

100% LEASED CENTRAL SAN DIEGO MEDICAL OFFICE INVESTMENT



DEL RIO PLAZA

3703 CAMINO DEL RIO SOUTH, SAN DIEGO, CALIFORNIA



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INVESTMENT SUMMARY

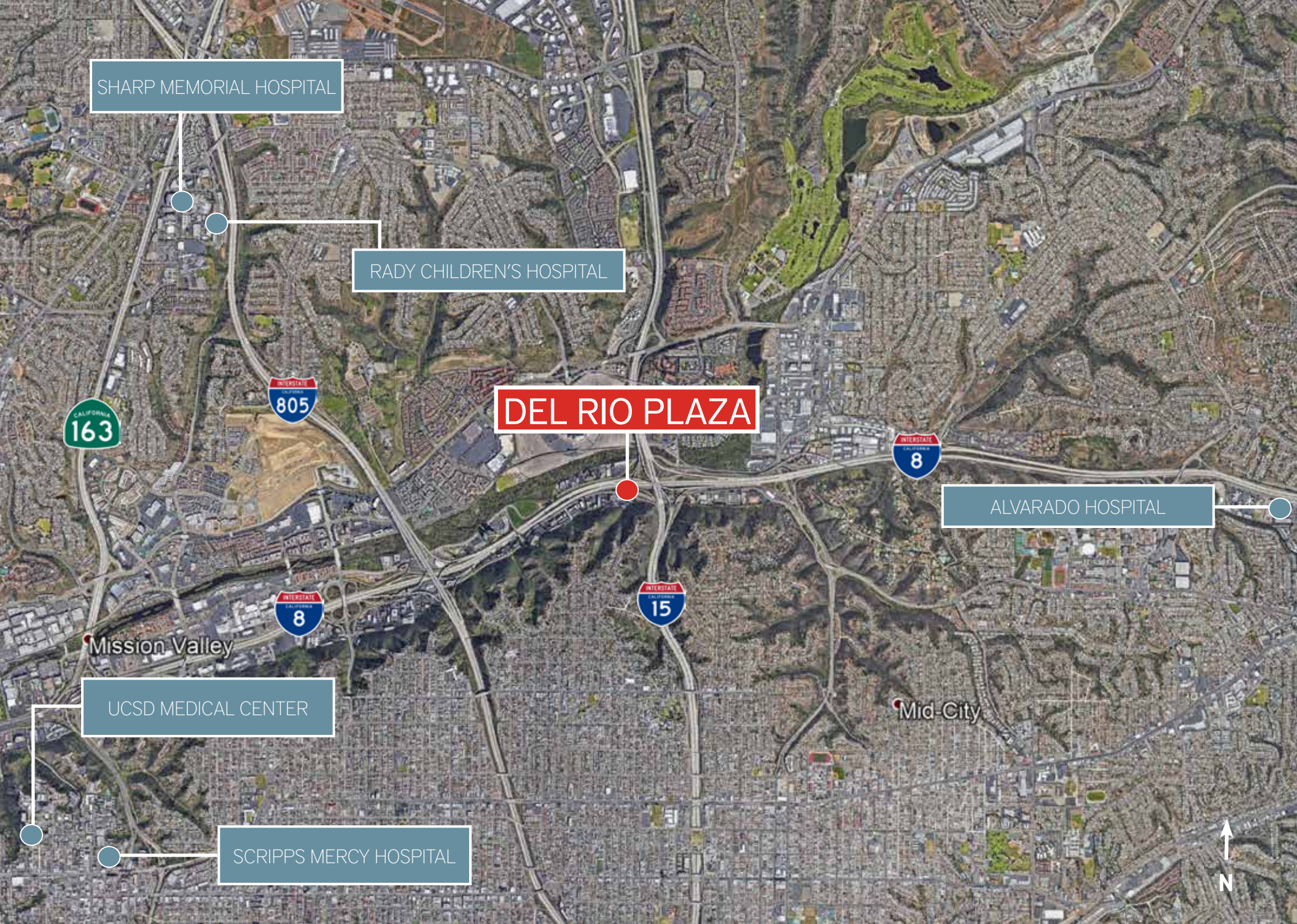
EXECUTIVE SUMMARY

- Stable medical office asset with upside
- 100% leased 21,183-SF multi-tenant building
- Anchored by an attractive Medicare-certified surgery center and a stable 25-year-old multi-provider pain management practice
- 15 minutes from five (5) hospital campuses
- Recently renovated, clean and well-maintained
- Ideal location at I-8 and I-15 in Central San Diego
 - Adjacent to I-15 on- and off-ramps at Camino Del Rio South
 - Prominent and direct visibility to 224,000 cars per day along I-8
 - 217,000 cars per day along I-15 at I-8
 - 1,798,704 population within a 20-minute radius
- Below-market rents offers flexibility with acquisition strategy
- Abundant parking including surface & subterranean
- Nicely built-out tenant suites
- Panoramic valley views

PROPERTY SUMMARY

Address	3703 Camino Del Rio South, San Diego, CA
APN	439-520-08
Submarket	Mission Valley
Building Class	B
Year Built / Renovated	1988/ 2017
Site Area	.93 acres
Net Rentable Area	21,183 square feet
Percent Leased	100%
Parking	Approx 4:1,000
Offering Price	\$6,600,000
Offering Terms	"As Is"
Ownership	Fee Simple





