industry FAQ

What is chronic kidney disease?

Chronic Kidney Disease (CKD) develops when the kidneys lose their ability to remove waste from and maintain fluid and chemical balances in the body. People with stage 5 CKD, or end-stage renal disease, require a transplant or dialysis for survival.

Who is at risk for CKD?

High-risk groups include African-Americans, Hispanics, Pacific Islanders, Native Americans and seniors (those 60 and over). Primary risk factors include diabetes, hypertension and cardiovascular disease or a family history of these conditions.

What is dialysis?

Dialysis is the process of removing waste and excess fluid from the blood when the kidneys are not able to do it on their own. Dialysis uses a special fluid that contains a mixture of pure water and chemicals to carefully pull waste, salt and extra water out of the blood without removing substances the body needs. The process helps maintain safer levels of certain chemicals, such as potassium, in the bloodstream.

What about a kidney transplant?

If a person's kidneys are failing, a kidney transplant can be a preferred treatment option. The balance of risks and benefits varies depending on age and other health issues. For many patients who are awaiting a transplant or aren't eligible for one, dialysis can replace kidney function adequately for many years.

How does dialysis work?

There are two main types of kidney dialysis—peritoneal dialysis (PD) and hemodialysis (HD). PD uses the lining of the abdominal cavity, called the peritoneum, to filter blood naturally. During treatments, a cleansing fluid called dialysate is put into the patient's abdomen through a small, flexible tube called a PD catheter. Waste is gradually removed through the peritoneum and deposited into the dialysis fluid that is cycled into the abdomen. After several hours, the fluid is drained then replaced, allowing the process to start again. HD uses a filter outside of the body called a dialyzer. With help from the dialysis machine, blood flows from the body into the filter, where waste and fluid are removed, and then back into the body. There are three common forms of HD: home hemodialysis, done in the comfort of home; in-center hemodialysis performed during the day at a dialysis center with other patients; and in-center nocturnal dialysis, which is performed at a center overnight while the patient sleeps.

The Stats and Facts About Kidney Transplants



97K

Number of people on the kidney transplant list



3.5

Average wait time in years for a kidney donor match



42K

Number of 50 to 64-year-olds waiting for a new kidney as of May 2017



19K

Number of kidney transplants in 2016



9K

Number of kidneys from deceased donors in 2016



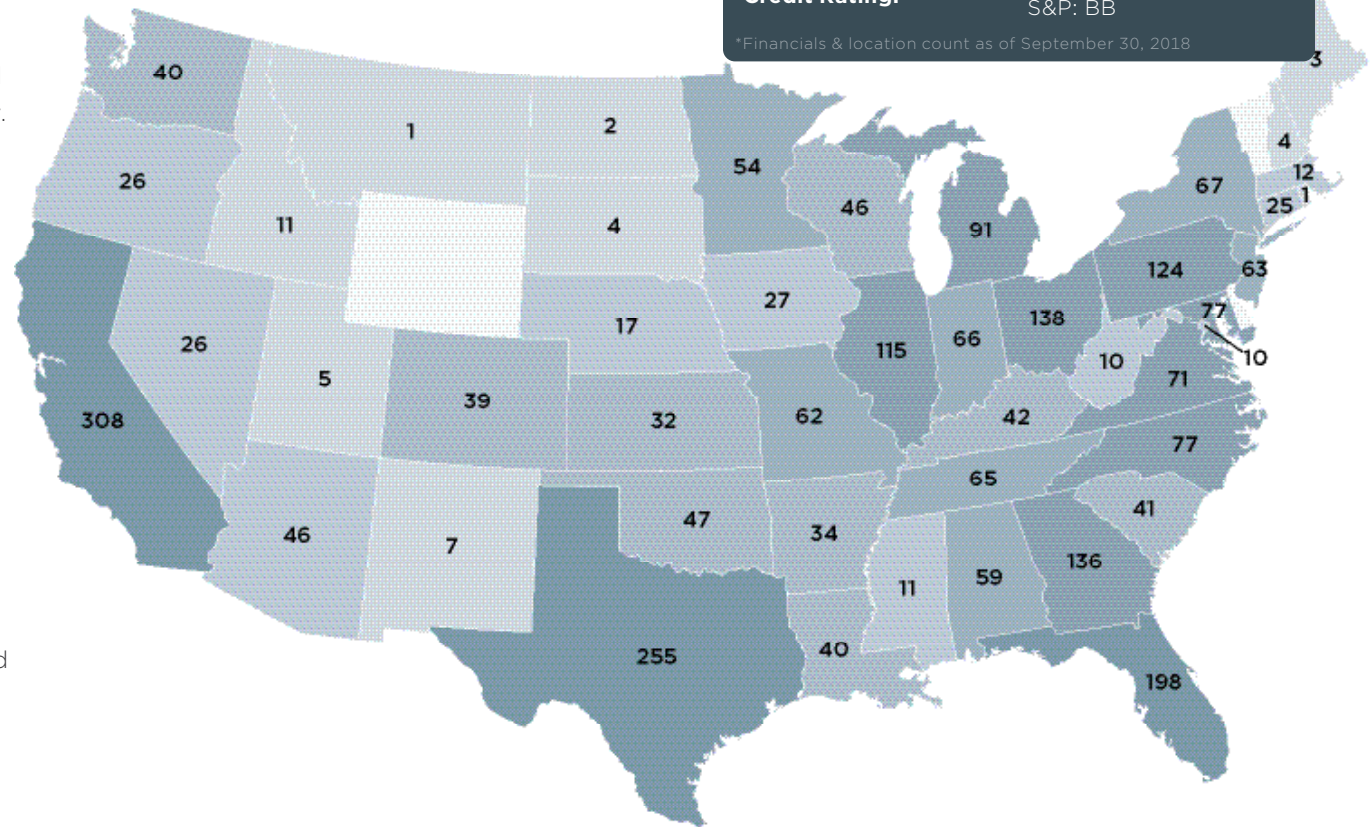
DaVita patients are more likely to get a transplant than the average U.S. dialysis patient.

