

Gurpreet Padda 0:00

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Trisha Talbot 0:42

This is the provider's properties and performance podcast, the podcast that brings together leaders in healthcare and investment real estate to consider the possibilities in future at the intersection of practicing medicine, and healthcare real estate investment returns. Welcome to the providers properties and performance podcast. I am your host Tricia Talbott. As a healthcare real estate adviser to providers and investors the best solutions occur when the two collaborate together as partners in delivering better patient care. providers can deliver care to their patients when and where they need it. And investors realize the returns to build and manage facilities. We explore changes in medicine and wellness the future of healthcare and using real estate as a strategic and financial tool.

Trisha Talbot 01:25

The next two episodes of the podcast is with a guest Gurpreet Padda. He is a private practice physician out of St. Louis, Missouri, who runs reversing diabetes MD and Padda Institute center for Interventional Pain Management. He also runs Red Pill Kapital, which is a real estate investment development and management company. And he is an advocate for educating private practice physicians on passive wealth strategies through owning real estate. So welcome to Gurpreet. And I look forward to the conversation.

Welcome to the providers properties and performance podcast.

Gurpreet Padda 2:02

Thank you so much. Appreciate it

Trisha Talbot 2:04

Though, you're an excellent resource for many of my listeners, because you're a private practice physician. And you're also a commercial real estate investor. So they can relate to your lessons learned and words of wisdom that you may have. Did I miss anything else that you do?

Gurpreet Padda 2:21

I've done a little of every silly thing in the world. And so right now I'm 56 years old. I feel like I've done enough stupidity to fill a couple of books. And so there's a thing every Mark Twain said this, you're never gonna live long enough to make all the mistakes. So you better learn from

other people. I've made enough mistakes that maybe some of you can learn from some of the silliness that I did.

Trisha Talbot 2:44

Oh, fun, okay, so this would be a great conversation. So just to give everyone kind of a frame of reference. So you specialize in interventional pain management and diabetes treatment.

Gurpreet Padma 2:53

Yeah. I'm boarded in anesthesia and boarded interventional pain, I'm boarded in Addiction Medicine, and I'm certified for basically low carb, nutritional health and reversing diabetes. So I'm triple boarded. And then but I specialize in an area, it's an emerging area, it's about metabolic inflammation. So it's dealing with people who have very significant effects from our contemporary diet are abnormal, and how that impacts our population. And that convergence is really metabolic inflammation. That's where obesity, that's where addiction and chronic opiate use for pain all collide. And that's where I believe the vast majority of our resource dollars are spent in the United States, it's about probably half to two thirds of our health budget and about 10 to 20% of our GDP.

Trisha Talbot 3:49

I wouldn't disagree at all based on it, and you're based out of St. Louis, Missouri, and you have the two private practices, the pata Institute center for interventional pain management and reverse diabetes, MD.

Gurpreet Padma 4:00

Yeah, we've got probably seven or eight clinics, we've got two major practice lines. But we've got seven or eight clinics that we're in, but we've got to two major practice lines. So we go down.

Trisha Talbot 4:13

And then on the real estate investment side, you have red pill capital, and you began your commercial real estate career at 14, before you even started down the path of becoming a doctor.

Gurpreet Padma 4:24

I came from India when I was, I guess, eight or nine years old. And we lived in the hood. I lived in St. Louis city. I lived in the clean town, which was really the ghetto back then. And we didn't have any money. So I had to hustle to figure out how to make money to get the things that I was interested in getting. You know, if I wanted something I had to figure it out. And so it's really unusual to have a little kid with a turban going door to door selling greeting cards to people.

Gurpreet Padma 4:54

Little does he know what Christmas is selling Merry Christmas cards to people that you quickly find out are not going to be there when you're there to deliver their card, but you prepaid for it. So I learned from the school of hard knocks, when I was very young. And then eventually, by the time I was 14, I started to get into real estate. I started in construction, and I, you know, ground

up learning construction, tenants, toilets, termites, the whole shebang. And by the time I was 16, I managed to hire people to work with me. And I hired people that had skills. And because I didn't, I was a kid. And I knew that I could, I figured out that I could save enough money to hire other people. And so I hired contractors to come work with me, and they would drop me off at my high school, in their trucks. And I would take phone calls in the cafeteria from them. And they would tell me what their status in the project was at that moment. And so that's how I kept in contact with my contractors through high school. His phone calls because we didn't have cell phones, we had landlines.

Trisha Talbot 6:00

That's, that's crazy, very resourceful. Did you immediately go into private practice when you did graduate from medical school?