SHARP MEMORIAL HOSPITAL

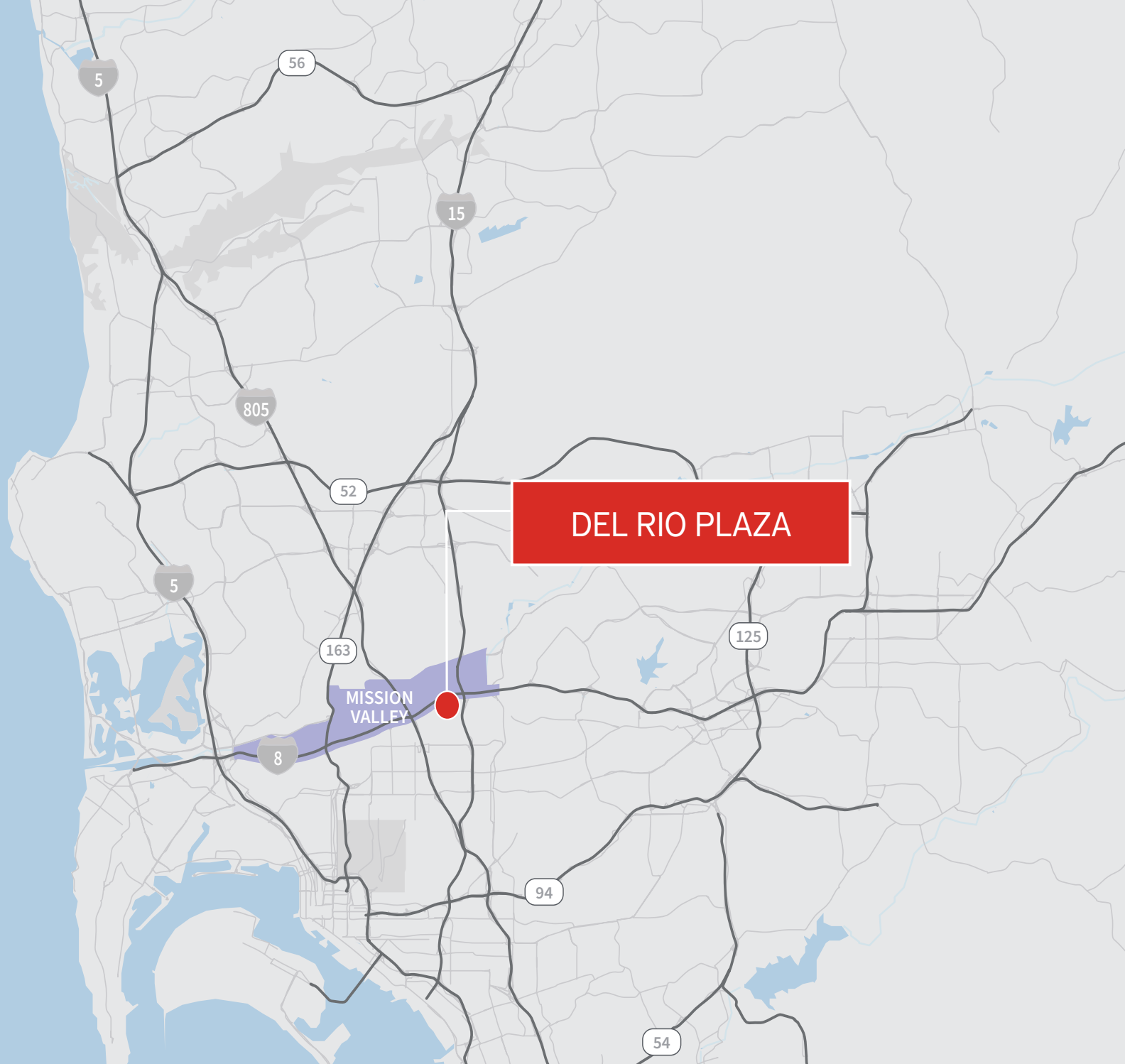
RADY CHILDREN'S HOSPITAL

DEL RIO PLAZA

ALVARADO HOSPITAL

UCSD MEDICAL CENTER

SCRIPPS MERCY HOSPITAL



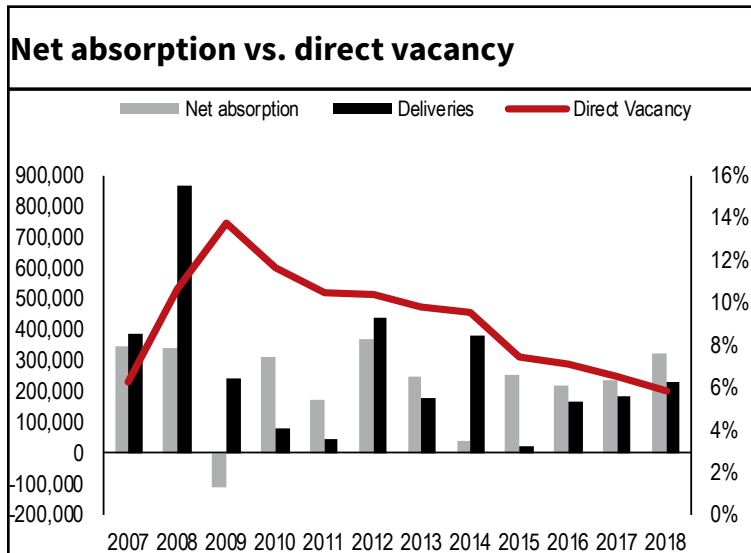


MARKET OVERVIEW

SAN DIEGO COUNTY MEDICAL OFFICE OVERVIEW

State of the Market

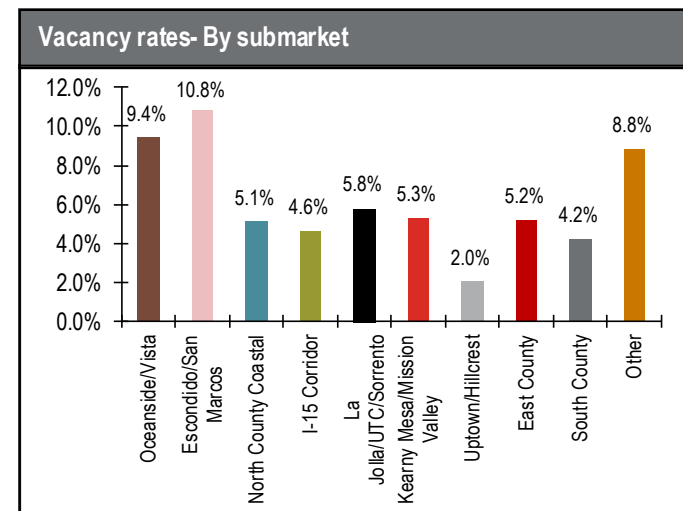
As demand for healthcare services steadily rises in San Diego County, so does medical office occupancy, which posted 322,351 square feet of positive net absorption in 2018. The current overall San Diego County vacancy rate remained stable at 5.8 percent. UCSD Health was the single largest absorber of space on the year, with the other health systems remaining relatively active in the market as well. Other trending uses include outpatient surgery centers, orthopedic groups, fertility/IVF, behavioral health, cosmetic surgery, dermatology, dental, and a spectrum of primary care such as walk-in clinics and concierge medicine. If you think about the evolution and dynamics of each, the rising demand for those services makes sense, and as such they are out touring and leasing space in the market.



