

OFFERING MEMORANDUM

# SOUTH VALLEY CENTRE

SACRAMENTO, CALIFORNIA



CORE+ FLEX MEDICAL OFFICE OPPORTUNITY

NEWMARK

**INVESTMENT ADVISOR**

**CARTER LEAR**

Director, Private Capital Markets  
t 916-218-5498  
carter.lear@nmrk.com  
CA RE License #01848080

**LEASING ADVISOR**

**ALI NADIMI**

Senior Managing Director  
t 916-569-2355  
ali.nadimi@nmrk.com  
CA RE License #01723313

**DEBT ADVISOR**

**WILLS VLASEK**

Associate  
t 916-599-7533  
wills.vlasek@nmrk.com  
CA RE License #02174862

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# EXECUTIVE SUMMARY

Newmark Private Capital Markets is pleased to present the exclusive opportunity to acquire 8231, 8233, 8235, 8239 and 8243 E. Stockton Boulevard, a medical office and healthcare flex campus located in the heart of the South Sacramento medical corridor. The project is being offered for the first time since development by the original developer, presenting investors with a rare opportunity to acquire a stabilized healthcare asset with upside through additional development and rent increases from strong credit tenancies and long-term demand drivers.

The campus is 93% leased to a mix of essential healthcare and public-service tenants including DaVita, WellSpace Health, and Sacramento County, serving critical community health functions in a location that directly supports their mission. The property sits within one mile of Sacramento's most concentrated medical cluster and directly across the freeway from Kaiser Permanente South Sacramento Medical Center, the largest Kaiser facility in the region and one of the metro area's largest healthcare employment centers. Kaiser's operational presence in the immediate area — including its ownership of buildings within the broader campus — speaks to the site's long-term strategic value within this corridor. This proximity creates strong and durable demand for ancillary healthcare, dialysis, and outpatient services, positioning the property as a key extension of the surrounding medical ecosystem.

The investment offers stable, in-place income with meaningful upside potential. Current weighted-average rents are approximately \$0.20 per square foot below market, providing investors the opportunity to capture mark-to-market rent growth over time as leases roll. A weighted-average remaining lease term of approximately 5.3 years allows buyers to benefit from both near-term stability and future revenue growth. In addition, at an estimated delivery cost of approximately \$300 per square foot, the entitled freestanding Building 5 building is projected to stabilize at an 8.5% yield on cost, a spread of nearly 300 basis points over the going-in cap rate, delivering high grade medical office product into an undersupplied market.

With the embedded rental upside, land entitled for development, and conservative leverage assumptions, the opportunity is projected to generate a mid-teens leveraged IRR over a five-year holding period, positioning the asset as an attractive core-plus investment within a supply-constrained healthcare real estate sector.

PROPERTY TYPE:	Flex/ Medical Office
ADDRESSES:	8231 – 8239 & 8243 E. Stockton Blvd.
YEAR BUILT:	2005 & 2014 (multiple phases)
GLA:	49,718 RSF
ADDITIONAL ENTITLED GLA:	12,576 SF
TOTAL STABILIZED GLA:	62,289 SF
LEASES:	5.3 year WALT
OCCUPANCY:	93%

# INVESTMENT HIGHLIGHTS

## CORE-PLUS MEDICAL OFFICE WITH ADDITIONAL ENTITLED GLA



In-place rents ~\$0.20 PSF below market with 5.3-year WALT, offering stable income and mark-to-market growth from a roster of essential healthcare and government-backed tenants. Ready to issue permits on additional ±12,500 SF freestanding building.

## INSTITUTIONAL HEALTHCARE TENANT ROSTER



100% leased to DaVita (Fortune 500 dialysis provider), WellSpace Health (large federally qualified health system), WIC, and Sacramento County, providing diversified and mission-critical tenancy.

## COMPELLING BASIS AND RETURN PROFILE



Projected mid-teens leveraged IRR over five years, supported by durable tenancy including national healthcare operators and Sacramento County.

## LONG-TERM TENANCY WITH EXPANSION HISTORY



Multiple tenants in place since development; DaVita and WellSpace invested significant tenant improvements and expanded within the project, reflecting strong patient demand and operational commitment.

## FIRST-TIME OFFERING OF MEDICAL OFFICE CAMPUS



Original developer sale of a rare multi-building medical office/flex campus in a supply-constrained Sacramento healthcare corridor.

## STRONG TENANT STICKINESS



Tenants benefit from specialized medical buildouts, significant capital investment, and established patient referral networks, creating high relocation friction and long-term occupancy stability.

## STRATEGIC LOCATION NEAR MAJOR MEDICAL ANCHOR



Across the freeway from Kaiser Permanente South Sacramento Medical Center, one of the region's largest healthcare campuses and a major driver of demand for ancillary outpatient services.

## FLEXIBLE MP (INDUSTRIAL OFFICE PARK) ZONING



Allows medical office, clinical, R&D, and office-flex uses, providing strong future leasing flexibility and long-term value protection in a supply-constrained Sacramento infill market.