Gurpreet Padma 6:08

So I graduated from medical school, I went into residency and Chicago, I thought I was going to go into surgery. And it happened that the nursing strike of Chicago happened at the same time in Cook County Hospital when I was in surgery. And so for about six months, I didn't leave the hospital. And that's when it dawned on me that if I was going to have a life outside of this, I was going to have to figure something out outside of surgery.

Gurpreet Padma 6:33

At the same time, I was still doing my real estate stuff, and I was buying and selling property and I was still rehabbing. And that's hard to do when you're in a residency for general surgery. And so it dawned on me that I had to figure out a better way. So I went into the anesthesia thing, y'all I'm gonna have more free time. And that wasn't the case, I ended up going into pediatric anesthesia, ended up doing heart liver lung transplants, and eventually got into interventional pain. So I was very academic for a good 10 or 12 years, I published a lot of papers and did a lot of research. In the process of doing the research, I realized I didn't even, though I knew the practical aspect of finances, I didn't have a good understanding of currency flow. I didn't understand macroeconomics. So I went off.

Gurpreet Padma 7:18

And while I was in academic anesthesia, and publishing, I decided I was gonna go ahead and get an MBA. So I got an MBA in finance, and learned about currency flow and arbitrage and backed into where most people graduate from when they graduate with an MBA, they, you know, it took me a little bit longer, and I learned those concepts, and then I was able to then apply the broader knowledge of macro economics as how it applies to me directly. And then I went into private practice. After I did all that 10-12 years after residency, then I was like, Alright, well, now I need to go do private practice, I need to do something new.

Gurpreet Padma 7:56

And so then I started doing hospital based medicine and private practice. And then I started my own clinics after that.

Trisha Talbot 8:04

You think that getting you know the business degree helped you run your practices easier? or What did it make a difference? Do you think had you started your private practice before getting that business degree?

Gurpreet Padma 8:17

It made it easier to talk to other people. But it didn't make it easier in terms of running the practice. And I have to tell you, I mean, I'm probably the worst person in the world to say this, but I get intrigued by things and I start learning about them. And before I know it, I'm, you know, three wells deep in it. And then I'm like, Well, I might as well finish this and learn this. But had I done it. In the beginning, I would have skipped a lot of these steps. Had I known then what I know now, I would have totally done this differently.

Gurpreet Padma 8:50

I would have probably done business school or some variant of B school, you don't have to, nobody cares. If you have an MBA, you don't walk around with a super hero badge on your left chest going, I have an MBA and an MD. Now they don't really care, it's irrelevant.

What they want to know is do you have the capacity to think? Do you have the capacity to make decisions? And are those decisions appropriate?

Gurpreet Padma 9:18

Now the thing is, most people make decisions, they make their decisions emotionally. And then they use rationalization to justify their decision. And people with MBAs just can justify their rationalizations better, but that doesn't mean their decisions are any better. So once you have an emotional set that tells you what the correct answer sets are. Certainly the MBA helps you justify that. But had I done it over I would have probably skipped a few steps. I'm not saying that I didn't enjoy every part of what I did. But if I was trying to be more business oriented, I would have gone to that directly. Hell, I might not have even gone to medical school, I might have just jumped straight in and said you know, I'm gonna do this and I don't think That's formalized education is as much as we think it should be. I don't think it's in reality, as big as important as it should be. Now, certainly you need formalized education to be a doctor, because we licensed people out. We want them to do well.

Trisha Talbot 10:16

But they have to know. anatomy and you have to have an aptitude for science and math and those things. You know, for certain especially, I mean. Case anesthesia. I mean, you have to calculate body weight.

Gurpreet Padma 10:28

But as in terms of the applicability of all that to real estate, I think it gives you concepts. It allows you to have discussions with bankers, it allows you to have a better understanding. But it doesn't necessarily improve your outcome with, you know, the extra couple of letters behind

your name. If you make goofball decisions, you still make goofball decisions, no matter how many letters you have behind your name.

Trisha Talbot 10:54

I totally agree. Well, I want to spend some time on this interview with regard to you know, the path of passive wealth strategies that you try to educate physicians on. But I just want to spend a minute on your real estate of your specific practices. But before we get into that, so how did you decide which medical specialty you want to pursue? How did that come about?