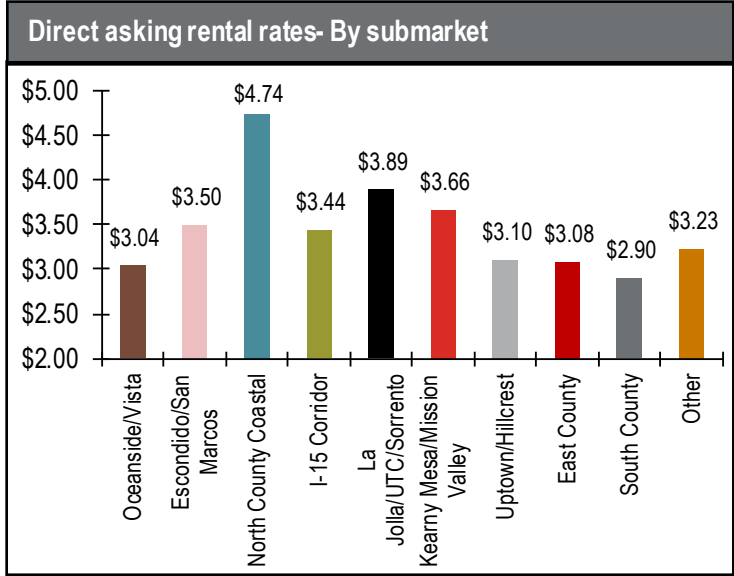
Only two of the San Diego submarkets recorded negative movement in their total occupancy in the fourth quarter of 2018, with both submarkets (Oceanside/Vista and East County) giving back less than 5,000 square feet. The greater Escondido, La Jolla/UTC and Hillcrest submarkets drove most of the demand in San Diego with a total of 124,819 square feet of positive absorption in Q4. Palomar Health accounted for a majority of the demand in the Escondido/San Marcos submarket by leasing 51,400 square feet of the newly developed Palomar Health Outpatient Center,

although they plan to sublease some of that. The remaining 25,000 square feet of the new 76,000-square-foot building was delivered unoccupied, resulting in a slight 10-basis-point rise in the submarket's vacancy from Q3 to Q4.

Six of the nine submarkets in San Diego posted a remarkable 5.8 percent vacancy or less in the 4th quarter. From a purely real estate standpoint, the only factors hindering leasing activity are high construction costs and lack of new development and other good product.



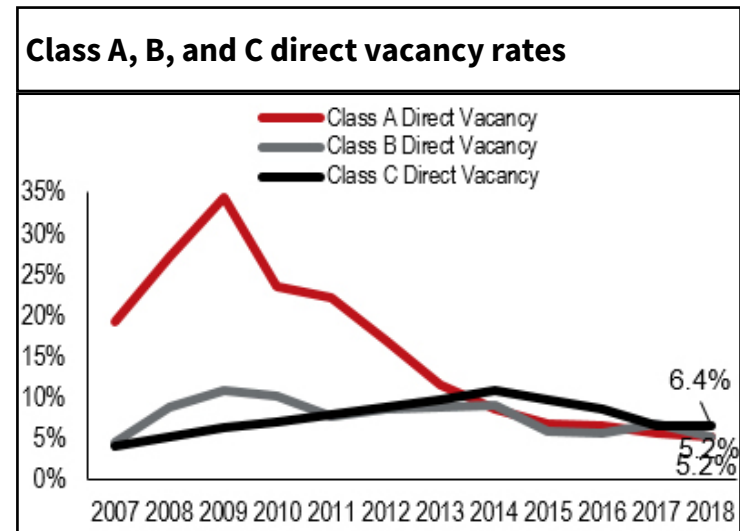
Medical office rents continue to rise, but with much of the vacancy on the market being of lesser quality, the county's weighted average asking rental rate rose just 0.3 percent over the past 12 months. The submarket with the largest year-over-year increase was Escondido/San Marcos at 7.7 percent, largely due to the new medical building on the Palomar Medical Center campus. The two submarkets with the highest average asking rate are currently North County Coastal at \$4.74 psf per month full service and La Jolla/UTC/Sorrento at \$3.89 psf. The submarket that saw the most significant decrease was the South County, which dropped 13.4 percent year-over-year, but this was due to the absorption of higher-rent space. Class A occupancy in South County is now 100 percent.



