

OFFERING MEMORANDUM
SATELLITE HEALTHCARE
SAN LEANDRO, CALIFORNIA



EXCLUSIVELY OFFERED BY:

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Investment Offering & Highlights

The Offering

- A 9,022± square foot freestanding medical office building with 31 onsite parking spaces leased to **SATELLITE HEALTHCARE** until December 31, 2027
- **Price: \$4,936,943 - 6.48% Effective Cap Rate**
(see *Investment Overview* on page 4)

Leases / Tenant

- Satellite Healthcare corporate guaranty
- Long term net lease with 2.5% annual increases
- Tenant reimburses all expenses including management fee

Real Estate / Area Strengths

- Rare San Francisco Bay Area single tenant net lease investment
- Two blocks from San Leandro BART Station
- Across the street from the new 750,000 sq. ft. San Leandro Tech Campus
- Davis Street is a high traffic commuter arterial with average daily traffic volume in excess of 34,000
- ½ mile from I-880 with direct access from the Davis Street exit
- Over 350,000 people within a 5 mile radius and average household incomes in excess of \$79,000 within 1 mile



Investment Overview

Location

801 Davis Street, San Leandro, CA

Lot Size

Approximately 0.64 acres - 27,903± square feet

Improvements

Completed in 1994 and renovated in 2000, a 9,022± square foot freestanding **SATELLITE HEALTHCARE** medical office building with 39 onsite parking spaces.

Lease

Leased to **SATELLITE DIALYSIS OF SAN LEANDRO, LLC** for 11 years from October 1, 2016 until December 31, 2027. The annual base rate of \$265,835 (as of 8/1/2017) increases by 2.5% annually. The lease is net with tenant responsible for reimbursing taxes, insurance and maintenance of the exterior premises. Tenant is also responsible for reimbursement of the management expense. There are three five-year options to renew at 95% of Fair Market Value (FMV). Thereafter the rent increases by 2.5% annually until the next option period.

