

OFFERING MEMORANDUM
SATELLITE HEALTHCARE
SAN JOSE, CALIFORNIA



EXCLUSIVELY OFFERED BY:

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Investment Offering & Highlights

The Offering

- A 10,300± square foot freestanding medical office building with 31 onsite parking spaces leased to **SATELLITE HEALTHCARE** until January 31, 2031
- **Price: \$9,795,600 - 5.35% Cap Rate**

Leases / Tenant

- Satellite Healthcare corporate guaranty
- Long term net lease with 3% annual increases
- Tenant reimburses all expenses, including management and capital expenditures (on an amortized basis with 8% interest)
- Lease renewal options at Fair Market Value with 3% annual increases thereafter

Real Estate / Area Strengths

- Rare Silicon Valley single tenant net lease investment
- Brand new state of the art construction completed in 2014
- Across the street from Santa Clara Medical Center, a 574-bed tertiary medical center, owned and operated by the County of Santa Clara
- S Bascom Avenue is a high traffic commuter and retail corridor with average daily traffic volume in excess of 29,000
- Less than ¼ mile from I-280, I-880, and Highway 17
- Nearly 250,000 people within a 3 mile radius with average household incomes of \$106,889



Investment Overview

Location

888 S Bascom Avenue, San Jose, CA

Lot Size

Approximately 0.83 acres - 36,247± square feet

Improvements

Completed in 2014, a 10,300± square foot freestanding **SATELLITE HEALTHCARE** medical office building with 31 onsite parking spaces.

Lease

Leased to **SATELLITE HEALTHCARE SAN JOSE, LLC** for 16 years from February 1, 2015 until January 31, 2031. The current annual rent of \$524,064 increases by 3% annually until January 2025. From February 2025 through January 2031 the rent is flat at \$677,328. The lease is net with tenant responsible for reimbursing taxes, insurance and maintenance of the exterior premises, including capital expenditures to roof and structure on an amortized basis along with 8% interest. 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 3% annually until the next option period.

Current Rent Per Square Foot

\$50.88 net per year - \$4.24 net per month

Annual Rent

Lease Years	Monthly Rent	Annual Rent	Return
02/01/17 - 01/31/18	\$43,672	\$524,064	5.35%
02/01/18 - 01/31/19	\$45,011	\$540,132	5.51%
02/01/19 - 01/31/20	\$46,350	\$556,200	5.68%
02/01/20 - 01/31/21	\$47,792	\$573,504	5.85%
02/01/21 - 01/31/22	\$49,234	\$590,808	6.03%
02/01/22 - 01/31/23	\$50,676	\$608,112	6.21%
02/01/23 - 01/31/24	\$52,221	\$626,652	6.40%
02/01/24 - 01/31/25	\$53,776	\$645,312	6.59%
02/01/25 - 01/31/26	\$56,444	\$677,328	6.91%
02/01/26 - 01/31/27	\$56,444	\$677,328	6.91%
02/01/27 - 01/31/28	\$56,444	\$677,328	6.91%
02/01/28 - 01/31/29	\$56,444	\$677,328	6.91%
02/01/29 - 01/31/30	\$56,444	\$677,328	6.91%
02/01/30 - 01/31/31	\$56,444	\$677,328	6.91%
02/01/31 - 01/31/36 (Option 1)	95% of FMV then 3% annually		
02/01/36 - 01/31/41 (Option 2)	95% of FMV then 3% annually		
02/01/41 - 01/31/46 (Option 3)	95% of FMV then 3% annually		

