

Josh Richmond 00:00

If you're in a general office building, and the lights don't come on one day, well, you can ask your employees to work from home in 2021. And that's not the end of the world, you can still keep things going. In the practice of medicine, you're done for the day, and you're having to try to work around rescheduling all of these patients. And so it's a logistic nightmare. It's a revenue concern. And then beyond that, just in terms of the quality of the facility itself, it's your brand and your patients are walking into your facility and they are already making judgments about their care based upon the cleanliness, the capital conditions, access and things along that vein.

Trisha Talbot 00:44

This is the Providers 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.

Trisha Talbot 00:59

Welcome to the Providers Properties and Performance podcast, I am your host Trisha Talbot. 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 01:26

Welcome to this week's episode of the Providers Properties and Performance Podcast where I interview Josh Richmond, founding Principal and President of Evergreen Medical Properties, where we discuss how investing in health care properties is much more than just the numbers. The long term investment success of healthcare real estate property involves the long term success of the health care companies and clinicians that occupy the property and meeting their needs to be able to successfully treat their patients. So welcome Josh!

Trisha Talbot 02:00

Josh, welcome to the Providers Properties and Performance podcast.

Josh Richmond 02:04

Thank you. I'm excited to be here.

Trisha Talbot 02:05

So tell me the background story behind Evergreen Medical Properties.

Josh Richmond 02:09

Alright, yeah. So Evergreen Medical was born out of conversations with mentors of mine throughout my life both personally as well as a professional, a fella named Bill Fryer. So I'm originally from Atlanta, Georgia. Bill had a successful career in law, and then left the legal profession in order to open up an investment management company. He had always been interested in the medical sector, I think we

would chat on and off about it, probably, I'd say, three or four times a year whenever he ran across something he was interested in, but never really did much there. And one day, we were having just one of those chats. And in that conversation started to coalesce into creating a company together and really what caused it to do so was kind of some shared values around what we thought real estate investment companies should have in terms of the ethics and the value systems.

Trisha Talbot 03:08

And what are some of those shared ethics and values that you guys aligned on?

Josh Richmond 03:13

Primarily around alignment, but then also transparency. So from an alignment perspective, Bill came into the investment management space, trying to find ways for the actual investor who's putting the bulk of institutional capital into investment, finding ways for them to be better aligned with the investor, somebody like myself. And believe it or not, there's a lot of misalignment between those parties in the industry. And what I was seeking, as I started thinking about creating a company, was the same, but it had one extra step to it. And in most asset classes, the tenant is despite housing, their business, their or maybe housing themselves, they're, they're actually not as big of a stakeholder in the real estate itself.

Josh Richmond 04:05

And in medical, it's a little different when you're actually providing care. If you were in a general office building, and the lights don't come on one day, well you can ask your employees to work from home in 2021. And that's not the end of the world, you can still keep things going. In the practice of medicine, you're done for the day, and you're having to try to work around rescheduling all of those patients. And so it's a logistic nightmare, it's a revenue concern. And then beyond that, just in terms of the quality of the facility itself. It's your brand and your patients are walking into your facility and they are already making judgments about their care based upon the cleanliness, the capital conditions, access and things along that vein. And so here in our sector more than I would say any other sector that may be Senior living, the occupants actual tenant is a major stakeholder. And so as much as possible at Evergreen, we're really looking to align those three groups in the medical office building, we're looking to align the tenant with the investor and with the operator of the investment company.

Trisha Talbot 05:20

Obviously, what you just said comes with a lot of experience behind it. So how did you start your career thinking that you were going to become involved in healthcare real estate? How did that happen?

Josh Richmond 05:33

I don't think anybody, particularly in 2000, was expecting that they would go into healthcare real estate. I think most people fall into it and realize how much they like it. I would imagine some of that is similar with you. Yeah, no. So I graduated with a mobile arts degree, which basically meant that I learned a little bit about how to think but not how to do anything super useful to an employer. And so that was, that was all fine. And so I decided I really needed to get a career going. But yeah, it was actually a family business. My father was a medical office developer in Atlanta, he got into the business in the late 70s, through some relationships he had with my grandfather, who was a general surgeon. And he

started kind of pioneering the physician investment model back then, and then scale that over time. And when I graduated from college, he was taking this company through kind of a new iteration of its life, and was looking for, I think, some really cheap labor that might also be invested. And he brought me in, and it ended up being kind of a blessing, because there aren't that many people in the world that can fall into something that they like that much right out of college, you know? Most people have to strive to bounce around a little bit. And so I feel pretty lucky to have fallen into it. So yeah, I've never done anything but outpatient medical, focused on it there, kind of cutting my teeth on the leasing and development side, and then ended up transitioning over to working for two of the largest healthcare REITs in the market.