Current Rent Per Square Foot

\$28.75 net per year - \$2.40 net per month

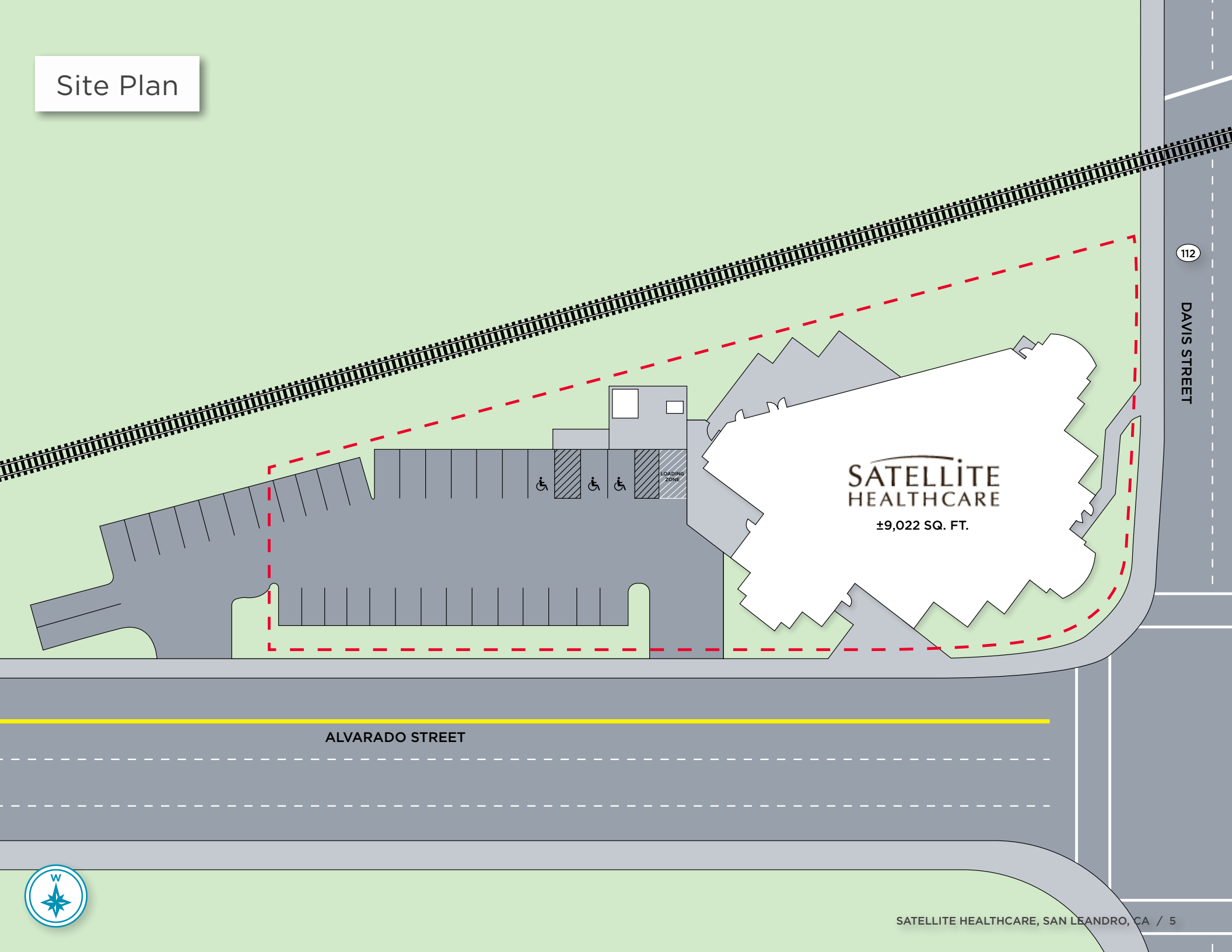
Annual Rent

Lease Years	Annual Base Rent	Base Rent Cap Rate	Annual TI Repayment	Annual Total Rent	Effective Cap Rate
10/16 - 07/17	\$259,351	--	\$54,133	\$313,484	--
08/17 - 07/18	\$265,835	5.75%	\$54,133	\$319,968	6.48%
08/18 - 07/19	\$272,481	5.89%	\$54,133	\$326,614	6.62%
08/19 - 07/20	\$279,293	6.04%	\$54,133	\$333,426	6.75%
08/20 - 07/21	\$286,275	6.19%	\$54,133	\$340,408	6.90%
08/21 - 07/22	\$293,432	6.35%	\$54,133	\$347,565	7.04%
08/22 - 07/23	\$300,768	6.51%	\$54,133	\$354,901	7.19%
08/23 - 07/24	\$308,287	6.67%	\$54,133	\$362,420	7.34%
08/24 - 07/25	\$315,994	6.83%	--	\$315,994	6.40%
08/25 - 07/26	\$323,894	7.01%	--	\$323,894	6.56%
08/26 - 07/27	\$331,991	7.18%	--	\$331,991	6.72%
08/27 - 12/27	\$340,291*	7.36%*	--	\$340,291*	6.89%*
01/28 - 12/32 (Opt 1)				95% of FMV	
01/33 - 12/37 (Opt 2)				95% of FMV	
01/38 - 12/42 (Opt 3)				95% of FMV	

* Annualized rent

Base Rent Valuation (capitalized at 5.75%)	\$4,623,213
Total TI Repayment (discounted at 5.75%)	\$313,730
Total Price	\$4,936,943