Price: \$9,795,600 - 5.35% Cap Rate

Site Plan

S BASCOM AVENUE

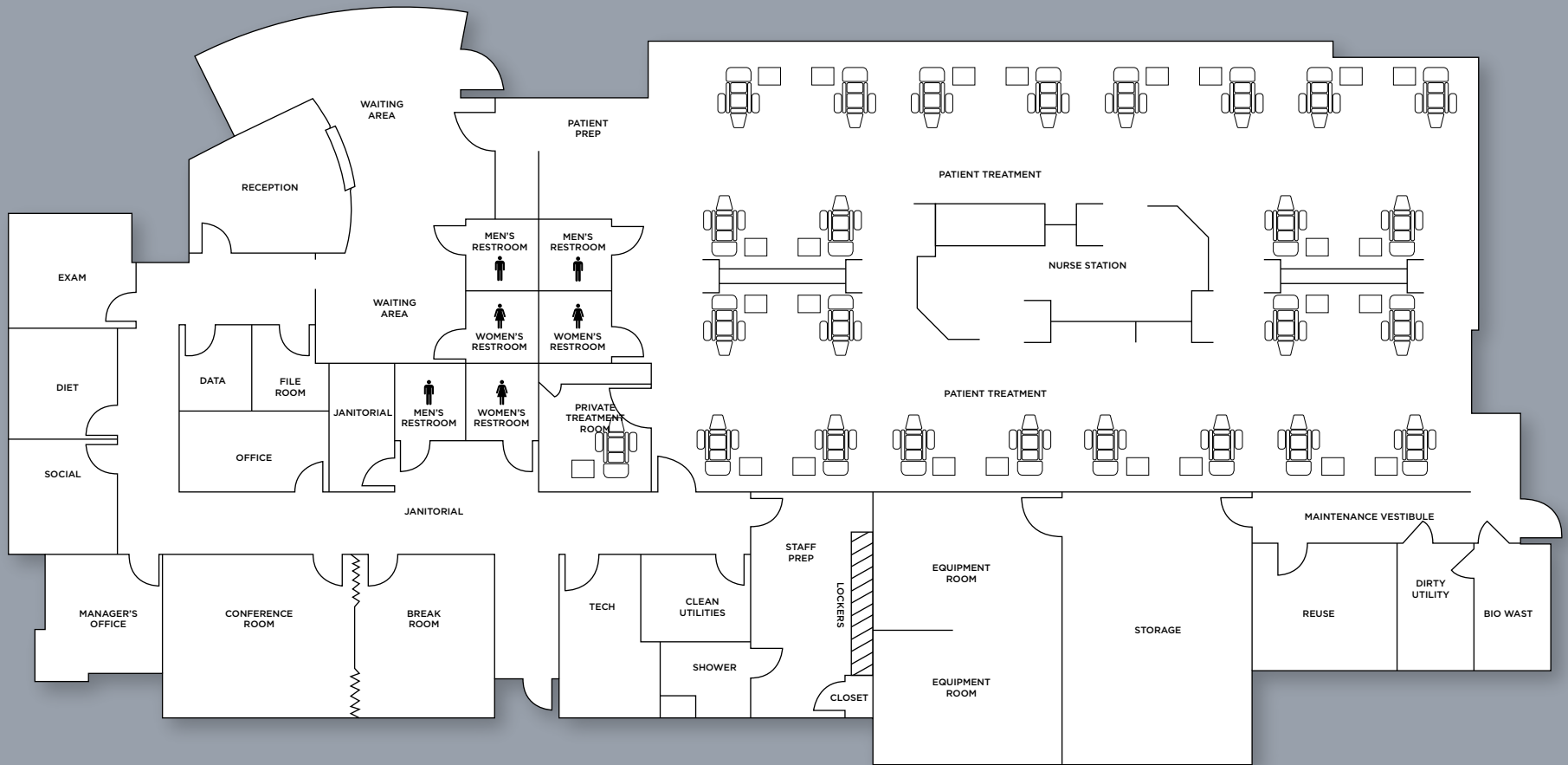
DEL MAR AVENUE

SATELLITE
HEALTHCARE

±10,300 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.



FRUITDALE AVENUE

S BASCOM AVENUE

S BASCOM AVENUE

ENBORG LANE

SATELLITE
HEALTHCARE

SANTA CLARA
VALLEY
MEDICAL
CENTER





Site Location

The subject property is located on the east side of S Bascom Avenue, directly across the street from Santa Clara Valley Medical Center and ¼ mile from I-280, I-880, and Hwy 17.

Santa Clara Valley Medical Center is a 574-bed tertiary medical center, owned and operated by the County of Santa Clara. The Medical Center is part of the Santa Clara Valley Health and Hospital System.

Other neighboring tenants include McDonald's, Subway, Taco Bell, 7-Eleven, Domino's Pizza and Sherwin Williams.