Gurpreet Padma 11:15

So I am an adrenaline junkie, I've always been an adrenaline junkie, and I have horrendous ADD. And so had to figure out how to channel my energy, my mother would actually when I was a little kid, by things that I could break, she would literally go to garage sales, buying stuff that she could get for a buck, and then give it to me, so I could take it apart and try to put it back together again. And so you know, when you've got horrendous ADD, you've got to figure out how to channel it. And so I went into what I thought was gonna be really cool, which was going to be trauma surgery, because I love the concept of the speed of decision. And I love the algorithm.

Gurpreet Padma 11:55

And I loved like that, that just sudden panic, and then the calmness that overcomes you, when everything becomes clear. I love being in that focus phase. And so that's why I went into that. But then I liked, I liked the mechanics of that, but I like the chemistry, the cerebral aspect of anesthesia. And then I went into interventional pain, because it had both. And then as I got a little bit older, and my brain calmed down a little bit, I increased my omega three ratios. And my brain started the myelinate, a little bit better. And I started to think longer term, I was able to think of why patients were sick as they were. And that's what got me into reversing diabetes and addiction.

Gurpreet Padma 12:39

And it gave me an opportunity to spend a lot of time thinking about epidemiology and thinking about health in a global sense. So it started from a hyper frenetic phase, all the way through understanding myself, and then understanding the population in general. As I transitioned over to that population, in general, my macroeconomics really kicked in, and then I was able to see how capital flowed across the world and how that capital flow impacts our health, and then leveraging on capital flow, I was able to see how that impacts the markets domestically. Right now you're seeing these huge bubbles in cryptocurrency, you're seeing huge bubbles in the stock market, you're seeing things going upside down, right side up. I monitor that because I used to be an arbitrage. And so you know, monitoring those kinds of things, just to have a better understanding constantly.

Gurpreet Padda 13:29

You know, what, what's the Federal Reserve going to do with what's going on with the x y? What's going on with the valuation of our dollar? How does the change anticipated Biden's tax reform? How does that change the real estate market? How does it change the stock market, all of those things are relevant. And so I try to keep abreast of macro economics, but then recognize that everything I do is done at a micro level.

Gurpreet Padda 13:54

Real estate is a hyper, hyper micro investment. It's not even an investment in a state or a city, a neighborhood, it's an investment in a particular project, on one side of the street, and what's behind you in the alley and what's immediately in front of you, and how that particular micro investment works out, makes all the difference. And it's so hyper, that it may be determined by your tenants and may be determined by individual tenants and the behavior of the tenants and the quality of your tenants. And so you have to go from a big macro picture of this global world down to that very, very micro, you have to recognize the macro picture impacts your future in a huge way.

Gurpreet Padda 14:38

To give you a simple example, if they get rid of the 1031 exchange, that's going to significantly reduce the number of people flipping properties, because then they can't carry over their profits to the next property without paying taxes on it. That will be a 40% reduction in net cash. And that's going to significantly reduce people trying to sell their property, so it'll bring construction to a grinding halt. Same thing with some of the other macro changes. Once you recognize macro changes, then you can apply it to your local environment.

Trisha Talbot 15:11

Ya no, real estate is full of a variety of disciplines to make a successful project for sure. So in your locations, do you own those? Do you own all of the locations where you have your practice?

Gurpreet Padda 15:22

Yeah, we've only had one location where we leased. And that's because we were purchasing an asset for a business, it was a medical practice. And I think we also just recently purchased a shoe manufacturing plant. And so I think those are the only two assets that were leased. But we're in the process. As soon as we acquire something, and it's leased, we quickly within the next year, move it to a location that we own, we want to generate that revenue, and hold that revenue internal.

Gurpreet Padda 15:50

There's always a funny thing about, you know, how does your dentist get rich? Well, he buys his building. And 25 years later, when he retires, he's got a forced savings plan of a million and a half \$2 million. I think that a lot of medical physicians don't recognize that. The dental industry recognized that a long time ago. But medical physicians for some odd reason think that it's okay to throw 35 bucks a square foot into lease cost per year. And it doesn't even make sense. If you

really look at it, they're not getting the benefit of the depreciation, they're not getting the benefit of the appreciation. They're not getting any leverage. And they're making somebody else like me who owns real estate more money.

Trisha 16:30

No, yeah. And some of them, you know, some of them need to be located near a hospital. And those are usually developers that have purchased the land and such but with your locations, you're talking about the macro and micro. So when you were looking at where you were locating them, did you have any parameters that were must haves for you?