Site Plan



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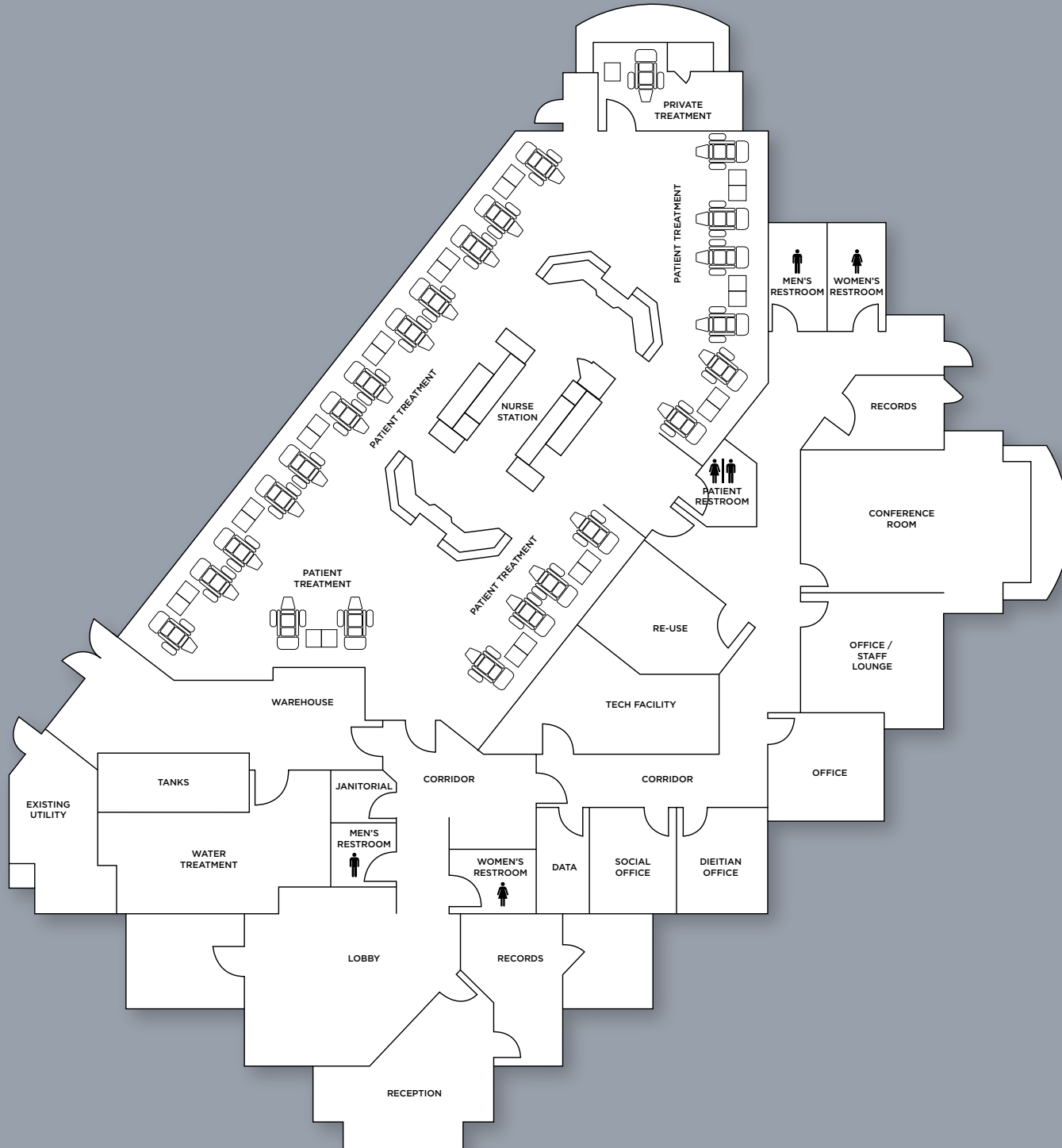
DAVIS STREET

ALVARADO STREET

SATELLITE
HEALTHCARE
±9,022 SQ. FT.



Floor Plan



About the Tenant

SATELLITE HEALTHCARE, INC. has been among the nation's leading not-for-profit providers of kidney dialysis and related services since 1974. Through its affiliated services, Satellite WellBound, Satellite Dialysis, and Satellite Research, Satellite Healthcare provides unparalleled early patient wellness education, personalized clinical services, and a complete range of dialysis therapy choices. In addition, Satellite Healthcare has a well-recognized, enduring commitment to philanthropy and community service, from funding millions of dollars in research grants to sponsoring kidney programs nationwide. Satellite is committed to advancing the standard of chronic kidney disease care so patients can enjoy a better life. Satellite Healthcare has over 1,700 employees across 80 locations across the U.S.

Satellite is recognized nationally as a major force in improving standards of patient care as well as increasing each patient's quality of life.