Forecast

Over the past 13 years, the San Diego market has absorbed, on a net basis, an average of 175,000 square feet of Class A medical office space per year. During that time, annual deliveries (construction completions) averaged 167,000 square feet per year. Supply and demand seem to be relatively in balance, right? Here's the problem (or opportunity, depending on your point of view): average annual deliveries are steadily declining as opportunities to develop new product diminish. From 2006-2011, average annual deliveries were 217,000 square feet, but from 2012-2018, the average was just 113,000 square feet. Not to mention most deliveries in recent years have been build-to-suits and self-developments for health systems, with little to no availability for third-party tenants. Only one 68,000-square-foot MOB is scheduled for completion in 2019, and it is entirely pre-leased.

Class A vacancy has now fallen from nearly 34% at the end of 2009 to just 5.2% at the close of 2018 – a current total of only 172,000 square feet. Again, 175,000 square feet is being absorbed annually. For some tenants, there is literally nowhere to go. This is already happening. Users and investors alike will need to approach real estate more strategically and with a longer-term view. The market is calling for more repurposing of office and retail space into healthcare real estate...but will such adaptive reuse projects pencil? Who is going to build speculative medical office product, and who is going to finance it? Will our local jurisdictions loosen up medical zoning? The answers to those questions are going to collectively have a significant impact on our local healthcare landscape in the years ahead.



SAN DIEGO COUNTY MEDICAL OFFICE OVERVIEW

San Diego Medical Office Statistics / Q4 2018				
	Total Inventory (sf)	Direct vacancy (sf)	Direct vacancy (%)	Average asking rent (\$ psf)
Kearny Mesa/ Mission Valley	1,452,459	76,892	5.3%	\$3.66
Uptown/Hillcrest	881,962	17,920	2.0%	\$3.10
San Diego County	12,420,081	725,371	5.8%	\$3.54

Investment Sales Spotlight

In 2018, fifteen medical buildings sold in San Diego County for a record sales volume of \$280 million, over half of which was comprised of two UTC sales: University Pacific Centre and The Campus on Villa La Jolla. The average cap rate across all comps was 6.0%, and the average price per square foot was \$502 psf.






Annual sales volume in San Diego should drop back down to normal levels in 2019 as more of the inventory becomes “locked up”, having been acquired by health systems, healthcare REITs and other buyers who tend to hold long-term. Also lowering the ceiling on sales is the lull in new deliveries. Investment sales activity lags behind, and is directly correlated to, construction activity. Given the reduced deliveries we have seen over the past seven years, we can expect a decline in sale offerings. The scarcity of acquisition opportunities, among other reasons, will continue to keep pricing high, even if interest rates steadily rise.

Nationally, annual sales volumes hover around record highs as the attraction to the stability of healthcare properties steadily rises and new buyers continue to emerge. Medical office sales in 2018 totaled \$8.8 billion, which fell short of the peak \$10.4 billion in 2017; however, if the 2017 total is adjusted down by removing the \$2.8 billion Duke Realty portfolio sale, 2018 activity can be more clearly seen as another robust year. While interest rates have slightly risen, cap rates across the U.S. have remained flat.



