

SEPTEMBER 2021

OUR VIEW



Our View of the Medical Office Market

A Note from Chip Conk:

I am pleased to report that, more than halfway through 2021, Montecito remains on pace for another record-setting year in medical real estate acquisitions. We believe this represents great news for both medical office owners and for those who invest alongside us in these properties.

Driven by concerns over the risks of higher inflation and interest rates, along with proposals to raise capital gains tax rates, many medical office owners are showing interest in selling their buildings in 2021 — and locking in value while the opportunity remains available. Meanwhile, we continue to see active interest from institutional investors, who have demonstrated a desire to pay strong pricing for carefully assembled, diversified medical office portfolios.

We validated this institutional demand recently in the sale of a large portfolio of medical office properties.

The portfolio generated significant interest in the marketplace, attracting competitive offers from multiple institutions. Final pricing reflected the market demand, and the portfolio achieved significant cap rate compression in excess of our underwriting expectations.

We believe our results for investors speak to Montecito's distinctive and increasingly popular approach to medical real estate — as evidenced by the choice of physicians to retain more than \$65 million in equity in their buildings through our PREP program. They also speak to the steadily growing demand we see from investors for medical office properties.

We believe that this demand will continue to grow as medical office solidifies its position within the larger field of commercial real estate, driven by the needs and preferences of an

aging population and by payors attracted by the high quality and lower costs of care delivered in outpatient settings. We would welcome the chance to speak with you about how we can help you capitalize on opportunities within the current medical office market.

Sincerely,

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

Chip Conk
CEO



Chip Conk, CEO,
Montecito Medical Real Estate

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The outlook for the MOB and outpatient asset class remains strong, highlighted by increased investor demand for the sector's resiliency, a favorable capital markets outlook and macro-level tailwinds that continue to support the demand for healthcare services space well into the future.

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— Newmark Medical Office Building Capital Markets Report

“ We’ve Been Busy! ”

So far in 2021, we’ve closed on more than 724,000 SF of medical office properties. Here’s a brief sample of our recent acquisitions.



UNC Health MOB, Pittsboro, NC
One Building | SF 25,610 SF



Water Leaf MOB, Austin, TX
One Building | SF 26,000 SF



Surgery Center at Cranberry, Cranberry Township, PA
One Building | SF 20,650



Stony Point MOB, Richmond, VA
One Building | SF 80,779 SF



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