The company's research focuses on care delivery and process improvement that lead to findings that can rapidly be adopted and implemented across the CKD community. Satellite research initiatives seek to:

- Increase the number of patients dialyzing using home therapies (HHD and PD).
- Greatly reduce home dialysis drop-out rates.
- Advance quality treatment with in the context of excellent patient experience.
- Collaborate with like-minded organizations to create a future network focused on identifying innovative and leading practices.

For more information visit www.satellitehealth.com.

Site Location

The subject property is located on the northwest corner of Alvarado Street and Davis Street, two blocks from the San Leandro BART station and ½ mile east of I-880.

Across the street from the property is the new San Leandro Tech Campus, a 750,000 square foot, LEED Gold certified, five building mixed-use development.

Other neighboring tenants include CVS, Safeway, Round Table, McDonald's, UPS, and USPS.



SATELLITE
HEALTHCARE

ALVARADO STREET

PHASE 1

DAVIS STREET

AMTRAK

ALVARADO STREET

SAN LEANDRO
TECH CAMPUS

PHASES 2 & 3

750,000 Sq. Ft.
San Leandro Tech Campus
LEED Gold Office Development

1333 Martinez Street & 777 Davis Street

- **Phase 1**
132,000 sq. ft. of office completed in October 2016
(Fully leased to OS/soft)

- **Phase 2**
Up to 368,000 sq. ft. of office

- **Phase 3**
Complete build-out of office campus up to 750,000 sq. ft.



SAN LEANDRO
STATION



SAN FRANCISCO

OAKLAND

ALAMEDA

COSTCO
WHOLESALE

OAKLAND
INTERNATIONAL
AIRPORT

201,000
CARS PER DAY

34,000
CARS PER DAY

WEST GATE
SAN LEANDRO

SATELLITE
HEALTHCARE

SAN LEANDRO
TECH CAMPUS
SAN LEANDRO
STATION

SAN
LEANDRO
PLAZA

THE HOME DEPOT
Walmart
Save money. Live better.

