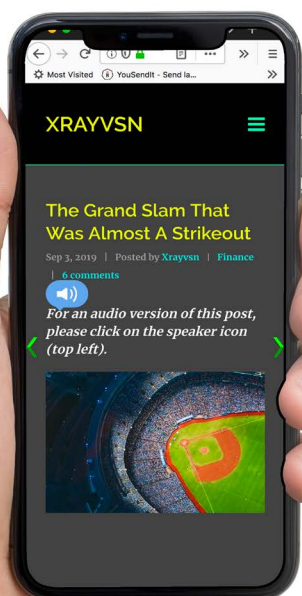


How Montecito Helped a Radiologist Make the Most of His Medical Office Investment

As a radiologist in the Southeast described it in his blog, Montecito Medical put him in a position to hit a financial “grand slam.”



To read this physician's longer story, visit his blog: <https://xrayvsn.com/2019/09/03/the-grand-slam-that-was-almost-a-strikeout/>

The radiologist, who blogs under the moniker XRAYVSN, is part of a large, dominant multispecialty practice in a fast-growing market. In 2007, when his group built its own medical office in a largely undeveloped area, the radiologist took advantage of an opportunity to buy five shares in the new building, even though it stretched his finances considerably.

Just as his partners had hoped when they chose the site for their new offices, a major medical center complex arose nearby. The value of the land and the building appreciated dramatically, which made the ownership shares much more valuable, too.

As part of the group's operating agreement, older shares were split so that individual shares could remain affordable to new partners. Two rounds of 3:1 splits, plus XRAYVSN's purchase of six additional shares between 2013 and 2016, now gave him 51 shares.

Over the years, potential buyers had approached the group with “substantial” offers. But the physicians had little desire to sell as the property's value continued to appreciate. “We often joked that it would take an eye-popping offer” for the partners to agree to sell, XRAYVSN recalled.

Then, Montecito placed just such an offer on the table. After careful deliberation, the physicians agreed that the time was right to monetize their trophy asset through a sale-leaseback transaction that enabled them to reinvest a portion of the proceeds back into the property.

When the transaction for the building closed in 2019, the radiologist realized a gain of 23x on the five shares he had purchased 12 years earlier. Factoring in the additional six shares he purchased later (at a higher cost), his overall return was 15.5x.

“It was by far the largest check I have ever received in my life,” wrote XRAYVSN. By his calculations, thanks to the deal with Montecito, “I have essentially leapfrogged three or four years of my previous timeline of where I wanted to be financially.”

Through Montecito's unique PREP program, this physician reinvested back into the building, which Montecito will eventually sell as part of a portfolio of medical office properties that historically has commanded premium pricing. As a reinvestor, XRAYVSN will enjoy monthly distributions, significant tax benefits, and a proportional share of the profits — a second bite of the apple — when the portfolio is sold. In this way, he not only has reaped the benefit of his original investment but has laid the groundwork for ongoing financial success.

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