COMPETITIVE SET



COMPETITIVE SET

Photo	Address	Building Class	Year Built	# of Floors	Rentable SF	Direct Available SF	Vacancy %	Asking Rent SF/Mo
	3703 Camino Del Rio S San Diego	B	1988	2	22,183	0	0%	N/A
	5395 Ruffin Rd. San Diego	B	2003	2	25,000	4,108	16.4%	\$2.25-\$2.50 NNN
	3939 Ruffin Rd. San Diego	B	1969	1	30,600	2,577	8.4%	\$2.55 NNN
	3444 Kearny Villa Rd. San Diego	B	1985	4	38,665	2,691	7%	\$2.50 NNN
	7565 Mission Valley Rd. San Diego	B	2002	1	30,721	0	0%	\$2.95 NNN

COMPETITIVE SET

Photo	Address	Building Class	Year Built	# of Floors	Rentable SF	Direct Available SF	Vacancy %	Asking Rent SF/Mo
	770 Washington St. San Diego	C	1973	3	20,832	0	0%	\$3.00 MG
	4094 4th Ave. San Diego	B	1973	3	20,076	0	0%	\$2.35 NNN

LEASE COMPARABLES

	Building Name and Address	Submarket	Class	Tenant	Execution Date	SF	Term (mos)	Rent	TI's	Rent Increase/Concessions
1	Ruffin Surgical & Medical Center 3939 Ruffin Rd. Ste 102 San Diego	Kearny Mesa	B	Imaging Healthcare Specialists	3/9/19	2,228	60	\$2.40 NNN	\$20	3% 4 mos
2	Rio Vista Building 8885 Rio San Diego Dr. Ste 301 San Diego	Mission Valley	B	Cohen Veterans Network, Inc.	11/15/18	9,094	125	\$2.55 MG	\$60	3% 5 mos
3	Ruffin Surgical & Medical Center 3939 Ruffin Rd. Ste 100 San Diego	Kearny Mesa	B	Bio-Medical Applications of California, Inc. (Fresenius Medical Care)	6/25/18	3,510	120	\$2.37 NNN	\$26.83	3% 0 mos
4	Mercy Medical Building 4060 4th Ave Ste 610 San Diego	Hillcrest	B	Regents of the University of California	3/19/18	4,628	63	\$2.55 NNN	\$55	3% 3 mos
5	Four Points Business Park 5575 Ruffin Rd. Ste 200 San Diego	Kearny Mesa	B	Zak Dental Care	11/4/17	4,500	122	\$2.60 + E	\$55	3% 2 mos

LEASE COMPARABLES

	Building Name and Address	Submarket	Class	Tenant	Execution Date	SF	Term (mos)	Rent	TI's	Rent Increase/Concessions
6	Tower 591 591 Camino de La Reina Ste 412 San Diego	Mission Valley	B	Dr. John Cassell	8/28/17	1,485	63 (renewal)	\$3.00 + E	\$5	3% 3 mos
7	Frost Street Medical Center 8008 Frost St. Ste 301/311 San Diego	Kearny Mesa	C	Joel S. Berger, DDS	8/4/17	4,205	72 (renewal)	\$2.73 NNN	\$20	3% none
8	Plaza 2020 2020 Camino Del Rio N Ste 109 San Diego	Mission Valley	B	Connect Hearing	5/1/17	1,207	84	\$2.70 NNN	\$5	3% 0 mos
9	7485 Mission Valley Rd. Ste 106 San Diego	Mission Valley	B	Mission Valley Heights Surgery Center	3/1/17	15,361	120 (renewal)	\$2.95 NNN	\$18	3%