Tenant Overview

DaVita, Inc., a Fortune 200 company, is one of the largest kidney care companies in the world and is the leading provider of kidney dialysis services in the U.S. for patients suffering from chronic kidney failure, also known as end-stage renal disease (ESRD). As of September 30, 2018, DaVita, Inc. provided dialysis and administrative services in the U.S. through a network of 2,625 outpatient dialysis centers in 46 states and the District of Columbia, **serving a total of approximately 210,000 patients**. DaVita, Inc. also provides acute inpatient dialysis services in approximately 900 hospitals and related laboratory services throughout the U.S. as well as 237 outpatient dialysis clinics internationally.

The development of a typical outpatient dialysis center by DaVita, Inc. generally requires approximately \$2.1 million for leasehold improvements, equipment and first-year working capital. Based on its experience, a new outpatient dialysis center typically opens within a year after the property lease is signed, normally achieves operating profitability in the second year after Medicare certification and normally reaches maturity within three to five years. **Last year, DaVita, Inc. developed and opened 121 new centers in the United States.** The two largest dialysis companies, Fresenius Medical Care and DaVita, Inc., account for approximately 79% of outpatient dialysis patients in the U.S. with DaVita, Inc. serving approximately 39% of the

total outpatient dialysis patients. Approximately 44% of the centers not owned by DaVita, Inc. or FMC are owned or controlled by hospitals or non-profit organizations.



Tenant Profile	
Company:	DaVita, Inc.
Ownership:	Public
Ticker:	NYSE: DVA
Headquarters:	Denver, Colorado
Website:	www.davita.com
Revenue:	\$11.38 billion
Net Income:	\$617 million
Net Worth:	\$3.8 billion
Locations:	2,600+
Credit Rating:	Moody's: Ba2 S&P: BB
*Financials & location count as of September 30, 2018	

Section Three

About the Property



Lease Abstract

Tenant	DaVita Kidney Care
Address	1103 New River Parkway Fallon, Nevada 89406
Building Size (SF)	8,000 SF
Lot Size (Acres)	1.3 Acres
Rent Commencement	7/20/2017
Lease/Rent Expiration	7/19/2023
Lease Term Remaining	3 Years, 5 Months
Annual Base Rent PSF	\$22 PSF
Rental Increases	2.5% Annually
Renewal Options	3, 5 year renewal options
Lease Type	NN
Landlord Responsibilities	Roof/Structure and HVAC
Insurance/Taxes/CAM/ Utilities	Tenant responsible
Parking	4 parking spaces per 1,000 sf

Rent Schedule



Date	Rent PSF	Monthly	Yearly
July 20, 2017 - July 19, 2018	\$22.00	\$14,666.67	\$176,000.00
July 20, 2018 - July 19, 2019	\$22.55	\$15,033.33	\$180,400.00
July 20, 2019 - July 19, 2020	\$23.11	\$15,409.17	\$184,910.00
July 20, 2020 - July 19, 2021	\$23.69	\$15,794.40	\$189,532.75
July 20, 2021 - July 19, 2022	\$24.28	\$16,189.26	\$194,271.07
July 20, 2022 - July 19, 2023	\$24.89	\$16,593.99	\$199,127.85

Options	
July 20, 2023 - July 19, 2028	Market rent
July 20, 2028 - July 19, 2033	Market rent
July 20, 2033 - July 19, 2038	Market rent

Demographics



Population

	3 miles	5 miles	10 miles
2019 Population	13,241	18,249	24,288
2024 Population	13,403	18,483	24,635
2010-2019 Annual Rate	0.21%	0.21%	0.24%
2019-2024 Annual Rate	0.24%	0.26%	0.28%



Households

	3 miles	5 miles	10 miles
2019 Total Households	5,339	7,207	9,536
2024 Total Households	5,411	7,310	9,690
2010-2019 Annual Rate	0.26%	0.27%	0.30%
2019-2024 Annual Rate	0.27%	0.28%	0.32%