Office DEPOT
See's
CANDIES

verizon wireless

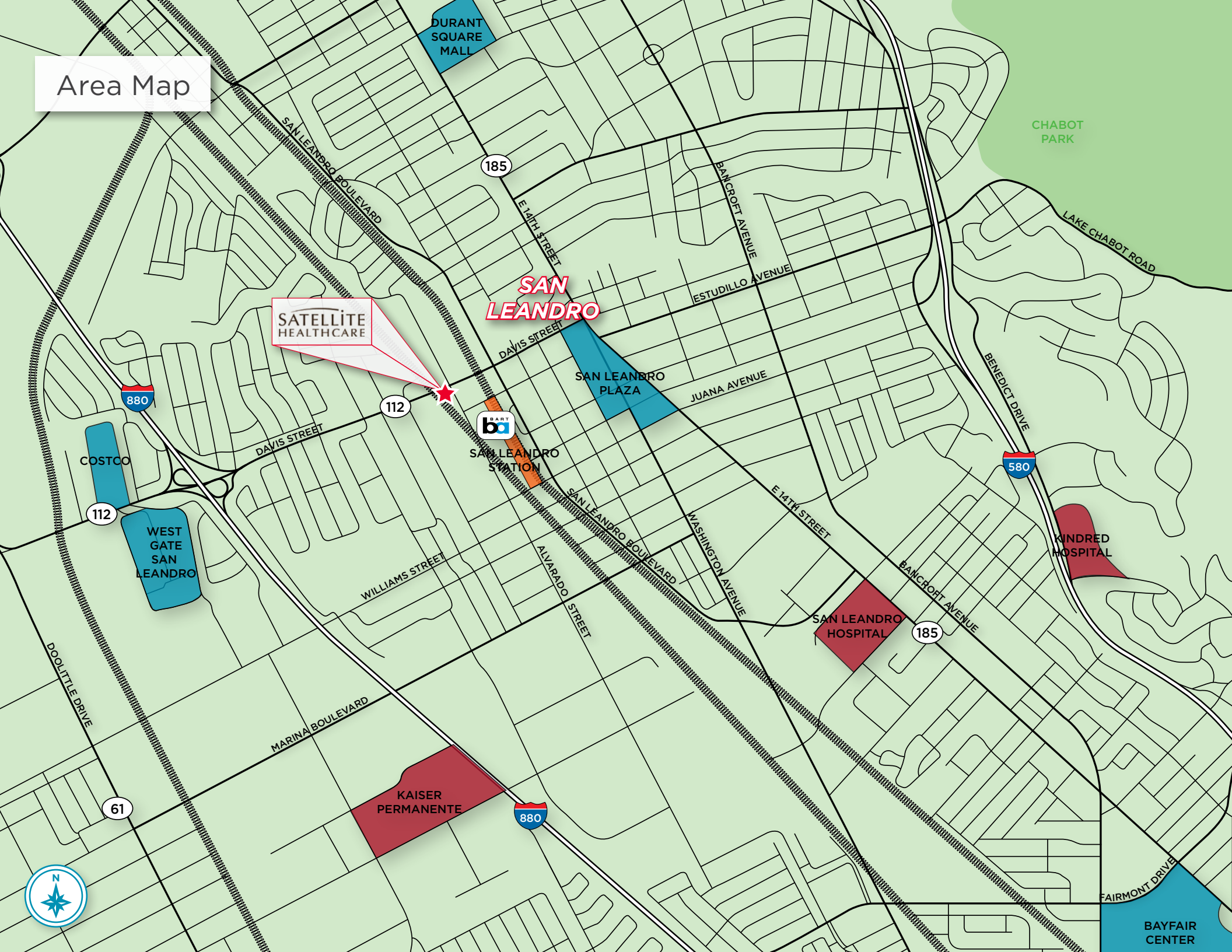
CVS SAFEWAY

Round Table PIZZA
McDonald's
UPS

UNITED STATES POSTAL SERVICE®



Area Map





SATELLITE
HEALTHCARE

SAN LEANDRO

San Leandro, California

San Leandro, a suburban city in Alameda County, is located on the eastern shore of the San Francisco Bay between Oakland and Hayward.

San Leandro, California (cont)

ECONOMY

San Leandro has long been home to many food processing operations, and is home to many corporate businesses such as JanSport, The North Face, Ghirardelli, OSIsoft, Otis Spunkmeyer, and a Coca-Cola plant. The city has five major shopping centers, the Bayfair Center, Westgate Center, Greenhouse Shopping Center, Marina Square Center, and Pelton Plaza.

Village Marketplace

In 2009, the City of San Leandro began working on a retail center development at 1550 East 14th Street, the site of the former Albertson's grocery store. Current design concepts for the Village Marketplace envision a high-quality, Mediterranean-style neighborhood retail center of roughly 28,000 square feet. Confirmed tenants include: Peet's Coffee & Tea, AT&T and Habit Burger. With negotiations in progress, the anchor tenant will be announced soon. The design concepts include additional retail and restaurant spaces with outdoor dining, and a public plaza, complete with gathering space and a fountain, a public art component

HEALTHCARE

San Leandro is home to Kaiser Permanente **San Leandro Medical Center, San Leandro Hospital, Fairmont Hospital** and **John George Psychiatric Pavilion**.

The Kaiser Permanente **San Leandro Medical Center**. In 2014, construction was completed on a new 264-bed, 434,000 square foot hospital.

This “second generation” template hospital, which reflects Kaiser Permanente's program to establish standardized, yet customizable, state-of-the-art models for design and construction of its hospitals, includes the latest technology for patient care and support.

The new acute-care medical center will include inpatient nursing functions, medical imaging/radiology, clinical labs and a blood bank, 10 operating rooms and recovery spaces, pharmacies, an emergency department, cafeteria and other building support departments. A 30,000-square-foot central utility plant will contain all of the necessary major mechanical and electrical equipment necessary to support the medical center. The campus will also provide surface parking for up to 2,100 vehicles. A number of “green” building features will also be implemented throughout the Medical Center based on the standards of the Green Guide for Healthcare.