Trisha Talbot 07:16

I love that story. So Evergreen Medical Properties, you have offices in Denver, and Atlanta, and then do you have any specific area you concentrate, or do you just follow the opportunities?

Josh Richmond 07:26

Yeah, so we're pretty targeted investors, you know, there's a lot of people out there just buying on velocity, we tend to really fall in love with an asset, or, more importantly, frankly, the providers and the asset is ultimately I think they're the biggest part of the value. But either way, we ended up having a lot of conviction about a particular investment and then going really hard at that from an investment perspective. And that requires that we do it nationally, you know, my experience is investing across the lower 48. It's important in our sector, just in terms of your personal life, to be able to have a relatively central location and or locations that have airport hubs that can get you into some of the smaller markets.

Josh Richmond 08:11

So Denver to Phoenix is pretty easy. But when you start getting into some of the smaller markets around the region, it gets a lot harder, and having those direct flights makes a world of difference. So Atlanta has the busiest airport in the country. And it's a pretty easy compliment to Denver, where I can get to Seattle as quick as I can get to Atlanta. I think in terms of concentration, you know, we have thus far been concentrating actually in Phoenix and Florida, South Carolina, starting to have a lot of concentration actually up in the northeast, and starting to work a lot more than Northwest. But generally speaking, there's no particular region where we are running really hard.

Trisha Talbot 08:58

Well, I like what you said about you really focus on the tenants, you know, you really need to like the tenants. And do you think that there's two parts to this one? Do you think that you would have been able to focus on that without having some leasing experience? And then secondly, without having so real estate is a numbers, you mean, the numbers have to make sense, and you have to have skill and training there. But sometimes it takes not the number, you know, sometimes problem solving skills. So do you think that you've been able to draw on your experience with leasing that you started with and then also not necessarily coming up as, you know, a CPA or financial analysis? specifically? I mean, that happened after but not CPA, sorry, but financial analysis, but I mean, do you think your liberal arts has helped you look at certain buildings a little differently than if you were just focused on the numbers?

Josh Richmond 09:54

Yeah, I think the liberal arts background is just kind of at a macro level, you know, it's pretty interdisciplinary, right? So that approach to education kind of draws you to look at things across multiple functions. And I think that that's important in life, and also in business generally. And I think it's really important in investing. I mean, like I was saying earlier, I mean, we're not solely looking at rent rolls and markets agenda graphics, we're looking at who a provider is in a market and how they provide care in a market. And, frankly, we invest along thinking about that attribute of a medical office building in the participants in it as much as we do, what the role looks like, and what the real estate itself looks like.

Josh Richmond 10:42

And then I'm a little ADD, which also causes you to bounce around the way you think about things, that could be a both a plus and a minus in terms of me, but beyond that, that issue, you know, it really helped with the leasing was having a little more empathy for the operational side of the business, and then even more so for what the tenants are looking for. I mean, the leasing group, along with the property managers to have, and it's the leasing group that are really trying to get at the goals of what the providers need and want in a facility. And it's in that, but it's really helped me in terms of thinking through does this facility work for tenants that are already there? And then also, when we're buying a facility, particularly multi tenant buildings. What can we do? And what do we need to be thinking about from a go forward perspective, to ensure that it's still relevant to them?

Josh Richmond 11:38

In terms of the creativity piece, I think the biggest thing that's helped me there was actually my development background. I mean, development is all about coordination, and problem solving. I mean, that is, those are two of the biggest things and, you know, strong developers, it's almost like being the conductor of an orchestra, they can make music or they can make noise. And so you have to be able to choreograph that process and in harmonious of a fashion as possible, managing all the stakeholders and problem solving the whole way. And so I think that is one of the things that's helped me on the investment side, where there's generally less variables more than anything else.

