

MARCH 2022

OUR VIEW



Our View of the Medical Office Market

A Note from Chip Conk:

After another record-breaking year for our company, we began 2022 with great energy and excitement. We believe Montecito's 2021 results further validate our approach to the medical real estate market. Some highlights:

- We transacted on 114 buildings representing 3 million square feet and \$1.45 billion in value. Based on the number of individual transactions, we can say that more medical office owners entrusted their real estate to Montecito than to any other buyer.
- Taking advantage of high institutional demand, we completed a portfolio sale of medical office assets, realizing cap rate compression of 133 bps, with an equity multiple of 1.4x, an IRR of 24% and over 10% annualized cash yield for our investors during the hold period. The sale affirmed our strategy of carefully assembling medical office portfolios to achieve premium pricing under today's favorable market conditions.
- During Q3 and Q4, we raised more than \$300 million in equity capital for our third physicians' medical real estate fund. This amount represented nearly four times the size of the capital raise for our previous fund—a reflection of the increasing interest by individuals in Montecito's investment opportunities.

As we enter an environment that potentially will include higher interest rates, we remain confident in the industry fundamentals that support our efforts, including the sustained growth of the healthcare sector; high occupancy rates, strong credit and long-term stability for medical office tenants; and investor demand that supports deal flow and incentivizes portfolio sales.

We also remain confident in our distinctive approach, which focuses on building strategic relationships with owners of medical office properties.

With that in mind, in addition to our real estate services, we have partnered with an award-winning AI studio to drive innovative software solutions that help providers reduce costs, grow revenue, improve operations and better serve patients. That represents a natural progression for Montecito, given our early investment in data and analytics that has helped us identify prime opportunities for medical real estate acquisition.

Our philosophy has always been simple: "Physicians take care of everyone. Montecito takes care of physicians." Our technology products, like our approach to real estate, help us build deeper relationships with physician groups and make greater

contributions to their success. That in turn positions Montecito even more strongly to be their choice as the buyer and long-term manager of their properties—and make the most of the opportunities in today's medical real estate marketplace.

A handwritten signature in blue ink that reads "Chip Conk".

Sincerely,
Chip Conk



Chip Conk, CEO,
Montecito Medical Real Estate

“ We’ve Been Busy! ”

In 2021, Montecito closed on medical properties valued at more than \$900 million. Here’s a sample of our recent acquisitions.



Granger Medical Clinic
West Valley City, UT



Ambulatory Surgery Center of Western New York
Amherst, NY



Sano Orthopedics Beacon ASC
Lee’s Summit, MO



Perimeter Center Commons
North Scottsdale, AZ



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