

New Montecito JV hits ground running

COMPANY ALSO FORMS NEW PARTNERSHIP TO MANAGE PROPERTIES IT BUYS

By John Mugford

In the 19 months or so that Santa Barbara, Calif.-based Montecito Medical Investment Co. (MMIC) has been involved in healthcare real estate, it has become one of the country's fastest growing owners of medical-related properties. Through an aggressive acquisition program, Montecito has accumulated a medical office building (MOB) portfolio of about 26 properties valued at more than \$400 million.

COMPANIES

Some of those acquisitions have been made through partnerships with other firms, such as Newport Beach, Calif.-based Buchanan Street Partners and New York-based ING Clarion Partners.

In recent weeks, Montecito entered two new joint ventures that could make it an even bigger player in healthcare real estate.

First, Montecito is teaming with Chicago-based Harrison Street Real Estate Capital (HSRE) to buy and develop a portfolio of MOBs throughout the country. During the next three years, Montecito and Harrison Street plan to acquire and develop an MOB portfolio worth more than \$500 million. On its own and with various partners, MMIC has a goal of acquiring a portfolio of more than 2 million square feet of medical space in the next few years.

Montecito's other venture is with Houston-based PM Realty Group (PMRG), a firm that's well-known for providing property management services for MOBs. The company is also involved in leasing services, investment sales, construction management, and other real estate-

related activities in the healthcare industry. The company's Web site says it manages more than 150 million square feet of space and provides its services to a portfolio valued at more than \$25 billion. It has 25 offices throughout the country.

As a result of its venture with PM Realty, Montecito has formed Montecito Medical Management.

Hit ground running

In kicking off the partnership between Montecito and Harrison Street, the joint venture acquired three properties in recent weeks:

Rockwall (Texas) Medical Office Building is an 85,114 square foot building located adjacent to the new 80-bed Presbyterian Hospital of Rockwall. The MOB was completed in 1986 and is about 85 percent leased with a variety of tenants such as primary care physicians, rehabilitation/physical therapy, allergy/immunology, general surgery, gastroenterology, and oncology.

Hilo Medical Building is a 22,751 square foot building located in downtown Hilo on the island of Hawaii. It was completed in 1986 and is 100 percent occupied by the Hawaii Health System Corp., the nation's fourth largest public hospital system.

Premier Medical Center in Pasco County, Fla., is a 20,760 square foot MOB built in 2006 and is located about a mile from the future Trinity Medical Centre, scheduled to open in mid-2008. Trinity is part of Nashville, Tenn.-based HCA. The hospital is about 25 minutes north of Tampa.

In acquiring properties, MMIC states that it looks for MOBs constructed during the 1990s or later that are

located on a hospital campus or within walking distance of a hospital. It prefers buildings with more than 30,000 square feet.

In launching the joint venture with Harrison Street, MMIC's president and CEO, Chip Conk, said in a news release that the two firms have enough experience and resources to move quickly in closing deals, even complicated ones.

"The Harrison Street joint venture provides the financial resources for Montecito Medical to realize our long term strategy, which is to become the undisputed leader in superior medical related facilities throughout the U.S.," he adds.

As for Harrison Street, the partnership with MMIC is the 10th it has entered in two years. The firm typically provides capital to developers and operators in education, healthcare or storage-related real estate.

Privately held MMIC, which owns more than \$400 million of medical-related real estate, was launched by Jacksonville, Fla.-based Montecito Property Co. LLC, which made its mark converting apartment buildings into for-sale condominiums.

MOB management

Heading Montecito Medical Management is Scott Kuklish, the EVP and managing director. Previously, Mr. Kuklish was director of PMRG's Pacific Region. In addition, Richard Rains is SVP of medical property operations for the new joint venture.

Montecito's management arm currently manages MOBs in Arizona, California, Florida, Georgia, Hawaii, Maryland and Texas. □