Trisha Talbot 12:23

So when you look at a property, kind of, what core tenant do you look for? I mean, obviously, surgery centers are strong. But do you look at like having one practice that is serving the community in a strong way, regardless of a specialty? Or do you look for a specific specialty?

Josh Richmond 12:43

Yeah, I mean, I think that all specialties are necessary to the whole provision of care in our country. And so when we look at a property, we don't think one specialty is necessarily that much better than another. There are definitely specialties that have higher or lower margins. And that's something that we take into account. But we're primarily looking for the right kind of ecosystem. And so that could be a single specialty effectively, where you've got an ecosystem that's built around orthopedics that might have a surgery center, it might have imaging, and then it might be anchored by an orthopedic group. Or it could be a multi-tenant building where you've got an ecosystem, that's not just inside the building itself, but maybe even operating outside of it in the sub market. And so really, what we're looking for when we look at these assets, is to try to understand as much as possible, how the various providers in

the building are actually operating both within the asset as well as within the market, and then drill up from there in terms of how that might impact value.

Trisha Talbot 13:52

So if you're looking at a property and you know it's physician, currently physician owned, or physicians develop a property and then they're wanting to sell it, can you offer physician ownership in the property?

Josh Richmond 14:06

Absolutely. That was one of the key things that we wanted to make sure that we were doing and offering to folks. Again, it kind of goes back to that value of alignment. So if we are bringing the physicians into an investment with us, both parties are much better aligned with each other. And I think that it creates an easier process toward closing. And then I also think it creates a lot better relationship thereafter. So we absolutely offer that type of a structure. And we also try to solve problems where we mean a very common issue is the fact that some of the physicians may not have ownership in the real estate, some of the physicians might and we try to help create alignment even within the practice and in terms of creating some optionality for for the practice and the physicians in it depending upon what their goals are.

Trisha Talbot 14:59

Yeah, and could you some that we'll want to invest in some that don't. And then, you know, I think that solves a lot of problems, because there was a lot of practices that I'm sure, you know very well and have seen where there's different third and different parts of their career. And all of a sudden, the practice implodes, because they don't have an exit strategy.

Josh Richmond 15:19

Exactly. And that's a national theme. I mean, that's not something that's particular in your region, right, by any stretch of the imagination.

Trisha Talbot 15:27

Right. So I say this kind of tongue in cheek, but do you have an interesting transaction story that you can share with the audience? You know, one that's memorable? Interesting. And I say, turned out differently than expected? Because I think they all do, but it's true. Yeah. But any one in particular, that comes to mind that you'd want to share?

Josh Richmond 15:47

Yeah, no, I mean, I think that just like your, I don't know that I've had one transaction that is not exactly like I thought it was going to, I think that my favorite transactions end up being those that involve the physicians in the real estate. One of the most interesting ones that comes to mind is one that I did in California. And it was interesting, because there is a group of physicians that wanted to sell the real estate, the health system that was nearby, had no space in the building, they weren't affiliated with the building in any way, shape, or form. They were affiliated with the physicians, but only really, by virtue of the fact physicians are on staff, there was no more formal relationship than that, than the physicians having staff privileges that is, in this transaction, what we thought was going to be the natural course of

it was was that the physicians were going to end up renewing their leases and extending the term and that it would be kind of a more customary sale leaseback and what ultimately ended up happening is that we ended up having a three party negotiation where I was working, ended up working with the health system to come in, and actually take the leases in the building. And they ended up mass leasing the building, and then the physicians ended up moving to better real estate for them over the course of time.

Josh Richmond 17:17

And so those physicians are actually still moving out and what really ended up happening is that the location, while it's a great location in the sub market, the physician groups themselves were starting to grow out of it. And as we started to pick up on that theme, that the growth trajectory of these groups in the building was really beyond building could offer them, but they still needed it to create a liquidity, even for themselves. We realized that we had a bigger problem to solve, and so did the hospital in terms of a problem, they needed us all. And it worked out beautifully because the hospital did not want all of the square footage at this moment in time. But they did want to grow into overtime. And they absolutely wanted to control it. And so it ended up being a nice situation, we're able to kind of create a win win win.

Trisha Talbot 18:12

Wow! That does turn out differently.

