

# DaVita Kidney Care

OFFERING MEMORANDUM

4242 Broadway, Oakland, California



2017 Healthcare Real Estate Insights Award Winner for Best New Medical Office Building under 25,000 square feet

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Net Lease Group







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# DaVita Kidney Care

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## The Offering

- Completed in late 2017, a 12,754± sq. ft. state of the art medical office building located in Oakland, California leased to **TOTAL RENAL CARE, INC.**, and guaranteed by **DAVITA, INC.** for 15 years.
- Price: \$15,710,000 — 5.10% Cap Rate

## Tenant / Lease

- New 15 year net lease with 10% rent increases every 5 years
- DaVita, Inc. (NYSE: DVA) is ranked #181 on the Fortune 500 with 2017 revenues of \$10.87 billion and a total stockholder's equity of \$4.69 billion
- DaVita is the 3rd largest holding by stake of Warren Buffett's Berkshire Hathaway
- DaVita controls more than 33% of the U.S. dialysis market

## Real Estate / Area Strengths

- Rare core San Francisco Bay Area single tenant net lease investment opportunity
- Brand new, state of the art two-story medical office building with elevator and structured parking garage with 39 onsite parking spaces
- Award winning building design - received the award for Best New Medical Office Building under 25,000 sq. ft. at the 2017 Healthcare Real Estate Insights magazine Insights Awards
- Strategically situated 4 blocks from the Kaiser Permanente Medical Center and 6 blocks from Alta Bates Summit, Sutter Health Medical Center
- Located on the high traffic, dense commercial corridor of Broadway in the popular Temescal neighborhood of Oakland- well known for its great restaurants, art galleries, shopping and nightlife
- The surrounding area has seen tremendous development growth recently with numerous new multi-family residential, retail and mixed use projects
- Less than a mile from BART (Bay Area Rapid Transit) and both Interstate 580 and Highway 24 with daily traffic counts in excess of 202,000 and 162,000 respectively
- Excellent demographics with over 484,000 population and average household income over \$128,000 within 5 miles



## LOCATION

4242 Broadway, Oakland, California

## LOT SIZE

Approximately 0.45 acres - 19,600± square feet

## IMPROVEMENTS

Completed in late 2017, a brand new construction 12,754± sq. ft. state of the art medical office building with elevator, structural parking garage, and 39 on-site parking spaces.

## LEASE

Leased to **TOTAL RENAL CARE, INC.**, and guaranteed by **DAVITA, INC.** for 15 years from January 2018 at an annual rent of \$801,240, increasing 10% every 5 years (see rent schedule) throughout the primary term of the lease. There are two 5-year renewal options at 95% of appraised Fair Market Rent Value (FMRV).