San Leandro, California (cont)

HEALTHCARE (CONT)

San Leandro Hospital, a member of the Alameda Health System, is a 93-bed facility in central Alameda County acquired by AHS in late 2013. The hospital is home to 450 employees, 100 physicians, and 40 auxiliary-volunteer workers. The wide range of medical services includes 24-hour emergency services, critical care, and a full complement of skilled surgeons, rehabilitation services, and ancillary services to a population of 265,000 people. Adding San Leandro Hospital represented a major step in expanding the AHS network of health care facilities, for improved health care options and better coordination of medical services.

San Leandro Hospital's Level II Emergency Department has 13 beds and serves an estimated 28,000 patients a year. The hospital's critical/intensive care unit has nine beds.

Fairmont Hospital (JGPH), a member of the Alameda Health System, is one of the nation's top providers of acute rehabilitation services. Over its 150-year history, Fairmont has been a pioneer in physical therapy, polio treatment, geriatrics and AIDS care. Fairmont's 50-bed inpatient Acute Rehabilitation Center offers comprehensive rehabilitation services including physical therapy, occupational therapy, speech pathology and audiology.

The Alameda County Medical Center's psychiatric hospital, the **John George Psychiatric Pavilion**, is a major public health care provider recognized as a world-class patient and family centered system of care. The facility provides psychiatric emergency and acute care services to adults experiencing severe and disabling mental illnesses and treats all who seek care regardless of their economic or social status. JGPH houses several inpatient units for both involuntary and voluntary patients who have an acute psychiatric illness. Treatments include medication, psychotherapy, milieu therapy, group therapy, occupational therapy and activity therapy.

Alameda Health System (AHS) is a major public health care provider and medical training institution recognized for its world-class patient and family centered system of care. AHS provides comprehensive, high quality medical treatment, health promotion, disease prevention and health maintenance in an integrated system of hospitals, clinics, and health services.

TRANSPORTATION

Airport

San Leandro is serviced by **Oakland International Airport (OAK)** located 10 miles south of downtown Oakland. OAK is a focus city for Southwest Airlines and Allegiant Air. The airport is the Bay Area's second largest airport and California's fourth largest airport, with more than 11 million passengers passing through every year and 13 airlines offer nonstop service to a growing list of 55 international and domestic destinations.

Highway

The San Leandro area is served by several major highways, including four Interstate freeways (I-580, 880, and 238).

I-880 heads north through the greater East Bay area, providing access to I-80 and south towards San Jose, where it connects with U.S. 101, running parallel to the western shore of San Francisco. It provides a connection from the Bay Area to the southern San Joaquin Valley and Southern California via Interstate 5, as I-5 bypasses the Bay Area to the east. I-880 also provides San Leandro with convenient access to San Francisco via I-80 and the East Bay Bridge. I-238 is an auxiliary route connecting I-580 in Castro Valley with I-880.

Public Transportation

The metropolitan area is served by **Bay Area Rapid Transit (BART)** from two stations in San Leandro, providing direct access to other Bay Area cities and service to Oakland International and San Francisco International Airports.

Bus transit service in Oakland and the inner East Bay is provided by the Alameda and Contra Costa Transit District, AC Transit.

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 2015 the Bay Area received nearly 50% 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.



Property Demographics

2016 Summary	1 mile	3 miles	5 miles
Population	31,123	164,500	358,636
Households	10,892	54,227	120,514
Families	7,004	37,292	83,105
Average Household Size	2.82	3.00	2.94
Owner Occupied Housing Units	4,984	27,636	63,320
Renter Occupied Housing Units	5,908	26,591	57,194
Median Age	37.8	35.7	36.4
Median Household Income	\$59,068	\$52,511	\$57,125
Average Household Income	\$79,261	\$70,158	\$78,782

Projected 2021 Summary	1 mile	3 miles	5 miles
Population	32,815	174,438	379,209
Households	11,429	57,165	126,798
Families	7,343	39,331	87,443
Average Household Size	2.83	3.02	2.96
Owner Occupied Housing Units	5,236	28,864	66,127
Renter Occupied Housing Units	6,193	28,301	60,671
Median Age	38.6	36.6	37.2
Median Household Income	\$66,567	\$55,569	\$63,127
Average Household Income	\$87,315	\$76,040	\$85,938



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