29,645
CARS PER DAY

170,000
CARS PER DAY

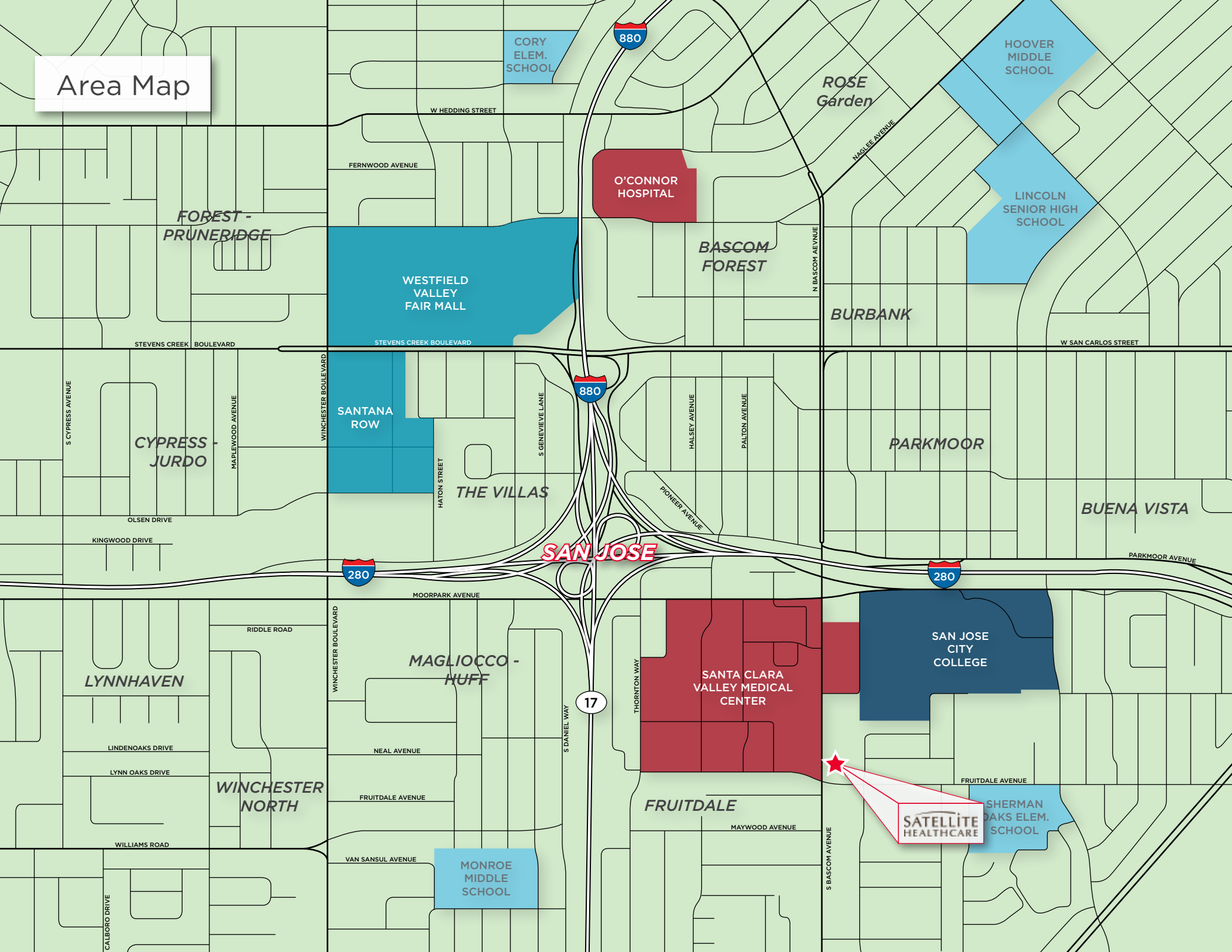
166,000
CARS PER DAY

280

17



Area Map





San Jose, California

San Jose is located in Santa Clara County at the southern edge of the San Francisco Bay, about 50 miles south of San Francisco, 390 miles north of Los Angeles. It's an easy day trip to some of the best destinations in Northern California, including Santa Cruz and the Monterey Bay (45 minutes), Oakland / Berkeley (50 minutes), the renowned Lake Tahoe, and Napa and Sonoma Valley wine regions (two hours), and Yosemite National Park (four hours).

SATELLITE
HEALTHCARE

SAN JOSE



San Jose, California (cont)

ECONOMY

The Silicon Valley Area ranks 3rd in the work and first in the United States with GDP per capita. The region has one of the highest percentages of college educated adults in the country, and continues to be a magnet for leading research, development and entrepreneurial spirit. The combination of leading research and educational institutions, San Francisco's premier economic and financial landscape, well established business creation infrastructure, and geographic location fosters fluid interaction with China and the Pacific Rim economies, ensuring that Silicon Valley remains a leader in economic growth far into the future. San Jose is located in Santa Clara County.

The large concentration of high-technology, engineering, computer, software and microprocessor companies around San Jose has led the area to be known as Silicon Valley. Area schools such as Stanford University, UC Berkeley, UC Santa Cruz, US San Francisco, San Jose State University, San Francisco State University, and Santa Clara University bring in thousands of engineering and computer science graduates into the local economy every year.