# PROPERTY DETAIL

	8231 E Stockton	8233 E. Stockton	8235 E Stockton	8239 E. Stockton		8243 E. Stockton	Total
	115-1820-008	115-1820-003	115-1820-007	115-1820-005	115-1820-006	115-1820-002	
<b>Building SF:</b>	12,945	12,792	12,576*	12,576	-	11,400	<b>62,289</b>
<b>Parcel SF:</b>	15,071	14,941	15,071	14,461	14,595	13,372	<b>87,511</b>

<b>Year Built:</b>	2005 & 2014 (multiple phases)
<b>SF:</b>	49,718 RSF
<b>Entitled Additional GLA:</b>	12,576 SF
<b>Occupancy:</b>	93.3%
<b>Parking Spaces:</b>	329 stalls @ 6.4 per 1,000sf
<b>Zoning:</b>	MP – Industrial/ Office Park
<b>Construction Type:</b>	Tilt Up Concrete/Wood/Stucco
<b>Foundation:</b>	Concrete Slab on Grade
<b>Roof:</b>	Electrical Capacity: ~800 Amps (Buyer to Confirm)
<b>Parking Lot:</b>	Resurfaced and Restriped ~ 5 Years Ago
<b>Stores:</b>	One
<b>Specialized TIs:</b>	Clinic/ Medical Office/ Back Office





**FUTURE  
8235**

**8239**

**NAP**

**8231**

**8233**

**8243**

# FINANCIAL ANALYSIS

## RENT ROLL

Suite	Tenant	SF	ProRata	Remaining	Commencement	Maturity	Type	Rate	Increase Date	Increase	Tenure	Options	Notification	Use	Improvements
8231 - A&B	DaVita	9,668	75%	7.36	8/31/2023	8/31/2033	NNN	\$18.60	9/1/2028	\$20.40	13	Three 5-year @ 95% FMV 15 Years @ FMV	180 Days	Renal Dialysis Clinic	Tenant Constructed
8231 - C	Wellspace Health	<u>3,286</u>	25%	7.19	7/1/2012	6/30/2033	NNN	\$27.60	8/1/2027	\$28.32	14		180 Days	Dental Clinic	Tenant Constructed
		12,954													
8233 - A	Wellspace Health	3,328	26%	7.19	6/19/2012	6/30/2033	NNN	\$28.20	7/1/2027	\$28.92	14	One 5-Year @ FMV	180 Days	Dental Office & Pharmacy	Tenant Constructed
8233 - B	Women in Care	1,798	14%	2.94	4/1/2024	3/31/2029	NNN	\$24.00	4/1/2027	\$25.20	20	None	NA	Prescribed Food Vouchers	Landlord Constructed
8233 - D	Wellspace Health	<u>7,657</u>	60%	7.19	9/1/2023	6/30/2033	NNN	\$28.68	7/1/2027	\$29.40	19	One 5-Year @ FMV	180 Days	General Office	Landlord Constructed
		12,783													
8235	ENTITLED	12,576	100%	N/A	TBD	TBD	NNN	\$31.80	TBD	\$32.75	N/A	TBD	TBD	TBD	TBD
8239 - A	Sacramento County	5,088	40%	3.19	7/1/2024	6/30/2029	MG	\$25.32	7/1/2026	\$25.80	2	None	NA	County Clerk/ Recorder	Landlord Constructed
8239 - B	Community Resource Project	4,172	33%	1.78	6/1/2022	1/31/2028	NNN	\$22.80	2/1/2027	\$23.40	4	None	NA	General Office	Landlord Constructed
8239 - C	VACANT	<u>3,316</u>	26%	-	-	-	-	-	-	-	-	-	-	-	-
		12,576													
8243 - A	Wellspace Health	3,383	30%	7.19	1/1/2026	6/30/2033	NNN	\$23.88	6/1/2027	\$24.60	11	Yes	180 Days		Landlord Constructed
8243 - C	DaVita	<u>8,022</u>	70%	3.94	4/1/2020	3/31/2030	NNN	\$19.27	-	\$25.00	17	Three 5-year @ 95% FMV	181 Days	Renal Dialysis Clinic	Tenant Constructed
		11,405													
	TOTAL Existing	49,718													
	TOTAL ProForma	62,294													

# FINANCIAL ANALYSIS

## ASSUMPTIONS

Leasing Assumptions	
Monthly Market Base Rent PSF	\$2.05
Fixed Monthly Rent Escalation Rate	\$0.05
Lease Term	5 years
Expense Recovery Structure	NNN/ MG
Tenant Improvement Allowance	
New	\$25.00
Renewal	\$25.00
Leasing Commissions	
New	4.00%
Renewal	4.00%
Free Rent	
New	2 Months
Renewal	0 Months
Downtime	12 Months
Retention Ratio	90%

Debt Assumptions	
Initial Loan Takeout	\$11,591,323
Loan to Value Ratio	61.00%
Loan Term for Analysis	
Amortization Period	5 Year
Interest Rate*	30 Year
Interest Rate Type	6.02%
	Fixed

\*Rates and terms will vary based on borrower qualifications

Underwriting Assumptions	
Target Start Date	June 1, 2026
Hold Period	5 Years
Escalation	
General Inflation Rate	3.00%
Market Rent Inflation Rate	3.00%
Other Revenue Inflation Rate	3.00%
Expense Inflation Rate	3.00%
Real Estate Taxes *	2.00%
Vacancy	0.00%
Management Fee**	3.5% of EGR

\* Real Estate Taxes are assessed based upon a millage rate of 1.0550% plus an additional \$1,618.66 special assessment

\*\* Ownership has historically suppressed fees. Leases allow up to 10% Property Management Fee