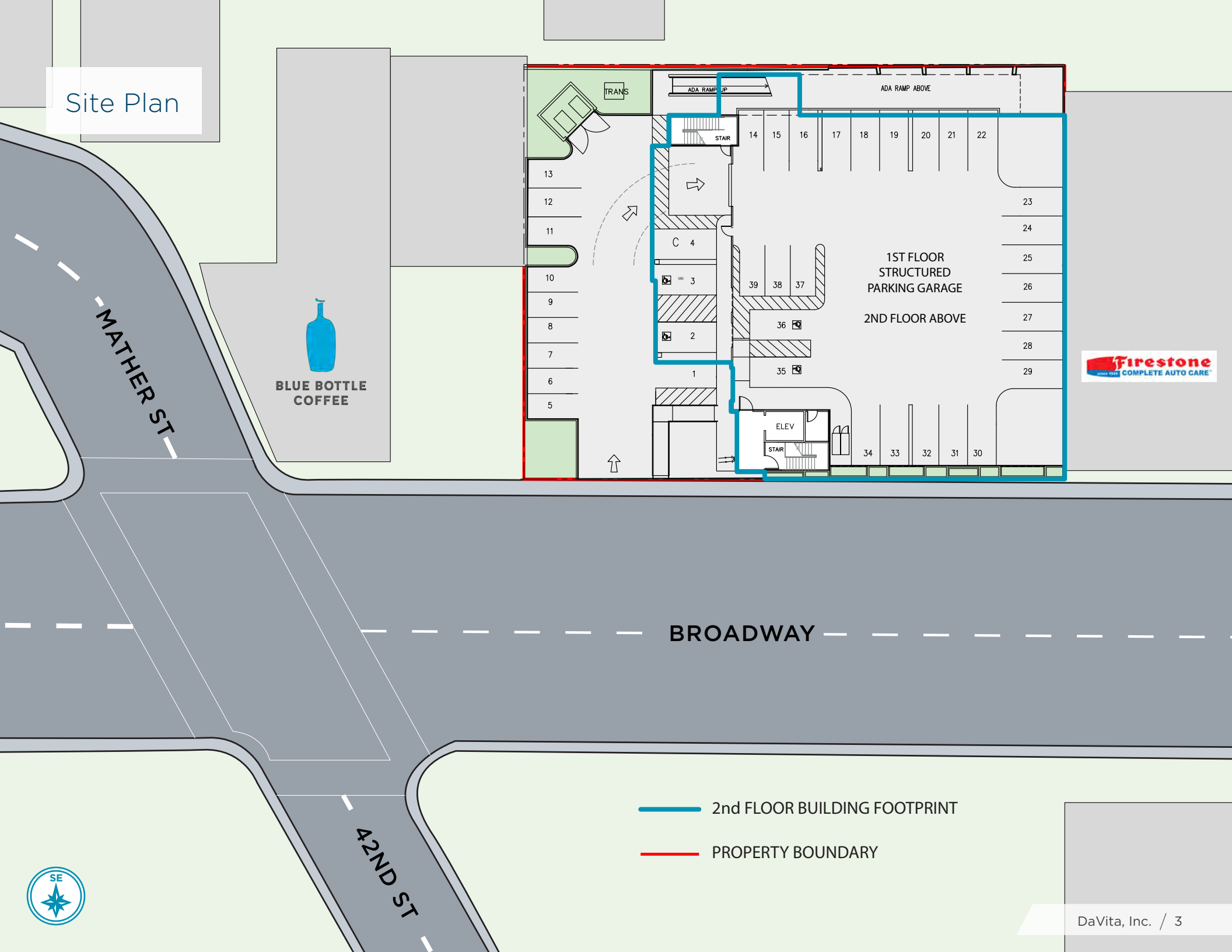
The lease is net with the tenant responsible for taxes, insurance and maintenance. The landlord is responsible for maintaining and replacing the roof, structure, exterior plumbing and electrical systems, and parking areas and driveways, and replacement of HVAC (not maintenance). Tenant will reimburse 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. If the tenant exercises its options, the guaranty by DaVita, Inc., terminates at that point.

## RENT SCHEDULE

Investment Period	Annual Rent	Cap Rate
Year 1 - 5	\$801,210	5.10%
Year 6 - 10	\$881,331	5.61%
Year 11 - 15	\$969,464	6.17%
Year 16 - 20 (Option 1)	FMRV	TBD
Year 21 - 25 (Option 2)	FMRV	TBD