Gurpreet Padma 16:50

Yeah, I located them based on where the patients were going to be. And so hospitals want to be nice locations, they want to be the ivory tower, they want to be the place, that's a destination. But that's not where the patients live. You want to be where the patients are, that's easy for the patient to get to, you know, has adequate public transportation and has a high density of patients. And so you may not want to be in a class A area, you may, you also don't want to be in a war zone, although we put in clinics in war zones. But you know, you want to be in a B or C location, and you want to have adequate parking, you have to approach it from the patient's perspective, where does the patient want to go.

Gurpreet Padma 17:33

So you almost are looking at more retail stuff, rather than anything else. So this is a historic opportunity to buy retail real estate right now, when something goes up, something else invariably goes down. What's gone down during the pandemic is retail real estate, because people think, Oh, it's never coming back. And I have to tell you that everything is cyclical. And when people have excessive fear, that's when prices are really low. And that gives you a margin of safety to buy that thing. When everybody wants to buy a particular asset group, your prices are probably too high. Right now everybody wants to buy a multifamily. And multifamily is hot, and it keeps getting hotter. And unfortunately, it's gotten so hot that the rates of return for which we measure as a cap rate or for a lot of places for class B or A those cap rates are down to 4%. What would the interest rate get to 4%, you're in trouble. Because if your interest rate is the same as your cap rate, you're screwed, you can't make any money. And you have to maintain at least a couple point difference between the cap rate and the interest rate.

Trisha Talbot 18:40

Yeah, and it's interesting what you say about retail because a lot of healthcare companies that have been interviewed by the healthcare real estate industry on the financial side, you know, they've said, Hey, you know, come up with something new and different for us. And that is a little bit more there because some practices like dialysis, oncology, you know, yeah, next, thoroughly doesn't make sense to put near a movie theater. But, you know, some of the other practices that, you know, people either for health and wellness, or, you know, makes sense to be co located with other things that you're doing, like, you know, I want to go to the target, and then I, you know, and then you know, I'll go and go get my well check, and then, you know, I'll go and see a movie.

Trisha Talbot 19:20

I mean, that can all be done in one area. And so a lot of the healthcare practices that do that are saying, Hey, you know, come up with something creative like that for us because, again, we want to be easily accessible to our patients. We want to be convenient for patients. We don't want patients sitting in our waiting room, you know, we want it to be less of a like, oh, you're going to the doctor atmosphere, but hey, I need to go and get my well check and then you know, I need to do my other things in life.

Gurpreet Padma 19:46

Yeah, I mean, my ideal circumstance when I because I've actually this is one of the projects I'm working on right now. We are co located next to b grade grocery stores. So the Aldi's of the world, grocery stores that are not like super high tier, if you wanted to be high tier, I wouldn't locate next to Whole Foods, I would locate next to Trader Joe's. If you want to be at that higher end, but what you want to do is you know that these people are going to go to the grocery store at least once a week, maybe every other week, it's not going to be difficult for them to see somebody in a clinic setting every couple weeks or once a month or once every other month. If they're getting dialysis, you already know what their socioeconomic class is, you already know that they're likely to have diabetes, you already know the population that you're dealing with. So then figure out where they go to the grocery store, and then buy that retail center, because then and then put a dialysis center there.

Gurpreet Padma 20:42

But at a toll, put in an urgent care center there, you know, you know that there's a comorbidity of cancer, you know, that you're gonna have GI dysfunction. Maybe you put a surgical center there, maybe put an ASC in, there's a whole host of peripherals that you can base off of people's behavior. And so that's first you have to build that avatar in your head, who is this customer that I'm trying to attract? And where are they going to be? I'm not going to attract this customer that has renal dialysis three times a week, who is unemployed, because they they have renal dialysis three times a week, I'm not going to attract that customer in a class A high rise in a hospital.

Gurpreet Padma 21:22

They don't want to go to the hospital, they're afraid of the hospital, they might get COVID there and so they're trying to avoid these things. And so I put myself in the shoes of that customer every time and ask myself, what is the experiential nature of what they're trying to achieve? I didn't come up with this on my own. I mean, obviously, but that's how it worked. I got more of this, we opened up probably five restaurants. We have a restaurant division, we sold the entire restaurant division, literally in one week, in October of 2019.

Trisha Talbot 21:53

Oh my god, how well did you time that?

Gurpreet Padda 21:56

There were some changes that we're looking at, we were looking at the repo market, and the repo market was crashing. So we knew that the crash was coming in the US economy, the US economy actually crashed in October/November of 2019. We got COVID in the US. The first cases were probably in January/February that we knew. And then by March, we shut down. But the repo market crashed first, it crashed in October. And that's what we were paying attention to. We didn't know anything about any of this other stuff coming. But we're like, well, if the repo market crashes, that means that there's a liquidity event that's going to happen six months to a year from now, we don't want to be in a retail business, selling food, if we don't know what's going to happen. So we better sell our restaurants.