# FINANCIAL ANALYSIS

## CASH FLOW

			Escalations												
			Market Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
			Expense Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
			Real Estate Taxes	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Year			2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2031	
			0	1	2	3	4	5	6	7	8	9	10	11	
Income		Rent PSF		\$1.95	\$2.01	\$2.73	\$2.76	\$2.78	\$2.80	\$2.82	\$2.84	\$2.87	\$2.89	\$2.91	
		Expense Recoveries		96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	
	Current	ProForma	Potential Gross Income	\$1,055,339	\$1,161,544	\$1,197,100	\$1,631,704	\$1,643,701	\$1,656,059	\$1,668,787	\$1,681,897	\$1,695,400	\$1,709,309	\$1,723,634	\$1,738,390
	\$ 21.23	\$ 23.36	Expense Recoveries	\$427,633	\$537,039	\$549,332	\$561,950	\$574,903	\$588,200	\$601,850	\$615,863	\$630,250	\$645,020	\$660,184	\$672,764
	\$ 8.60	\$ 10.80	Vacancy	\$0	(\$81,574)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			Turnover CapEx	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			Free Rent	\$0	(\$6,935)	(\$72,961)	(\$2,995)	(\$3,594)	\$0	\$0	\$0	(\$13,777)	\$0	(\$4,006)	(\$3,794)
	\$ 29.83	\$ 32.38	<b>Effective Gross Rent</b>	<b>\$ 1,482,971</b>	<b>\$ 1,610,074</b>	<b>\$ 1,673,471</b>	<b>\$ 2,190,659</b>	<b>\$ 2,215,010</b>	<b>\$ 2,244,258</b>	<b>\$ 2,270,637</b>	<b>\$ 2,297,760</b>	<b>\$ 2,311,873</b>	<b>\$ 2,354,328</b>	<b>\$ 2,379,812</b>	<b>\$ 2,407,360</b>
Expenses		Real Estate Taxes	\$148,432	\$202,402	\$206,450	\$210,579	\$214,790	\$219,086	\$223,468	\$227,937	\$232,496	\$237,146	\$241,889	\$243,629	
	\$ 2.99	\$ 4.07	Insurance	\$26,980	\$27,789	\$28,623	\$29,481	\$30,366	\$31,277	\$32,215	\$33,182	\$34,177	\$35,202	\$36,258	\$37,346
	\$ 0.54	\$ 0.56	Utilities	\$31,063	\$31,995	\$32,955	\$33,943	\$34,962	\$36,010	\$37,091	\$38,203	\$39,350	\$40,530	\$41,746	\$42,998
	\$ 0.62	\$ 0.64	Alarm	\$6,409	\$6,602	\$6,800	\$7,004	\$7,214	\$7,430	\$7,653	\$7,883	\$8,119	\$8,363	\$8,614	\$8,872
	\$ 0.13	\$ 0.13	Contracts	\$19,172	\$19,747	\$20,142	\$20,545	\$20,956	\$21,375	\$21,803	\$22,239	\$22,684	\$23,137	\$23,600	\$24,072
	\$ 0.39	\$ 0.40	Repairs & Maintenance	\$58,430	\$60,183	\$61,989	\$63,848	\$65,764	\$67,737	\$69,769	\$71,862	\$74,018	\$76,238	\$78,525	\$80,881
	\$ 1.18	\$ 1.21	Association Dues	\$132,120	\$136,084	\$140,166	\$144,371	\$148,702	\$153,163	\$157,758	\$162,491	\$167,366	\$172,387	\$177,558	\$182,885
	\$ 2.66	\$ 2.74	Admin	\$3,688	\$14,044	\$14,465	\$14,899	\$15,346	\$15,807	\$16,281	\$16,769	\$17,272	\$17,790	\$18,324	\$18,874
	\$ 0.07	\$ 0.28	Management Fee	\$46,332	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928	\$57,928
	\$ 0.93	\$ 1.17	<b>TOTAL Operating Expense</b>	<b>\$472,627</b>	<b>\$ 556,774</b>	<b>\$ 569,518</b>	<b>\$ 582,599</b>	<b>\$ 596,028</b>	<b>\$ 609,814</b>	<b>\$ 623,966</b>	<b>\$ 638,494</b>	<b>\$ 653,409</b>	<b>\$ 668,722</b>	<b>\$ 684,443</b>	<b>\$ 697,486</b>
<b>\$ 8.57</b>	<b>\$ 10.03</b>	OpEx %	32%	35%	34%	27%	27%	27%	27%	28%	28%	28%	29%	29%	
		OpEx PSF	\$ 9.51	\$ 11.20	\$ 11.45	\$ 11.72	\$ 11.99	\$ 12.27	\$ 12.55	\$ 12.84	\$ 13.14	\$ 13.45	\$ 13.77	\$ 14.03	
<b>\$ 21.25</b>	<b>\$ 22.35</b>	<b>Net Operating Income</b>	<b>\$ 1,010,345</b>	<b>\$ 1,053,301</b>	<b>\$ 1,103,953</b>	<b>\$ 1,608,059</b>	<b>\$ 1,618,982</b>	<b>\$ 1,634,444</b>	<b>\$ 1,646,671</b>	<b>\$ 1,659,266</b>	<b>\$ 1,658,464</b>	<b>\$ 1,685,606</b>	<b>\$ 1,695,369</b>	<b>\$ 1,709,874</b>	
		Unlevered Return on Costs	5.32%	5.54%	5.81%	8.46%	8.52%	8.60%	8.67%	8.73%	8.73%	8.87%	8.92%		