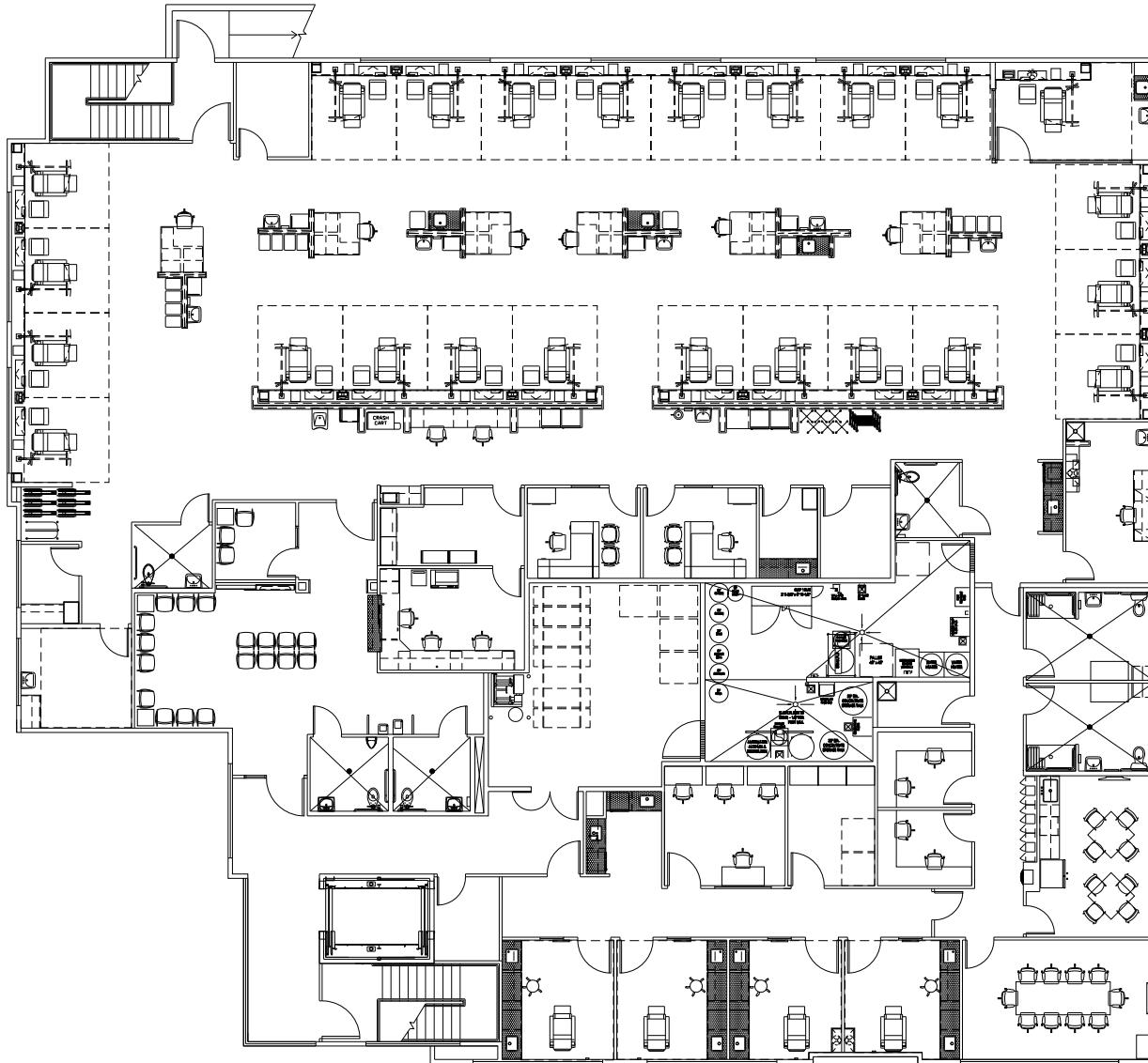
**PRICE: \$15,710,000 – 5.10% Cap Rate**

# Site Plan



— 2nd FLOOR BUILDING FOOTPRINT

— PROPERTY BOUNDARY





### **ABOUT THE TENANT**

The tenant is a 100%-owned DaVita subsidiary, "Total Renal Care, Inc." Financial statements are not available.

### **ABOUT THE GUARANTOR - DAVITA HEALTHCARE PARTNERS, INC.**

**DAVITA, INC. ("DAVITA")**, formerly DaVita Healthcare Partners, Inc., a Fortune 500® company, is a leading provider of kidney care in the United States, delivering dialysis services and education to patients with chronic kidney disease and end stage renal disease. It is listed on the NYSE: "DVA." As of June 30, 2017, DaVita operated or provided administrative services at 2,445 outpatient dialysis centers in the United States. The company also operated 217 outpatient dialysis centers located in 11 countries outside the United States. It was founded in 1992 and is headquartered in Denver.

For the fiscal year ended December 31, 2016, total revenues were \$14.8 billion (a 6.9% increase compared to fiscal year 2015) and a net income was \$1.03 billion (141% increase). Total stockholder's equity was \$4.65 billion.

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 rated "BB" by Standard and Poor's.

