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SPEAKERS

Trisha Talbot, Aiman Shehabi

A Aiman Shehabi 00:00

The tenant improvements and attracting new tenants. Many of them had certain clauses in the lease that allow them to accept if there is any obstruction by the city or by the improvements. The lower rate rental rate did not help much, so we were kind of getting tenants in and then never really got back into the 90% occupancy. I think the highest we achieved was back in 2016, 2017, with about 62 or 64% occupancy. We were hopeful that the light rail would stop opposite the building would help.

T Trisha Talbot 00:45

This is the Providers Properties and Performance podcast. The podcast that brings together leaders of healthcare and investment real estate to consider the possibilities in future at the intersection of practicing medicine and healthcare real estate investment returns.

T Trisha Talbot 01:00

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.

T Trisha Talbot 01:27

In today's episode of the Providers Properties and Performance podcast, I interview Aiman Shehabi, a private real estate investor. I recently sold 7550 N. 19th Avenue, which is a medical office building and we discussed his experience as a commercial real estate investor, for the first time with this property as well as a medical office owner. He purchased the property in 2004, at a high occupancy rate, it experienced the 2008-2009 economic downturn and construction of a light rail project right in front of the property.

T Trisha Talbot 01:59

A big welcome to Aiman, and I appreciate him sharing his story with us and taking the time to participate in this interview from a very different time zone.

T Trisha Talbot 02:09

Aiman welcome to the Provider's Properties and Performance podcast.

A Aiman Shehabi 02:12

Well, thank you for having me.

T Trisha Talbot 02:14

So we just worked on a medical office building that you have had owned for several years in Phoenix, and we just sold it. So before we get into this, can you tell the audience that from a high level overview of all of the real estate holdings that you invest in the variety?

A Aiman Shehabi 02:29

Well primarily, you know, I've been working as an entrepreneur, or having several jobs for the past 30 years. But on the side, I have been doing investments primarily into real estate and mostly into residential. The property in Phoenix was the very first attempt at a commercial building. This was bought back in 2004, so we've held it for about 15 years. The first four or five years were excellent and you know, things with the economic meltdown, and some of the other economic challenges and market challenges did not go as well as planned. So, you know, right after that experience, I continued back into my comfort zone or residential properties in California, as well as Phoenix.

T Trisha Talbot 03:28

And so were you aware when you're purchasing this first commercial property that it was a medical office building and what that required? Or did you just it was just a commercial property that you wanted to start investing in?

A Aiman Shehabi 03:42

No, we were specifically looking for medical purpose buildings. Healthcare, the market in general was booming in the early 2000s in Phoenix. So there was an influx of developers and different corporations were relocating offices and headquarters from different states into Phoenix, market was growing. A large retirement community was growing in Phoenix, medical buildings, demand for doctors, demand for health care was growing.

A

Aiman Shehabi 04:19

So when we picked up the building back in 2004, the performance of the building was great, we had over 90% occupancy rate. There were a lot of medical buildings coming up, so there was a very strong demand. So all the indicators were in the right place, we ticked all the boxes before we made that purchase.

T

Trisha Talbot 04:42

And I bet the light rail didn't help at all because that was right in front of your building.

A

Aiman Shehabi 04:47

Well, that was one of the key challenges, you know, between the 2008 recession or meltdown, and the light rail, we pretty much lost 50% of the tenants. Suddenly, supply of medical offices was far greater than demand, there was a major correction in prices, our rental rate went down by about 35%, from what it used to be when we picked it up and the recovery was difficult.

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Aiman Shehabi 05:22

And the light rail, the extension of that light rail took a very long time. And there was very little support by the City of Phoenix, they had to do it, I fully understand but they made it very difficult not only for the tenants, but also for the patients. So gradually access to the building was very difficult, parking was almost impossible.

T

Trisha Talbot 05:43

And it's a shame because your parking is like over seven per 1000, which is hard to find in Phoenix in that area. So you know, if they could get to the building, then they could they, you know, the parking there is phenomenal. But I can see how, I can see what you're saying with regard to the light rail construction.