Josh Richmond 18:15

It turned out very different. But it worked out.

Trisha Talbot 18:20

So has the pandemic affected your approach to pursuing opportunities? Like do you look at the tenants financials a little bit stronger? Do you look for a higher credit tenant more than you would have done pre pandemic?

Josh Richmond 18:36

I think some people, yes, us now, I came out of an organization that had a heavy emphasis on credit. And that was drilled into me in a pretty deep way from the board on down. And so I don't really think that it changed the way we approached looking at credit. But I do think it's changing the way the market is looking at credit. In terms of what COVID did, it also didn't really change the way we pursued assets. I mean, we had a lot more phone calls in 2020 than we did in person visits, which we'd always prefer the latter but really what it's done is it's really made us rethink things operational. So I think, you know, an example is say masking and rules around the building, as it pertains to a pandemic. Well, you know, at the very beginning of the pandemic, we came down kind of with this ubiquitous approach to a building in South Carolina as we would have a building in New Jersey. Well, very quickly, it dawned on us that we could think about things that way. And we really needed to think about what was happening in New Jersey versus South Carolina, which was very different, depending upon the time. And we needed to be coordinating a little bit more with our tenants on what they need us to be doing from a rules perspective in the building. And so if anything, it's caused us with that and in other things, even

now we're thinking about capital that we spend on the building, to spend more time engaging with the physicians on how we're managing so.

Trisha Talbot 20:09

So when you're looking at acquisitions, what's kind of your, you know, you have to have a little bit of criteria with regard to size and value and staff? I mean, where's your sweet spot?

Josh Richmond 20:20

Yeah, we're generally looking for opportunities that are north of 8 million in dollar value, we don't really have a cap, you know, we're looking at a transaction right now, that's well into the hundreds of millions. And so we can kind of run the gamut there. In terms of regional locations, I think I mentioned earlier, we're really investing across the lower 48. In terms of other criteria, we'd like value add assets. So I mean, a building that's got shorter lease terms, we have no problem looking at that type of investment. And then we also have assets that are masteral, it's for a very long period of time and an on campus. And some of its more core things. I think that what we really are looking for, when we're looking at these systems, or at these investment opportunities is the practice or the practices and understanding how they're delivering care. So kind of back to that theme.

Trisha Talbot 21:18

And then what is your opinion, you know, based on that, the outlook a year out versus further, more long term? You know, what is your opinion on healthcare real estate in those terms?

Josh Richmond 21:30

Yeah, that's a great question. I think that it's been an interesting past, say, 20 years. Yeah, the Great Recession came upon us, but quite right before that medical office, or outpatient medical facilities really weren't even considered an asset class, I would say even healthcare wasn't even considered real estate asset class. And it was really that recession that caused the broader market to start really paying attention to healthcare real estate. And so it brought a lot of newcomers to the sector, which had pluses and minuses. I mean, I think that it made it easier for people to get loans on the real estate, by way of example, but I also think that a bride people who are real estate investors that liked what was happening from a macro perspective, but didn't really understand the actual stakeholder in the real estate, the providers. And so that's been one of the downsides. And so when the pandemic hit, this happened again, and the focus intensified. And so I think that even more capital started looking at the space and they're even more interested in the space because they saw how resilient the space was during the pandemic. I think that's going to have some of the same effects where it's going to bring even more newcomers, and it's going to also bring even more value to people who are selling the real estate assets. So I think it's generally positive, what's happened. And I think that it's going to continue to be positive in terms of valuation. I think that with that comes the flip side, which is anybody who's selling a real estate asset and getting to still occupy it should probably be thinking through real carefully who their their real estate partners going to be.

Trisha Talbot 23:21

Absolutely. That is the biggest, biggest thing especially for like you said, I mean, they have to operate a healthcare practice and who owns it is a huge deal. So now Josh, we're gonna move into getting to know you a little bit. Oh, okay.

Josh Richmond 23:38

Is everyone ready for that? Yeah.

Trisha Talbot 23:41

So what was your first job?

Josh Richmond 23:46

So my, well, my first job was, I hope nobody from a regulatory agency was listening. I was about 10 or 11. But I started rushing back to the cars, stepfather's garage, and then it ended up moving into patching and plugging tires and doing oil changes, and so forth. He put me to work at a young age. But that was actually a good thing. And it taught me a lot about money. And then it also taught me a little bit about customer service at a young age, which I think so clearly is something I carry with me today.