More information can be obtained at [www.davita.com](http://www.davita.com)







ALAMEDA

PORT OF OAKLAND

225,000  
CARS PER DAY

JACKLONDON SQUARE



CHINATOWN

OLD OAKLAND

OAK CENTER

CLEVELAND HEIGHTS

LAKE MERRITT

DOWNTOWN OAKLAND



UPTOWN

24

GRAND LAKE



202,000  
CARS PER DAY

SUTTER HEALTH  
ALTA BATES

PILL HILL

MOSS WOOD

TELEGRAPH

KAISER PERMANENTE  
OAKLAND MEDICAL CENTER



PIEDMONT

BAXTOR ON BROADWAY  
126 UNITS & 4 TOWNHOMES  
COMPLETION Q1 2013

TEMESCAL



SHOPS AT THE  
RIDGE

BROADWAY

MERRILL GARDENS  
127 ASSISTED LIVING UNITS  
7,800 SF COMMERCIAL

CLAREMONT COUNTRY CLUB





**ORINDA**  
AVG HH INCOME  
\$252,751

**LAFAYETTE**  
AVG HH INCOME  
\$211,861

**MONTCLAIR**  
AVG HH INCOME  
\$129,539

**ROCKRIDGE**  
AVG HH INCOME  
\$179,773

**PIEDMONT**  
AVG HH INCOME  
\$201,053

**CROCKER HIGHLAND**  
AVG HH INCOME  
\$192,174

CLAREMONT COUNTRY CLUB



CALIFORNIA COLLEGE OF THE ARTS

SHOPS AT THE RIDGE



OAKLAND TECH HIGH SCHOOL

BROADWAY

KAISER PERMANENTE OAKLAND MEDICAL CENTER

580

24

162,000  
CARS PER DAY





KAISER PERMANENTE  
OAKLAND MEDICAL CENTER



76

40TH STREET



CVS



22,408  
CARS PER DAY



BLUE  
BOTTLE  
COFFEE

OAKLAND TECH HIGH SCHOOL



BROADWAY

KAISER PERMANENTE  
OAKLAND  
ADMINISTRATION

BAYTOR ON BROADWAY  
126 UNITS & 4 TOWNHOMES  
COMPLETION Q1 2013

CHASE

SHOPS AT THE  
RIDGE

MERRILL GARDENS  
127 ASSISTED LIVING UNITS  
7,300 SF COMMERCIAL







GOLDEN GATE BRIDGE

MARIN

SAN FRANCISCO

ALCATRAZ ISLAND

TREASURE ISLAND

PORT OF OAKLAND



277,000  
CARS PER DAY



EMERYVILLE

WEST OAKLAND

242,000  
CARS PER DAY

SOUTH BERKELEY

LONGFELLOW

162,000  
CARS PER DAY



ALTA BATES  
SUMMIT MEDICAL  
CENTER



KAISER PERMANENTE  