# FINANCIAL ANALYSIS

## ENTITLED DEVELOPMENT

### Building Five Development Budget

Parcel Square Feet	15,071				
Future Building Square Feet	12,576				
ProForma Office Rent (PSF/ mo)	12,576 SF	\$ 2.65	\$ 31.80	\$ 399,917	
CAM Recovery		100.00%	\$ 0.75	\$ 9.00	\$ 113,184
Other Income			\$ -	\$ -	\$ -
ProForma Gross Potential			\$ 3.40	\$ 40.80	\$ 513,101
Vacancy	0 SF				0%
Total Vacancy Loss				\$ -	
ProForma Effective Gross				\$ 513,101	
ProForma OpEx			\$ 0.75	\$ 9.00	\$ (113,184)
<b>ProForma NOI</b>				<b>\$ 399,917</b>	
<b>Target Return on Costs (Stabilized)</b>	8.50%		<b>\$ 374</b>	<b>\$ 4,704,904</b>	
<b>TOTAL DEVELOPMENT COST (Buyer to confirm)</b>			<b>\$ 291</b>	<b>\$ 3,657,748</b>	
<b>Residual Land Value</b>			<b>\$ 69</b>	<b>\$ 1,047,155</b>	
2026 Gross Rent		\$ 0.67	\$ 8.04	\$ 399,917	
2026 CAM Recovery		\$ 0.19	\$ 2.28	\$ 113,184	
2026 Leasing Expenses		\$ -	\$ -	\$ -	
2026 Operating Expenses (Assumed)		\$ (0.75)	\$ (9.00)	\$ (113,184)	
2026 Projected NOI		\$ 0.11	\$ 1.32	\$ 399,917	
<b>Capitalization Rate on 2025 NOI (As-Is)</b>				<b>8.50%</b>	
Terminal Cap Rate	7.00%	Resale Value	\$ 454	\$ 5,713,097	

# PROJECT PHOTOS



REPRESENTATIVE PHOTO



REPRESENTATIVE PHOTO



# TENANT PROFILE



Population: ~1.57 million

\$8.8B FY2024-25 adopted

~13,000 county employees

STATE OF CALIFORNIA • INCORPORATED 1850 • STATE CAPITAL COUNTY • INVESTMENT-GRADE GOVERNMENT TENANT

## ABOUT THE TENANT

- California's capital county since 1850**  
 Sacramento County is the seat of California state government, home to the State Capitol, Governor's Office, and the entire state executive apparatus — giving it unmatched political and economic permanence.
- Sovereign government tenant**  
 As a California county, Sacramento is a political subdivision of the State — backed by the full taxing authority of a 1.57 million-person economy. It cannot go bankrupt or be dissolved.
- Mandatory balanced budget by law**  
 California law requires counties to adopt balanced budgets annually. Sacramento County is legally prohibited from operating a persistent structural deficit, unlike private sector tenants.
- Diverse, recession-resistant revenue**  
 Revenue streams include property taxes, sales taxes, state/federal pass-throughs, and fees — spread across multiple tax bases insulated from any single economic sector.
- 14th largest county in California**  
 The Sacramento metropolitan region GDP exceeds \$130 billion, anchored by state government, healthcare, agriculture, and a growing tech sector.

## CREDIT RATINGS

MOODY'S

**A1**

Issuer default rating

✓ Stable



Aaa → Aa → A → Baa → Ba

Upper-medium investment grade. A1 reflects very strong fiscal management and broad, diverse tax base.

S&P GLOBAL

**AA**

Issuer credit rating

✓ Stable



AAA → AA → A → BBB → BB

High investment grade — same as S&P's rating on California State GO bonds. Strong capacity to meet obligations.

FITCH

**AA-**

Long-term issuer rating

✓ Stable



AAA → AA → A → BBB → BB

High grade, one notch below S&P. Confirmed July 2024. All three agencies assign stable outlooks.

## WHAT INVESTMENT-GRADE MEANS FOR LANDLORDS

- All three agencies — Moody's (A1), S&P (AA), Fitch (AA-) — assign Sacramento County investment-grade status with stable outlooks. This is among the strongest possible tenant credit profiles in commercial real estate.
- Government tenants at this rating tier are the benchmark for net lease and institutional real estate underwriting. County-leased buildings are routinely used as collateral for securitized debt at the most favorable terms.
- Sacramento County has maintained investment-grade ratings continuously for decades, through the 2008 financial crisis, COVID-19, and California's recurring budget cycles — demonstrating resilience unavailable in any private-sector tenant.

FY2024-25 Adopted Budget

**\$8.8B**

Board-approved June 2024

FY2025-26 Recommended

**\$8.9B**

Presented for June 2025 hearings

Assessed Property Value

**\$160B+**

504,653 parcels in county

General Fund Bal. (FY2025)

**\$71M**

Opening balance est. FY2025-26

## Revenue Sources (FY2024-25 Budget)



- Federal & State aid/pass-throughs: ~42%
- Property taxes: ~23%
- Charges for services & fees: ~18%
- Sales tax & other local taxes: ~11%

## Key Fiscal & Economic Data

County employees (FTE)	~13,000+
Sacramento metro GDP	>\$130B
Assessed roll (2025-26 est.)	~\$165B
General Fund revenue	~\$2.4B
Pension Obligation Bonds	AA / A1 (Moody's)
Mandatory balanced budget	Yes — CA law

## REAL ESTATE INVESTMENT HIGHLIGHTS



### Strongest Possible Credit

Triple investment-grade ratings (A1/AA/AA-) with unanimous stable outlooks from all three agencies. Government sovereign tenants are the gold standard in real estate underwriting — used as the benchmark for lowest-risk tenancy.



### Perpetual & Sovereign Entity

Sacramento County cannot go bankrupt, cannot be dissolved, and has operated continuously since 1850. It is backed by California's taxing authority, a \$160B+ assessed property base, and mandatory balanced budget requirements.