Gurpreet Padda 22:37

And so we had started the restaurants after the previous crash 2009-2010 is when we started them, we sold them in 2019. Because everything goes in cycles, everything is cyclical. So you want to exit before everybody else is running for the exits. You want to be out before that happens. Otherwise, you lose money. This is the optimum time to go into the restaurant business right now, because there's so much vacant space. So if you simply wanted to become a restaurant, this is ideal, because you can buy assets for five cents on the dollar right now. And 35 to 50% of all restaurants are closed. In some places 80%. And so if I was on a restaurant tour again, I would go into the business today.

Trisha Talbot 23:18

Well, I live in Arizona and the restaurants are in full swing here to the point where you have to book a reservation a couple weeks out for the good ones. I mean I find it interesting. And I talk to people in other parts of the country and they're still in lockdown. And so it's an interesting time here in Arizona.

Gurpreet Padda 23:37

Yeah, I have access to the numbers from the restaurants that we sold. And we had positioned them very well when we sold to them and they managed to do very well through this because we had already put in systems for home delivery for all of them. And we had already systematized it to make sure it worked. And then I've just looked at their numbers like literally yesterday, they are 50% higher, because other restaurants closed. They're 50% higher sales volume here than they were before COVID. And so they actually are hitting numbers like I've never seen, because the other restaurant the other the other supply disappeared.

Trisha Talbot 24:14

Yeah, crazy. Well, transitioning into the investment side. So you're very passionate about educating clinicians on creating passive cash flow and equity growth. And one of your comments is that you state that many physicians die broke. So why is educating your clinician peers on financial education and passive wealth opportunities so important to you?

Gurpreet Padma 24:35

Yeah, because I've seen it firsthand. I've seen physicians that are just amazing. I mean, they're the best clinicians on earth. And they take care of patients that are really really sick, and they spend their entire lives doing this and at the end of the day, they die broke. They die just like everybody else. They run out of money. They actually die broke faster because their expenses in the first place are high. And they think that they're always going to have that income for the rest of their lives. And it disappears the day they quit working.

Gurpreet Padma 25:10

See, the thing is physicians, they work, and they get paid. But they don't, they don't have any passive income. And as long as they work, they get paid, and they get paid very well. But they don't have any passive income. And they typically listen to people that appeal to them. And what I mean by that is that, and this is going to be a negative thing. But this is true. Physicians by their very nature are narcissistic. We have to assume that what we're doing is correct. And with that comes a little bit of narcissism. Everybody that assumes that what they're having to do is correct, is at some point or another, going to believe in themselves more than they should. And if that's the case, then they behave in a way that's narcissistic. Now, people that are predators, prey on narcissism, you know, if you're a good salesperson, and you can identify who's somebody who's narcissistic, it is really easy to get them to do what you want them to do, because you just keep complimenting them.

Gurpreet Padma 26:05

And you tell them how smart they are. And before you know it, they're doing what you tell them to do, because you complimented them. And so physicians fall prey to that, because they don't recognize they're narcissistic a little bit. And the salespeople keep complimenting them. That's why we have sales reps, they come into your office, and they keep complimenting. What a great, beautiful office and what a great job you're doing. And they get you to do whatever they want you to do. And unfortunately, that's just the reality of becoming a physician. Now, when you get complimented, and you're making decisions based upon what somebody else tells you, if you go into the stock market, most likely you're going to go into funds, because you're not going to pick your own stocks, because you weren't educated in it. And so you're going to pick funds based upon what somebody tells you. Most funds charge 2% annually, just on the money that's holding there, and they charge 20% on the actual profit that they make, but no matter what they're gonna charge you 2%.

Gurpreet Padma 27:01

And if you look at most of the stock market investment in funds, it doesn't get above the S&P 500 for the vast majority of funds. Now there are exceptions, obviously, but those are unique. But the vast majority of funds, probably over 85% of them when you take out the fees, underperformed the S&P 500 and you don't get any tax benefits. And those investments are capital investments, and they rarely will pay dividends long term. So they work by appreciation rather than cash flow. And so physicians need to understand the concept of cash flow, and that you need a constant revenue stream that you don't have to live off of the principle that this revenue stream comes to you just like your salary does but without your working. And so that's

what got me interested was because I was trying to help other physicians, and I realized that there was just a disconnect between that understanding of cash flow and income and capital appreciation.

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