OAKLAND MEDICAL CENTER

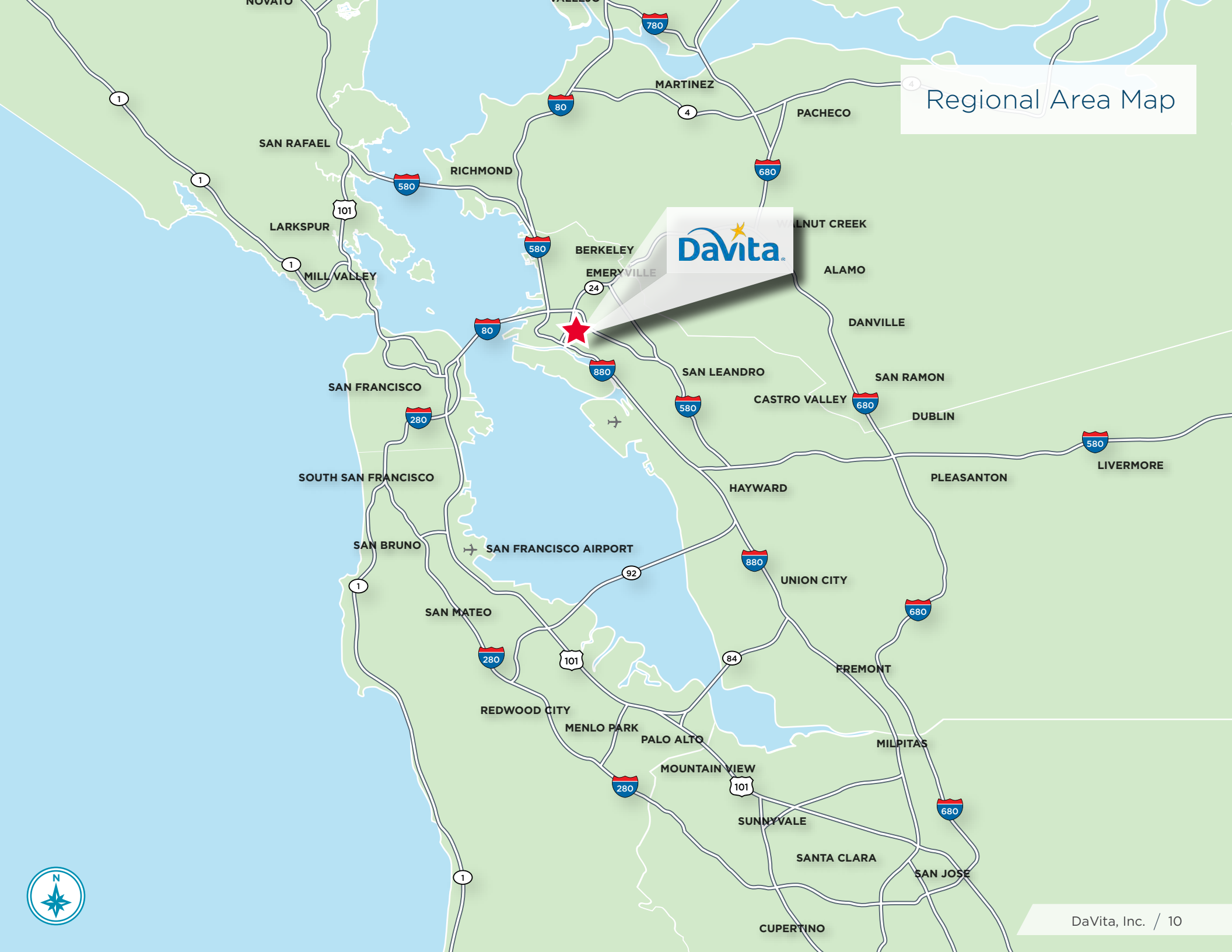


BROADWAY

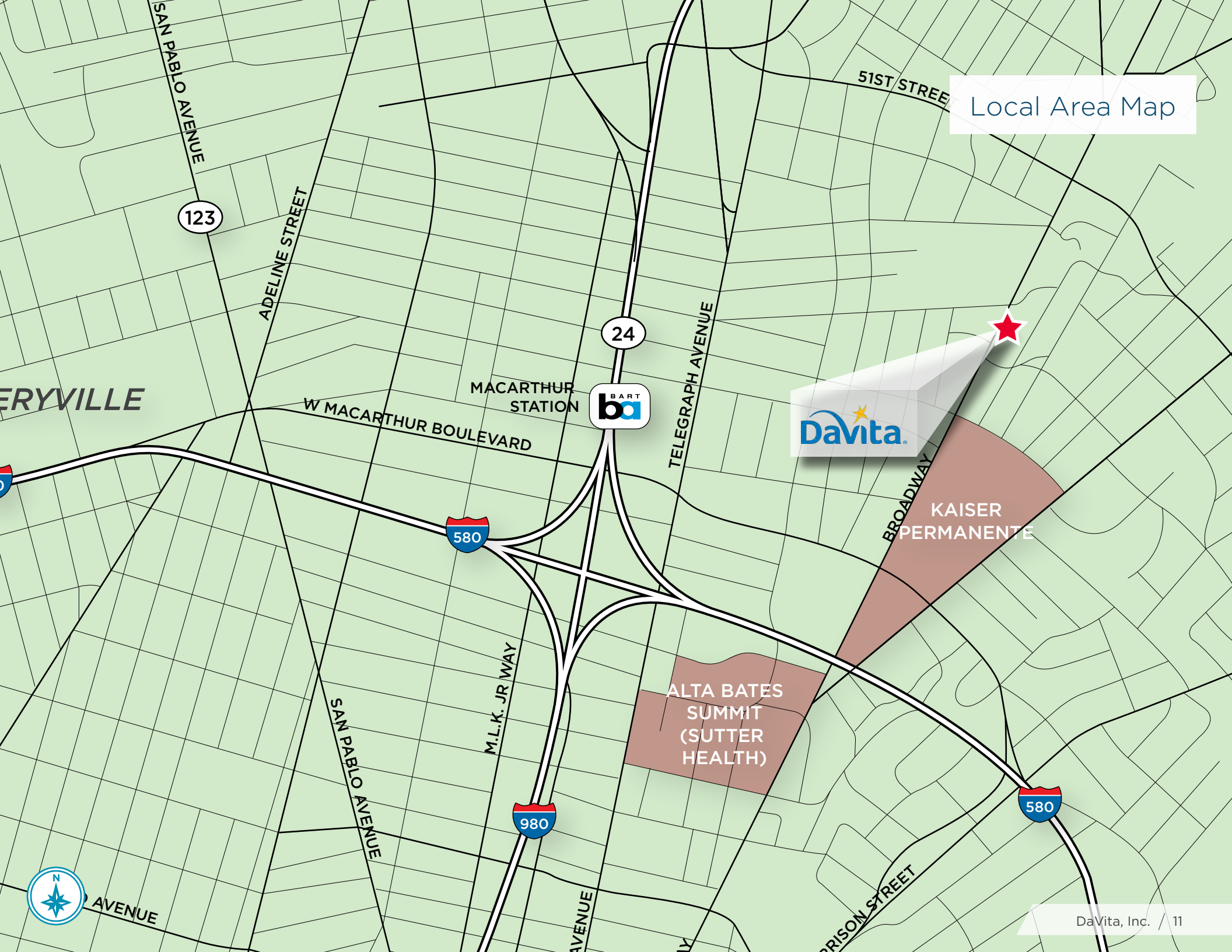




# Regional Area Map



Local Area Map





The **DaVita Dialysis** property is located at 4242 Broadway, on the southeast corner of Broadway and 42nd Street in Oakland in the popular Temescal neighborhood.

The property is only 4 blocks from the Downtown Kaiser Permanente Medical Center located further down Broadway and 6 blocks from Alta Bates Summit, Sutter Health Medical center.

National and local tenants nearby include Blue Bottle Coffee, Safeway, Starbucks, Whole Foods, CVS, Walgreens, Jack In the Box, Wells Fargo, Chase Bank, Sprouts, and Grocery Outlet.

### VEHICLE TRAFFIC COUNTS

Intersections	Avg Daily
Broadway & 45th	12,956
Broadway & 40th	22,408
Pleasant Valley Avenue	15,546

### OAKLAND

Oakland (population 412,647) is the county seat of Alameda County located in the East Bay region of the San Francisco Bay Area, 11 miles east of San Francisco. Oakland is one of the oldest, largest and most culturally diverse cities in California.

A major West Coast port city, Oakland is the third largest city in the San Francisco Bay Area, and the eighth largest city in California, with a population of 419,267. It serves as a trade center for the San Francisco Bay Area; its Port of Oakland is the busiest port in the San Francisco Bay, and the fifth busiest in the United States.

Oakland is known for its sustainability practices, including a top ranking for usage of electricity from renewable resources. Oakland is also known for its professional sports franchises and major corporations, which include health care, technology companies, and manufacturers of household products.