### Structural Budget Watch

FY2025-26 shows a \$71M beginning balance (down 37% from prior year) and a noted structural imbalance. Standard in California county budgeting — not a credit concern — but warrants monitoring. Lease obligations are a priority payment.

# TENANT PROFILE



~295,000 patients served

3,242 centers worldwide

S&P 500 Component

KIDNEY CARE & DIALYSIS PROVIDER • NYSE: DVA • FORTUNE 500

## ABOUT THE TENANT

- Founded 1994, Denver CO**  
 “DaVita” is Italian for “giving life” — serving patients with end-stage renal disease (ESRD) who depend on dialysis to survive.
- Essential, non-discretionary care**  
 Patients require treatment 3x per week, every week, for life — creating a uniquely stable, recession-proof revenue base.
- Duopoly market leader**  
 Controls ~37% of U.S. outpatient dialysis alongside Fresenius. Two operators dominate the entire national market.
- Government-backed revenue floor**  
 ~75% of dialysis revenue reimbursed by Medicare/Medicaid — federal payment guarantee regardless of economic conditions.
- Growing patient base**  
 ESRD incidence rising with aging demographics & diabetes prevalence. 37M Americans have chronic kidney disease.

## CREDIT RATINGS

S&P GLOBAL

**BB**

Stable outlook



High-yield, speculative grade. Common for leveraged healthcare operators. Reflects debt strategy, not operational weakness.

MOODY'S

**Ba2**

Corporate family rating



Ba2 equivalent to BB. Senior secured notes rated Ba1 (one notch higher), reflecting strong asset coverage.

## CREDIT CONTEXT

- DaVita is a large high-yield issuer — ratings reflect deliberate leverage from active share buybacks, not distress.
- Consistent free cash flow generation (\$1.16B FY2024) provides robust debt service capacity.
- Both Moody's & S&P assign stable outlooks, with no negative watch as of early 2026.

FY 2024 Revenue  
**\$12.82B**  
 ▲ 5.6% YoY

Operating Cash Flow  
**\$2.02B**  
 Free cash flow: \$1.16B

Q1 2025 Revenue  
**\$3.62B**  
 Beat analyst estimates

Q1 2025 EPS  
**\$3.40**  
 Above consensus

## Revenue Trend (\$B, annual)



## REAL ESTATE INVESTMENT HIGHLIGHTS

**Tenant Stability**  
 Dialysis is life-sustaining. DaVita's lease obligations are backed by \$12.8B revenue & \$2B+ operating cash flow. Relocation is economically prohibitive due to clinical buildout.

**Demand Tailwinds**  
 ESRD patient population projected to grow through 2030+ driven by aging Baby Boomers & rising diabetes rates. Physical centers cannot be easily replicated.

**Government Payor Floor**  
 ~75% of revenue from Medicare & Medicaid — federal payment guarantee insulated from local economic conditions. CMS annual rate adjustments provide built-in escalation.

# TENANT PROFILE



337,000+ patients served annually

30+ community health center locations

Founded 1953 · 1,164+ employees

FEDERALLY QUALIFIED HEALTH CENTER (FQHC) · 501(C)(3) NONPROFIT · SACRAMENTO, CA

## ABOUT THE TENANT

- Founded 1953, Sacramento CA**  
 Originally the “Family Service Agency,” WellSpace has served Sacramento’s underserved communities for over 70 years, evolving into a full-spectrum FQHC.
- Federally Qualified Health Center**  
 FQHC designation guarantees a Prospective Payment System (PPS) reimbursement rate set by federal law — a stable, guaranteed floor of revenue per patient visit.
- Comprehensive care model**  
 Medical, dental, behavioral health, substance use disorder treatment, women’s health, and street medicine — all under one organization across 30+ locations.
- Sacramento’s behavioral health backbone**  
 CCBHC, and the region’s only 24-hour suicide crisis line.
- Medi-Cal & government revenue floor**  
 ~75%+ of revenue from Medi-Cal/Medicare and government grants — federally guaranteed regardless of economic conditions or local market shifts.

## TENANT STABILITY FACTORS

### FQHC Revenue Guarantee

As a federally designated FQHC, WellSpace receives a Prospective Payment System (PPS) rate — a guaranteed reimbursement floor set by the federal government per patient encounter. Even if a Medi-Cal managed care plan pays less, the State of California is legally required to make up the difference. This makes WellSpace’s patient revenue structurally protected, unlike most private healthcare tenants.

### Key Organizational Metrics

Revenue growth (7-yr avg, hist.)	+17.1% p.a.
Program services expense ratio	~75%+
Employees (FY2022)	1,164
EIN / Tax status	94-1713704 / 501(c)(3)

FY2024 Total Revenue

**\$144.4M**

▲ 5.8% YoY (vs \$136.5M FY2023)

FY2024 Total Expenses

**\$154.8M**

Primarily salaries (55.4% of expenses)

Total Assets (FY2024)

**\$105.0M**

Down from \$114.8M in FY2023

Total Liabilities (FY2024)

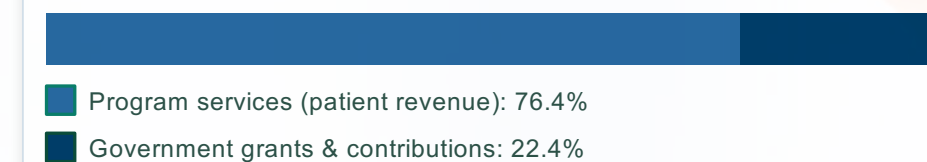
**\$57.9M**

Net assets: \$47.1M

## Revenue Trend (\$M, Form 990)



## Revenue Sources (FY2024)



## REAL ESTATE INVESTMENT HIGHLIGHTS



### Mission-Critical Tenant

WellSpace operates California’s 2nd largest 988 crisis center and Sacramento County’s only CCBHC. Regulatory and community dependency on these facilities makes relocation extremely unlikely.