SALE COMPARABLES

	Address	Class	Tenant Use	Execution Date	SF	Sale Price	Price PSF	Cap Rate	Buyer	Seller
1	285 N. El Camino Real Encinitas	C	Medical/Office	5/8/18	43,488	\$13,500,000	\$310	4.8%	Medicus Property Group	Custom Towing
2	3444 Kearny Villa Rd. San Diego	B	Medical/Office	4/25/18	36,665	\$20,000,000	\$517	5.5%	MBRE Healthcare	Genesis Healthcare Partners
3	145 Thunder Dr. Vista	C	Medical/Office	3/8/18	16,486	\$7,570,000	\$459	6.7%	Moss Group	Lomas Santa Fe Group
4	3905 Waring Rd. Oceanside	C	Medical	2/16/18	10,218	\$4,550,000	\$445	6.7%	Robert E. Wailes	Orthopaedia
5	4033 Third Ave. San Diego	C	Medical	12/11/17	31,605	\$9,300,000	\$294	6.0%	MBRE Healthcare	Clarion Partners
6	15644 Pomerado Rd. Poway	C	Medical/Office	7/25/17	26,287	\$8,550,000	\$325	6.6%	Shahnin & Amid Javid	Alan Clark



RENT ROLL

RENT ROLL, OPERATING EXPENSES AND NOI

SUITE	TENANT	COMMENCEMENT DATE	EXPIRATION DATE	SF	RENT PSF (MG)	BASE RENT	INCREASE	CAM CHARGES	TOTAL DUE	BASE YEAR	OPTIONS	
100-A	Alcala Pharmaceutical Inc.	3/1/19	2/28/24	5,375	\$2.17	\$11,683	3%	\$0.00	\$11,683	2019	One (1) Five (5) year	
100-B	Stratton & Green LLP	3/1/19	2/28/21	1,313	\$1.98	\$2,600	0%	\$80.00	\$2,680	2016	One (1) Three (3) year	
101	Pacific Surgical Institute	4/1/19	3/31/26	3,200	\$2.97	\$9,500	3%	\$0.00	\$9,500	2019	Two (2) Five (5) year	
200	Matthew Rifat, Esq. and Alcala Management	11/1/19	10/31/22	1,047	\$2.00	\$2,094	3.5%	\$0.00	\$2,094	2020	Two (2) Five (5) year	
205	Vernon Ray/Jim Dickinson	4/1/19	4/31/21	1,085	\$2.50	\$2,713	3.5%	\$0.00	\$0.00	2019	One (1) Five (5) year	
210	San Diego Comprehensive Pain Management	4/1/19	3/31/26	7,598	\$2.37	\$18,000	3%	\$0.00	\$18,000	2019	Two (2) Five (5) year	
215-A	The Healing Center Building Sign Fee Additional Trash & Recycle Pick up	5/1/16	4/31/21	700	\$3.22	\$2,251	3.5%	\$0.00	\$2,251 \$500 \$190	2016	One (1) Five (5) year	
215-B	Vernon Ray Management	5/1/16	4/31/21	865	\$4.21	\$3,642	3.5%	\$0.00	\$3,642	2016	One (1) Five (5) year	
LOT	The Healing Center	12/1/17	MTM			\$400		\$0.00	\$400	-		
				TOTAL SF	21,183 SF			TOTAL MONTHLY DUE	\$53,653	- \$611,644 annually		

REPAIR & MAINT EXP.	2019 EST.	REPAIR & MAINT EXP.	2019 EST.	REPAIR & MAINT EXP.	2019 EST.
Elevator Exp.	\$3,000	Plumbing	1,079		
Pest Control	\$899	Pressure Washing	incl.		
General Maint.	\$10,000	Roof Repairs	\$1,000		
HVAC Repairs	\$5,420	Window Washing	\$1,140		
Janitorial	\$37,309	Building Monitoring	incl.		
Janitorial Supplies	incl.	Fire Prevention	\$743		
Tree Trimming	\$1,000	UTILITIES			
Landscaping	\$8,190	Telephone/Internet	\$1,704		
Landscaping Supplies	incl.	Fire Alarm	\$952		
Pkg Lot Sweeping	incl.	Pkg Lot Lighting	incl.		
Pkg Lot Repairs	incl.	Trash	\$2,980		
Pkg Lot Lights	\$500	Water/Sewer	\$5,691		
				TOTAL	\$164,835
					\$0.71

Annual Rental Income*: \$611,644

Expenses: \$164,835

NOI: \$446,809

***Excludes rent bumps; 5% vacancy factor**

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