Over the years, San Jose has been recognized as:

- America's Most Innovative City, *Forbes*
- One of the Best Spots to Start a Clean Tech Company, *BusinessWeek*
- America's Happiest Big City, *Gallup-Healthways*
- One of America's Safest Cities, *Forbes*
- The Nation's Best City for Women, *Women's Health*
- One of the Next Youth Magnet Cities, *Wall Street Journal*
- One of the Nation's Best Places to Grow Up, *U.S. News and World Report*

San Jose is home to over one million residents, making it the third largest city in California and the tenth largest city in the entire United States. San Jose is one of the most affluent cities in the country; with one of the highest median household income (\$84,166) of any major metro areas in the U.S. In addition to being the Capital of Silicon Valley and the Innovation Center of the World, San Jose is a major center for commerce and economic growth. San Jose produces more U.S. Patents than any other city. Additionally, 35% of all venture capital funds in the U.S. are invested in San Jose and Silicon Valley companies.

The San Jose area is home to the largest concentration of technology expertise in the world with more than 6,600 technology companies employing more than 254,000 people. Fueled by innovation, entrepreneurship and a highly talented workforce, San Jose is home to some of the most cutting-edge companies in the world, with a diverse mix of technology corporations, light / heavy industrial companies and small businesses. Led by titans like Cisco and eBay, San Jose companies are the driving force behind the economic success enjoyed throughout Silicon Valley.

Major corporations with headquarters in Silicon Valley within close proximity to the subject property include:

- Adobe Systems
- Advanced Micro Devices
- Agilent Technologies
- Apple, Inc.
- Applied Materials
- Brocade Communications Systems
- Cisco Systems
- eBay
- Electronic Arts
- Facebook
- Google
- Hewlett-Packard
- Intel
- Intuit
- Juniper Networks
- LSI Logic
- Marvell Semiconductors
- Maxim Integrated Products
- National Semiconductor
- NetApp
- Netflix
- Nvidia
- Oracle Corporation
- SanDisk
- Sanmina-SCI
- Symantec
- Xilinx
- Yahoo!

San Jose, California (cont)

HEALTHCARE

San Jose is home to **Santa Clara Valley Medical Center**, a 574-bed tertiary medical center, owned and operated by the County of Santa Clara. The Medical Center is part of the Santa Clara Valley Health and Hospital System. SCVMC is both a research hospital and teaching hospital. It is the county hospital and primary trauma center in Santa Clara County.

Santa Clara Valley Medical Center is one of four adult level one trauma centers in Northern California, along with Stanford University Medical Center in northwestern Santa Clara County, San Francisco General Hospital in San Francisco, and UC Davis Medical Center in Sacramento. It also is one of three pediatric level one trauma centers in Northern California. It operates the only federally designated spinal cord injury center in Northern California, the Rehabilitation Trauma Center, along with the only traumatic brain injury center for the treatment and rehabilitation of patients. It operates one of four burn centers in Northern California. It is the only trauma center in California to co-locate all five of these services on one campus.

Santa Clara Valley Medical Centers operates numerous critical care units including the highest level neonatal intensive care unit. The medical center also is licensed for cardiovascular surgery and cardiac catheterization. It is designated a primary stroke treatment center by the Joint Commission on Accreditation of Health Organizations. In addition, the Medical Center operates onsite outpatient clinics and satellite clinics in Gilroy, Milpitas, central San Jose, East San Jose, Southeast San Jose and Sunnyvale.

In 2017, construction is scheduled to be completed on Sobrato Pavilion, a 6-story, 370,000 square foot hospital building. Santa Clara Valley Medical Center's new building is a culmination of nearly a decade of community support to improve health services in Santa Clara County. The building will include:

- 168 private patient rooms with the latest technology, including a patient lift system that allows for moving patients from their bed to their restroom; and
- State-of-the art Rehabilitation Center for spinal cord and brain injury units. The Rehabilitation Center's therapy services will include Aquatic Therapy Pool with a gait pool to monitor a patient's progress; a terrain park so patients can safely re-learn everyday skills such as walking on curbs, stairs and slippery or uneven surfaces, or acquire skills to navigate a wheelchair on various surfaces; and a therapy gym with a ZeroG patient lift system that provides support for patients during therapy sessions.





San Jose, California (cont)

EDUCATION

San Jose is home to several colleges and universities. The largest is **San Jose State University**, with approximately 32,000 students in over 145 different bachelor's and master's degree programs. The school enjoys a good academic reputation, especially in the fields of engineering, business, art and design, and journalism, and consistently ranks among the top public universities in the western region of the United States.