### Federally Protected Revenue

FQHC PPS rate is a federal entitlement — California law guarantees Medi-Cal makes up any shortfall. 70+ years of continuous operation and \$144M+ in annual revenue demonstrate deep institutional permanence.

# WHY SACRAMENTO?

Sacramento’s economy is anchored by a diverse mix of industries, led prominently by government, real estate, health care, education, clean technology, and agriculture. As the state capital, Sacramento hosts a large share of public-sector employment and administrative services, a longstanding stabilizer for the regional labor market. The healthcare sector has been an expanding industry in the region, with Sutter Health among the leading providers opening new locations here.

The Sacramento region boasts more affordable housing costs relative to the Bay Area, which has attracted households over the years.

## SACRAMENTO EMPLOYMENT BY INDUSTRY IN THOUSANDS

Unlike other areas of California, Sacramento’s population has steadily grown over the past five years, with Placer County’s population growing the largest percentage-wise during that time.

The Railyard in Downtown Sacramento is among the nation’s largest urban infill developments. Plans call for it to ultimately include up to 500,000 SF of retail space, 30 acres of greenspace, up to 5 million SF of innovation space, upwards of 10,000 housing units and a 3,700-seat concert venue. Kaiser has also built a medical campus at the Railyards that will employ over 3,000.

## DEMOGRAPHICS

Sacramento (2025)



**2,476,244**

Population



**909,128**

Households



**\$102,864**

Median Household Income



**1,199,659**

Labor Force

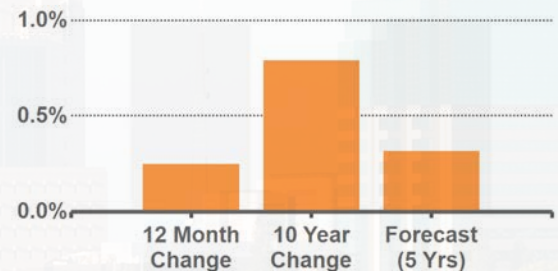


**5.1%**

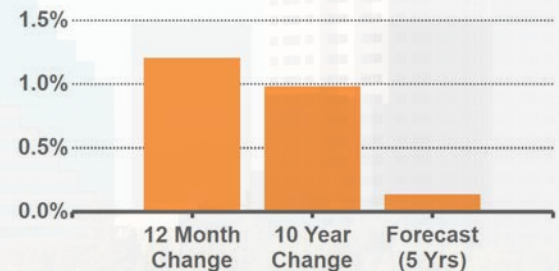
Unemployment Rate

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	40	0.5	-1.30%	-0.28%	0.76%	0.31%	0.36%	0.21%
Trade, Transportation and Utilities	168	0.8	-0.47%	-0.06%	1.15%	0.75%	0.37%	0.22%
Retail Trade	99	0.9	0.17%	0.26%	-0.08%	-0.06%	0.30%	0.15%
Financial Activities	46	0.7	-1.35%	-0.05%	-1.12%	1.17%	0.02%	0.24%
Government	262	1.6	-0.30%	-0.52%	1.30%	0.58%	0.54%	0.32%
Natural Resources, Mining and Construction	76	1.2	-1.27%	-0.16%	3.48%	1.92%	0.74%	0.55%
Education and Health Services	213	1.1	2.87%	2.44%	4.00%	2.15%	0.87%	0.40%
Professional and Business Services	131	0.8	-1.04%	-0.36%	0.49%	1.17%	0.46%	0.49%
Information	9	0.5	-0.74%	0.02%	-4.03%	0.59%	0.00%	0.18%
Leisure and Hospitality	113	1.0	-0.12%	0.77%	1.39%	1.00%	1.11%	0.84%
Other Services	39	0.9	0.38%	0.74%	2.18%	0.69%	0.60%	0.18%
Total Employment	1,098	1.0	0.08%	0.35%	1.61%	1.08%	0.61%	0.39%

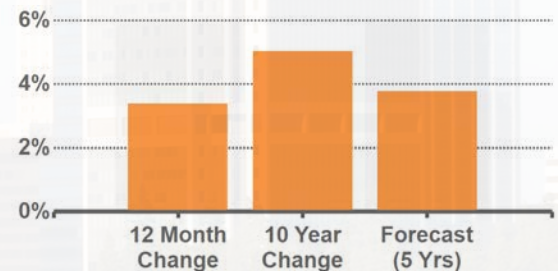
### POPULATION GROWTH



### LABOR FORCE GROWTH



### INCOME GROWTH



Source: Oxford Economics

# SACRAMENTO MARKET SUMMARY

Vacancy has increased only marginally year over year to 10.9% during the first quarter after net absorption tallied 160,000 SF coupled with 600,000 SF of net completions.

However, the number of new leases fell year over year in 2025, from a level already 15% below the last cycle's average, and the average lease size has stabilized at almost 20% below the average between 2015 and 2019.

Sublet availability has tightened considerably, falling nearly 50% since mid-2024 to 780,000 SF. Yet tenants have been slow to capitalize on the roughly 20% discount between sublet and direct asking rents. Instead of increased leasing, much of the reduction stems from landlords withdrawing outdated sublet listings or rolling them into direct space.