### ECONOMY

Oakland is a major West Coast port, and the fifth busiest in the United States by cargo volume. The Port of Oakland handles 99% of all containerized goods moving through Northern California, representing \$41 billion worth of international trade. There are nearly 200,000 jobs related to marine cargo transport in the Oakland area. The Port of Oakland was an early innovator/pioneer in the technologies of Intermodal Containerized Shipping. The city is also home to several major corporations including Kaiser Permanente, Clorox, and Dreyer's ice cream, and retailer Cost Plus World Markets.

Tech companies such as Ask.com and Pandora Radio are located in Oakland, and in recent years many start-up high tech and green energy companies have found a home in the downtown neighborhoods of Uptown, City Center, Jack London Square and Lake Merritt Financial District. In 2014, Oakland was the fifth ranked city for tech entrepreneurs by total venture capital investment.

Top employers in the city include:

COMPANY	# OF EMPLOYEES
Kaiser Permanente / Kaiser Foundation	12,150
Bay Area Rapid Transit (BART)	3,300
UCSF Children's Hospital Oakland	2,675
Alameda Health Systems (Highland Hospital)	2,230
Southwest Airlines	2,250
Sutter Hospitals, Medical Foundation & Support Services	2,250
University of California	1,750
US Parcel Service	1,425
Federal Express	1,350
Pandora	1,100



## HEALTHCARE

Originated in Oakland in 1945, **Kaiser Permanente** is the largest managed care organization in the United States and the largest non-governmental health care provider in the world. It is headquartered at 1950 Franklin Street in Downtown Oakland and maintains a large medical center in the Piedmont Avenue neighborhood.