Household Income

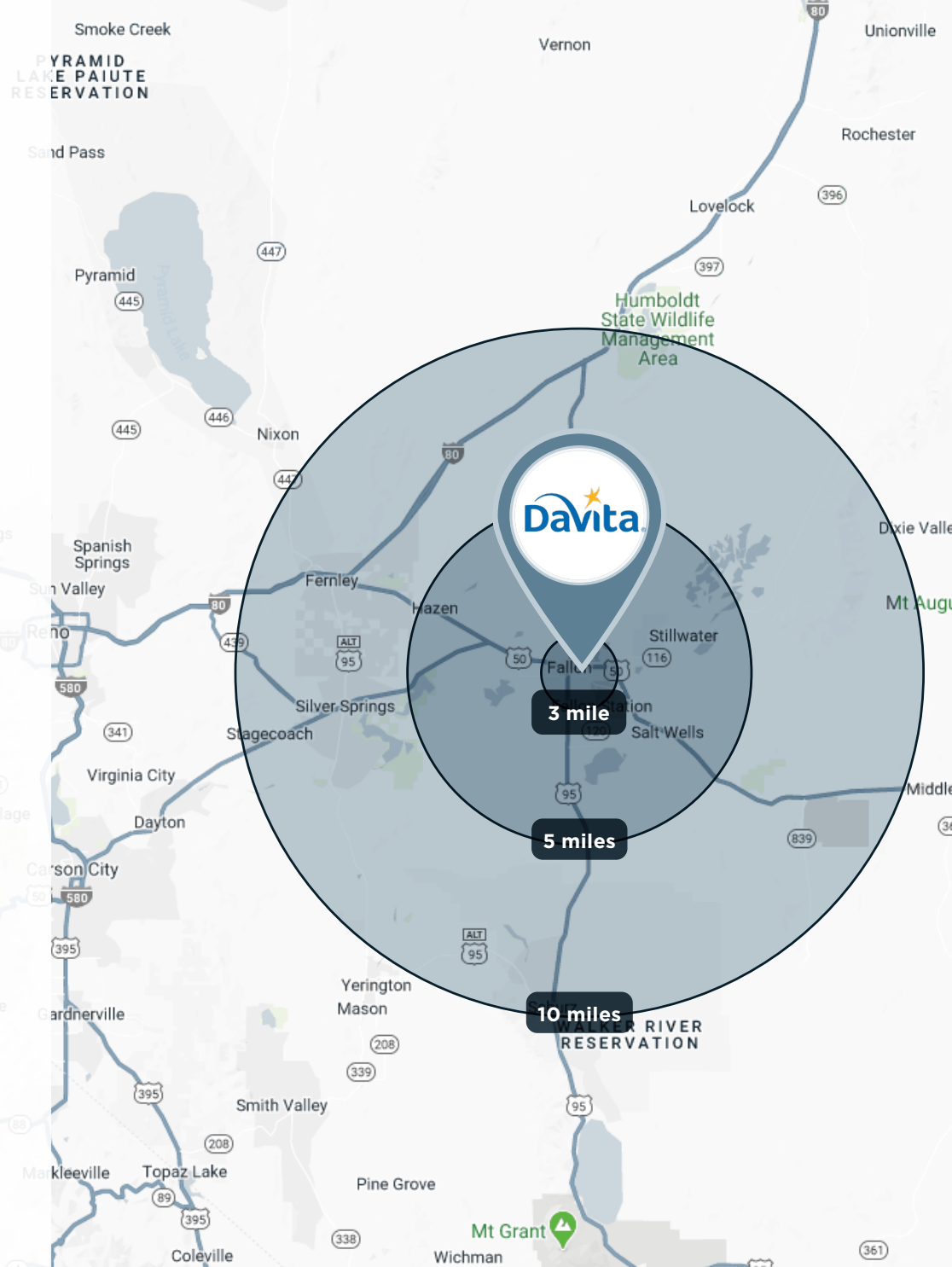
	3 miles	5 miles	10 miles
2019 Median Household Income	\$47,649	\$50,190	\$50,429
2019 Average Household Income	\$60,379	\$63,794	\$64,727



24.2k
population
(10 miles)



\$64.7k
avg. HH inc.
(10 miles)





Section Four

About the Location



Fallon, NV

Location Overview

Fallon is a city in Churchill County, Nevada which is less than an hour drive from Carson City and Reno. Fallon receives a high traffic count being that Fallon is at the junction of US Highway 50 and US Highway 95. As such, significant traffic flows through town on the way to Reno, Carson City, Interstate 80 and Las Vegas.

Much to the surprise of most people who first pass through town, Fallon is located in an area that has extensive agricultural activity despite the very arid surroundings. The Truckee River supplies the water to irrigate more than 50,000 acres of land, with alfalfa the primary crop grown.

Despite the traffic that passes through town, Fallon is more than a traveler's rest stop. With a population of over 8,500 people, Fallon has a sizable downtown area. The principal employer is the large Naval Air Station Fallon located just outside of town. The NAS Fallon is the premier air-to-air and air-to-ground training facility for the United States Navy. Several advanced training schools for US Naval pilots are also located at NAS Fallon, including the Fighter Weapons School, the Navy Rotary Wing Weapons School and the Carrier Airborne Early Warning Weapons School. Additionally, training for the Navy SEAL Combat Search and Rescue also occurs at NAS Fallon.



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going beyond

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