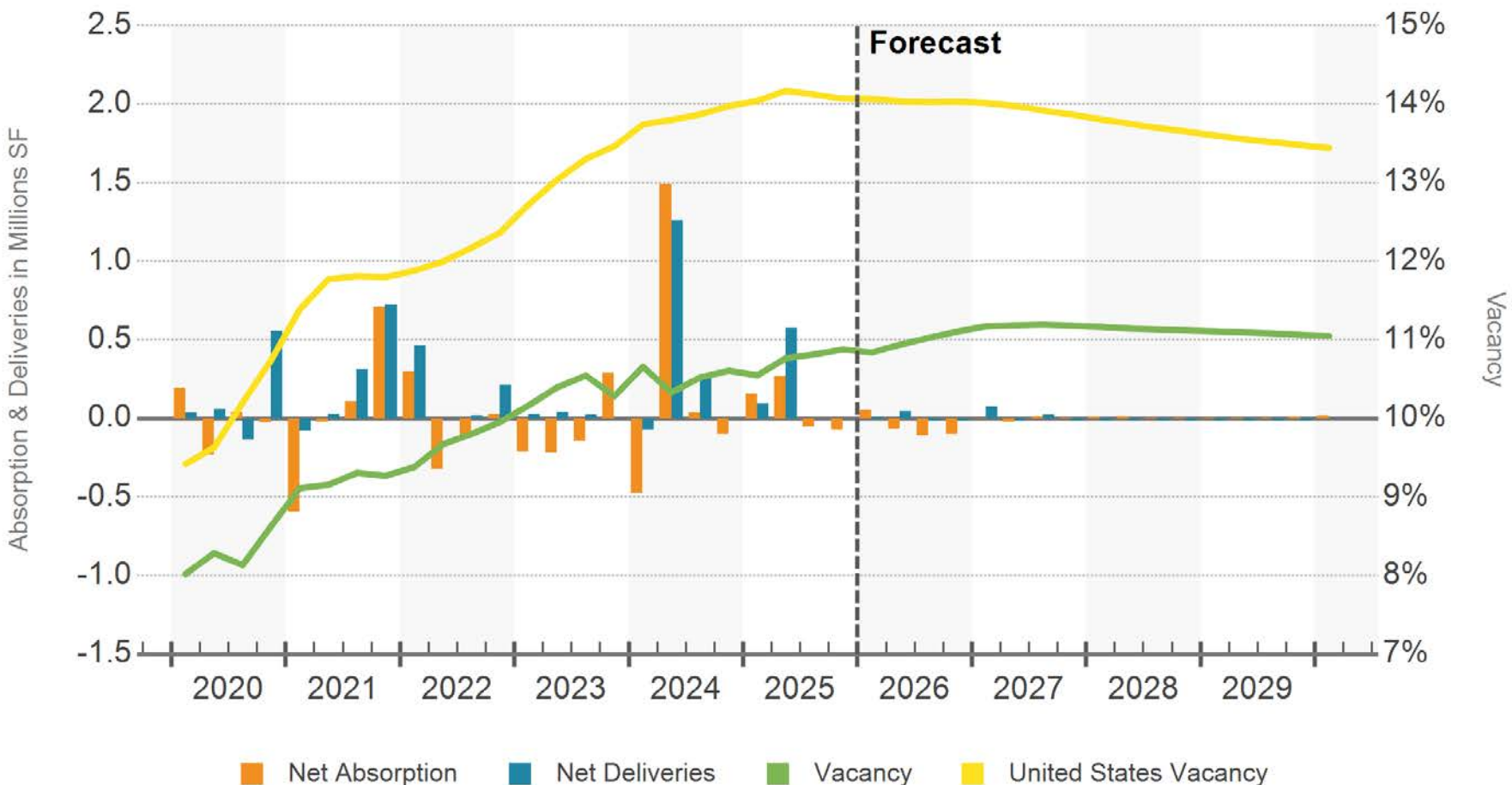
As part of its 2019 specific plan, the state government has been moving agencies from leased office space into state-owned buildings. The net effect of this initiative will ultimately lead to a drop in leasing activity throughout the region as departments relocate to less space in the newly completed and owned buildings, leaving their former buildings with elevated vacancy. The occupancy will not roll up into leasing volume as a result.

Roughly 200,000 SF is in the construction pipeline after two buildings and 570,000 SF were completed in East Sacramento at the innovation district Aggie Square in 2025. Almost 200,000 SF is available at Aggie Square, while little is available in the construction pipeline. The development of a third building at Aggie Square has been delayed due to slower leasing activity at the new campus.

Rent growth has measured 0.6% during the past 12 months compared to 1.2% nationally. The long-term average for annual rent growth in Sacramento has been 1.4%, and rents have grown 5.6% in the past five years. New leases come with considerable concession packages, including one month of free rent per year of the term and a tenant improvement package as high as \$80/SF for first-generation space.

Occupiers will continue to scrutinize their needs closely. Sacramento's office vacancy will likely run above 11% through 2026, although government occupancy should prevent it from reaching a new peak.

## NET ABSORPTION, NET DELIVERIES & VACANCY



# SOUTH SACRAMENTO MARKET SUMMARY

The South Sacramento office submarket has a vacancy rate of 5.1% as of the first quarter of 2026. Over the past year, the submarket’s vacancy rate has changed by -0.5%, a result of no net delivered space and 19,000 SF of net absorption.