Additionally, San Jose residents attend several other area universities, including Santa Clara University, Stanford University in Palo Alto, Carnegie Mellon Silicon Valley in Mountain View and the University of California, Berkeley. San Jose and South Bay residents also comprise large proportions of the student bodies at major California public universities, including UC Santa Cruz, UC Davis and UC San Francisco.

San Jose, California (cont)

TRANSPORTATION

Airport

San Jose Mineta International Airport (SJC) serves the greater San Francisco Bay area. The airport is conveniently located just minutes from two of Silicon Valley's largest business areas: Downtown San Jose and the North San Jose Innovation Triangle.

Highway

The San Jose area has a large freeway system, including three Interstate freeways (I-280, 880, and 680) and U.S. 101.

I-280 also heads to San Francisco, but goes along just to the west of the cities of San Francisco Peninsula. I-880 heads north to Oakland, running parallel to the southeastern shore of San Francisco Bay. I-680 parallels I-880 to Fremont, but then cuts northeast to the eastern cities of the San Francisco Bay Area. U.S. 101 runs south to the California Central Coast and Los Angeles, and then runs north up near the eastern shore of the San Francisco Peninsula to San Francisco.

Public Transportation

San Jose serves as a major regional hub for a wide variety of public transit options. Three major rail lines - Amtrak, Caltrain and ACE - offer fast and convenient service from Downtown San Jose to destinations across the Bay Area (serving approximately 40,000 riders every weekday).

Within Santa Clara County, commuters can take advantage of the Valley Transportation Authority's (VTA) two light rail lines (serving 62 stations over 42 miles) and 73 bus routes that collectively serve 144,000 average weekday riders.

There are also plans to connect San Jose with the **Bay Area Rapid Transit (BART) system**, which carries passengers up the East Bay, as well as **California's proposed High-Speed Rail system**.

BART Silicon Valley involves a program of transportation improvements in the Silicon Valley Rapid Transit (SVRT) corridor that generally extends from the southern boundary of Alameda County in the City of Fremont through the cities of Milpitas, San Jose, and Santa Clara in Santa Clara County. These improvements include a planned 16-mile, six-station extension of the existing BART system into Silicon Valley.

When passenger service begins, up to 10-car trains on frequencies of approximately 15 minutes, will be operated during peak commute periods on two BART lines: Green Line (Berryessa - Daly City) and Orange Line (Berryessa - Richmond). The projected opening day ridership is approximately 23,000 average weekday riders. Approximately 4,800 parking spaces will be provided to serve projected year 2035 park-and-ride demand. Passenger service is planned to start in Late 2017.

The California High-Speed Rail will connect the mega-regions of California and contribute to economic development. By 2029, the system will run from San Francisco to the Los Angeles basin in under three hours at speeds capable of over 200 miles per hour. The system will eventually extend to Sacramento and San Diego, totaling 800 miles with up to 24 stations.

Phase 1 will connect the Anaheim Regional Transportation Intermodal Center in Anaheim and Union Station in Downtown Los Angeles with the Transbay Transit Center in San Francisco via the Central Valley.

Phase 2 will extend the system northerly in the Central Valley to the Sacramento Valley Station in Sacramento, and southerly (through the Inland Empire) to the San Diego International Airport in San Diego.

Construction on the initial section from Merced to Bakersfield began in 2015 and is expected to end in 2019, after which Amtrak's San Joaquin is proposed to first use the HSR tracks for faster conventional rail service until HSR trains use the line to its full potential.

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	Projected 2021 Summary	1 mile	3 miles	5 miles
Population	34,264	249,822	610,250	Population	36,845	266,073	650,017
Households	13,040	96,880	220,562	Households	13,971	103,019	234,459
Families	7,544	57,812	142,638	Families	8,096	61,433	151,584
Average Household Size	2.59	2.53	2.70	Average Household Size	2.60	2.53	2.71
Owner Occupied Housing Units	4,473	41,869	107,960	Owner Occupied Housing Units	4,638	43,930	113,522
Renter Occupied Housing Units	8,567	55,011	112,602	Renter Occupied Housing Units	9,333	59,088	120,937
Median Age	34.3	36.5	36.6	Median Age	34.9	37.1	37.1
Median Household Income	\$58,588	\$77,929	\$81,325	Median Household Income	\$65,394	\$87,178	\$91,462
Average Household Income	\$85,792	\$106,889	\$110,379	Average Household Income	\$94,209	\$116,610	\$120,099



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