As of December 31, 2016, Kaiser Permanente had 11.2 million health plan members, 199,320 employees, 21,584 physicians, 54,072 nurses, 38 medical centers, and 661 medical offices nationwide.

Oakland is also home to **Alta Bates Summit Medical**, a tertiary referral center a part of the Sutter Health network. Alta Bates is the East Bay's largest private, not-for-profit medical center with 944 beds, over 1,200 physicians on staff and over 4,400 employees.

Alta Bates Summit Medical Center offers comprehensive tertiary services designed to meet the needs of diverse communities. Services include 24-hour emergency care, minimally invasive surgery, high risk obstetrics, Level III Newborn Intensive Care Nursery, a Joint Commission accredited Regional Stroke Center, Joint Commission Gold Seal approved Hip Joint and Knee Joint Replacement, acute rehabilitation, diagnostic imaging, HIV/AIDS services, behavioral health, chemical dependency treatment, physical therapy, intensive care and laboratory services.

## EDUCATION

**University of California at Berkeley**, less than 9 miles north of the subject property, is widely regarded as the top public university in the world and is one of the reasons the Bay Area is technology capital of the world. Berkeley faculty, alumni, and researchers have won 91 Nobel Prizes (including 32 alumni Nobel laureates), 45 MacArthur Fellowships, 20 Academy Awards, 14 Pulitzer Prizes and 117 Olympic gold medals (51 silver and 39 bronze). To date, UC Berkeley scientists and researchers have discovered 16 chemical elements of the periodic table - more than any other university in the world. Cal co-manages three United States Department of Energy National Laboratories, including Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory and Los Alamos National Laboratory for the U.S. Department of Energy. Cal has approximately 38,204 students and 2,247 faculty members.

## TRANSPORTATION

### AIRPORT

Oakland 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 Oakland area is served by several major highways, including four Interstate freeways (I-80, 580, 880, and 980) and State Route 24.

I-80 heads southeast from San Francisco and the Bay Bridge toward Hayward and the California Central Valley. I-580 (McArthur Freeway) is a heavily traveled spur route of I-80 running from San Rafael to I-5 near Tracy in the Central Valley. 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 heads south through the greater East Bay area towards San Jose, where it connects with U.S. 101, running parallel to the western shore of San Francisco Bay. I-980 runs through Downtown Oakland from I-880 and becomes SR 24, a heavily traveled east-west freeway.

### PUBLIC TRANSPORTATION

The metropolitan area is served by **Bay Area Rapid Transit (BART)** from eight stations in Oakland, providing direct access to other Bay Area cities and service to and from Downtown Oakland 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. Additionally, the Alameda / Oakland Ferry operates ferry service from Jack London Square to Alameda, San Francisco, and Angel Island.

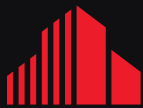
Alta Bates Summit Medical Center provides a free shuttle service from MacArthur BART station to the Summit and Alta Bates campuses. The shuttle runs every 20 minutes from 4:30 am to 9:00 pm.



<b>2017 Summary</b>	<b>1 mile</b>	<b>3 miles</b>	<b>5 miles</b>	<b>Projected 2022 Summary</b>	<b>1 mile</b>	<b>3 miles</b>	<b>5 miles</b>
Population	37,843	290,629	521,878	Population	39,925	307,440	551,275
Households	19,082	129,253	217,923	Households	20,057	136,555	229,843
Families	7,239	54,854	107,279	Families	7,618	57,893	112,992
Average Household Size	1.95	2.13	2.30	Average Household Size	1.96	2.14	2.31
Owner Occupied Housing Units	6,236	42,991	82,908	Owner Occupied Housing Units	6,418	44,716	86,328
Renter Occupied Housing Units	12,846	86,262	135,015	Renter Occupied Housing Units	13,639	91,839	143,515
Median Age	38.2	37.1	37.4	Median Age	38.5	37.4	37.8
Median Household Income	\$70,043	\$59,022	\$63,169	Median Household Income	\$85,372	\$70,395	\$75,603
Average Household Income	\$107,167	\$100,067	\$103,020	Average Household Income	\$128,045	\$115,500	\$118,345







**CUSHMAN &  
WAKEFIELD**

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