South Sacramento’s vacancy rate of 5.1% compares to the submarket’s five-year average of 5.1% and the 10-year average of 6.8%. Overall submarket vacancy is forecast to end 2026 at 5.5%.

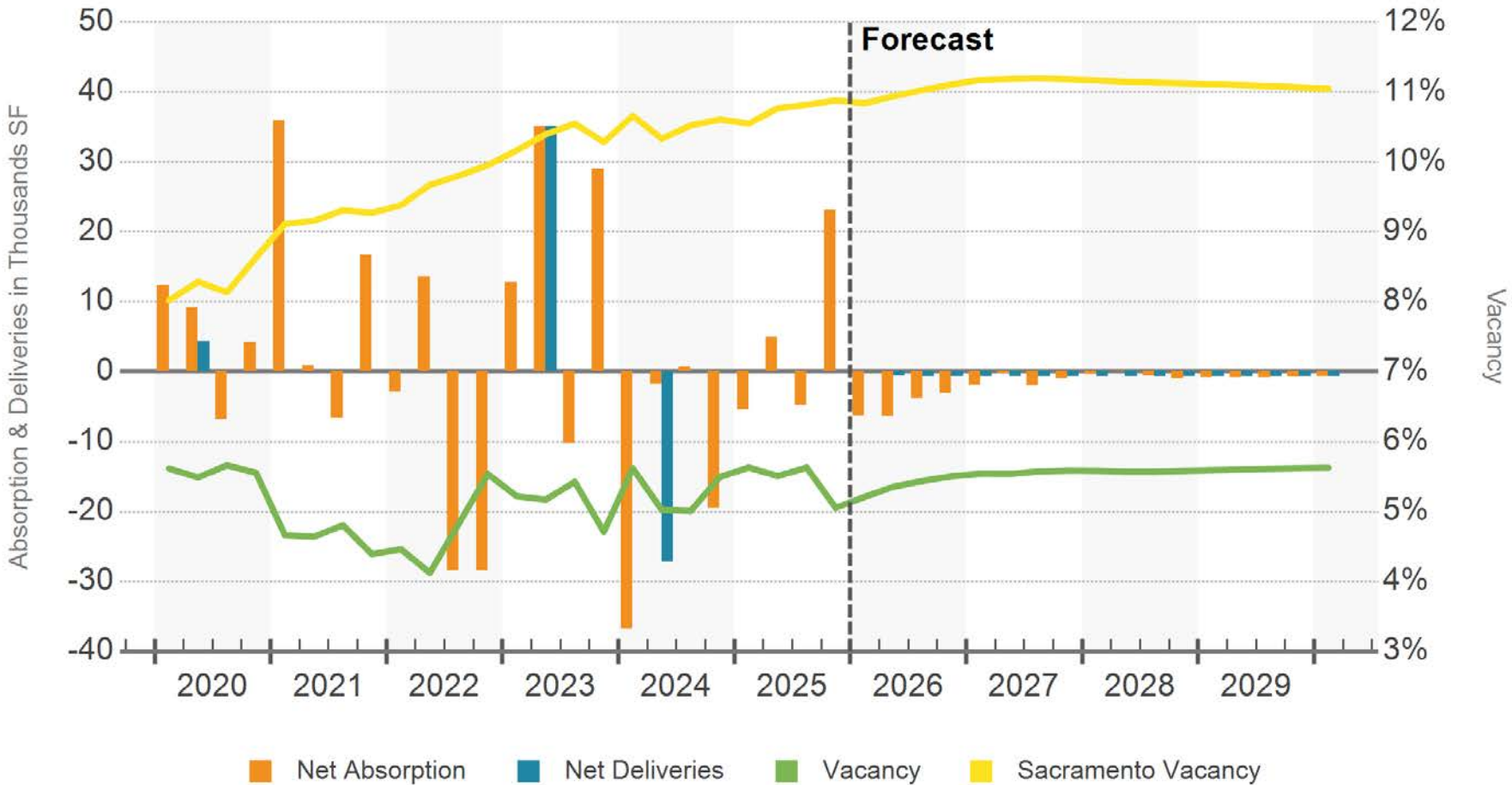
The South Sacramento office submarket has roughly 250,000 SF of space listed as available, for an availability rate of 6.1%. As of the first quarter of 2026, there is no office space under construction in South Sacramento. In comparison, the submarket has averaged 10,000 SF of under construction inventory over the past 10 years.

South Sacramento contains 4.0 million SF of inventory, compared to 113 million SF of inventory metro wide.

Average rents in South Sacramento are roughly \$25.00/SF, compared to the wider Sacramento market average of \$28.00/SF.

Rents have changed by 1.0% year over year in South Sacramento, compared to a change of 0.6% metro wide. Annual rent growth of 1.0% in South Sacramento compares to the submarket’s five-year average of 1.7% and its 10-year average of 2.7%. Overall annual rent growth in the South Sacramento office submarket is forecast to end 2026 at 0.2% compared to the Sacramento average of 0.1%.

## NET ABSORPTION, NET DELIVERIES & VACANCY



## INVESTMENT ADVISORS

### CARTER LEAR

Director  
t 916.218.5498  
carter.lear@nmrk.com  
CA RE License #01848080

### ALI NADIMI

Senior Managing Director  
t 916-569-2355  
ali.nadimi@nmrk.com  
CA RE License #01723313

## DEBT ADVISOR

### WILLS VLASEK

Associate  
t 916-599-7533  
wills.vlasek@nmrk.com  
CA RE License #02174862