Trisha Talbot 24:20

I love that. That's great. What would you be doing for a living if you were not working in the healthcare real estate industry?

Josh Richmond 24:26

Oh, wow. So I will say that I really enjoy the geology and forestry classes I had in college and but I spent the lion's share of my time and so it would probably be something within the natural resources industry, you know, whether it was academia or whether it was something in the forest service or working for somebody who was maybe trying to do something more with natural resources in our economy, I don't know but but I think that I've probably gone down that path and loved the classes. I loved learning about ecosystems and how they worked. And, frankly, that's actually where the name Evergreen came from. Because really the time I've spent learning about how forests operate to the whole point of alignment, Evergreen the name really stands out of forest, the symbiotic relationships of all the components of a forest now this function and are wanting to try to replicate some of those themes within the business world.

Trisha Talbot 25:25

Oh I like that. Who are you reading or listening to right now for news information or inspiration?

Josh Richmond 25:30

You know, in this world, I found that the multi disciplinary approach is best. I get it from various sources, whether it's podcasts, but then also types of sources in terms of how they might be geared politically. So I read a lot of The Wall Street Journal, New York Times, but then also listen to NPR and Fox News in order to kind of try and delay some of my own opinions. There's one podcast that I've been enjoying, it kind of came from a surprising, surprising group. There's a real estate services firm called Walker Dunlap, and they do a lot in the lending industry. And it's really not them so much as it is their CEO.

His name is Willie Walker, and he gets very interesting people on his podcast, and he does a really nice job of pulling in kind of interesting thoughts and perspectives out of them. And so you'll get somebody who may run a very large investment bank, then you might get somebody who was a colonel in the army. And then I read that in between. Yeah, it's been interesting. I've enjoyed it.

Trisha Talbot 26:40

Oh, that's nice. What is one thing you do every day for healthy self care?

Josh Richmond 26:45

Meditate. Believe it or not, I don't meditate on anything other than just being quiet. I will take at least eight minutes, which seems to be the minimum, but eight to 15 minutes every day and just sit. And that has been extremely beneficial for me.

Trisha Talbot 27:05

Well, it's funny because I was listening to something this morning as part of my like morning routine. And it was saying how people try, like, there are people that want to, like read books on meditation, and there's people that want to, like, try to analyze meditation, but meditation is something you just have to do. And that it doesn't always go as planned. And it's really frustrating for people that have.

Josh Richmond 27:28

Results oriented folks?

Trisha Talbot 27:29

Yeah, yeah. They're like, I intended for it to be like this and it did it. Like yesterday, I was, I was doing my routine. And I was I my mind that I couldn't race. I started getting on my phone and sending myself notes. And I was like, I think this is against the point. it's a hard thing to fight. Right?

Trisha Talbot 27:49

Right. Mind I have to get all of this out, I have to do this. And then like, today, I was more calm and then you know, it's like but you just have to sort of be like, Okay, today, it's not gonna go as planned. And then you just do it again tomorrow.

Trisha Talbot 28:07

So the point was that meditation is something you just have to do, and you can't control it.

Josh Richmond 28:14

I think that's one of the beautiful parts of it is you realize you can't control it so you let go.

Trisha Talbot 28:22

So in your opinion, are leaders born or are they trained?

Josh Richmond 28:27

It's interesting. So I would say, you know, leaders kind of rise out of various situations. I don't know that it's that binary. I think some are, some people are definitely born with what we'd consider desirable

leadership skills. You know, and I think others have probably learned some through watching observation, being involved in this out of the other. But I think a lot of great leaders really just rise up out of need. And that is either a crisis or a situation where they've got to step up to the plate, and maybe it is something they're born with, kind of thinking back to that, it sparks something and they rise up out of that situation. So I think that's where a lot of strong leaders come from.

Trisha Talbot 29:10

Yeah, no, I like that answer. Well, Josh, it's been a wonderful interview. Thank you for your time.

Josh Richmond 29:15

Absolutely. Likewise, thank you for thinking about us.

Trisha Talbot 29:21

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