A

Aiman Shehabi 06:04

Yeah.

T

Trisha Talbot 06:04

because it's right in front of your building, which now is an asset, because, you know, if people are using public transportation, they have a stop right in front of your building, not only for the light rail, but there's a bus stop as well. So I thought those were some key selling points that, you know, in the building itself, like the bones of it are, you know, it's it's all bricks, so, you know, it's gonna stand the test of time.



T

Trisha Talbot 06:36

So as as the as the tenant started to vacate, though, and then you had to retenant it, it were you sort of shocked at the cost that it was going to require to get some tenants in and having to retenant the space and do all of those tenant improvements?

A

Aiman Shehabi 06:51

Absolutely. I mean, the tenant improvements and attracting new tenants, many of them had certain clauses in the lease, that allowed them to exit, if there is any obstruction by the city or by the improvements. The lower rental rate did not help much, so we were kind of getting tenants and then never really got back into the 90% occupancy, I think the highest we achieved was back in 2016 2017, with about 62 or 64% occupancy. Wewere hopeful that the light rail, would stop opposite the building would help.

A

Aiman Shehabi 07:37

But I think, and you are from Phoenix, and you know, but I think the southern part, or that part of Phoenix never really took off like the rest of Phoenix, in terms of growth and development. There's also a rehab facility adjacent to the building, and it was attracting a lot of homeless. So the cost of even running that building, we get 24 hour security on site all the time to make sure that, you know, unwanted individuals don't come and loiter in the building.

T

Trisha Talbot 08:13

Yeah.

A

Aiman Shehabi 08:14

We had incidents, you know, where we had people, you know, homeless people sleeping in the elevator or doing graffiti on the building, so the costs just kept on going up trying to maintain it.

T

Trisha Talbot 08:27

Yeah and that's a shame because I think that there's some community medicine providers that could really, I think help that that part of town. I mean, it is 19th Avenue, and it is more blue collar. But they still need you know, that's why I thought it even though it did go to an investor that going to an owner user of somebody that provided some community health services,

A

Aiman Shehabi 08:49

Yeah.

T

Trisha Talbot 08:49

would be a great user, and hopefully they'll attract that. I do think that that's still the best use so and maybe doing some office, so it's not just 100% medical, would you invest in another medical office building, if you had the opportunity?

A Aiman Shehabi 09:08

Well, it depends on the location. I think over time, one thing I learned is when you invest in real estate, I mean get smaller, pay a little bit more money, just make sure you get you know prime location. Something that is less, you know, impacted by changes in the market, because the market will change.

A Aiman Shehabi 09:33

I mean, something a little bit more steadfast, prime location, so if the conditions or, if what's on the table, if it's medical building, if it's in a great location, maybe yes, I mean, at the end of the day, it's a numbers game,

T Trisha Talbot 09:50

Right! Yeah, if it makes sense for sure.

A Aiman Shehabi 09:52

Yeah.

T Trisha Talbot 09:52

Well, I mean, I'm gonna go to the get to know you a little bit of this interview,

A Aiman Shehabi 09:58

Yeah!.

T Trisha Talbot 09:58

so people can get to know you, what was your first job?

A Aiman Shehabi 10:00

The very first job I had was, surprisingly medical staffing.

T Trisha Talbot 10:06

T Trisha Talbot 10:00
Oh.

A Aiman Shehabi 10:07
I started working the first five years, I was working for a service provider in Southern California. They were doing medical staffing and durable medical equipments to healthcare facilities.

T Trisha Talbot 10:20
Oh.

A Aiman Shehabi 10:20
So I've started, I've started in operations and gradually moved into sales and business development.

T Trisha Talbot 10:26
And I'm sure you probably invest in more than just real estate. But what would you be doing for living if you weren't doing what you do now?

A Aiman Shehabi 10:34
I do have a lot of interest in technology. So I've been engaged either at an investment level or strategic advisory level with a lot of the startups and not only in the US, I mean, I work with, you know, with globalization now, you can get to work anywhere.

T Trisha Talbot 10:51
Right.

A Aiman Shehabi 10:53
So I look at the Asian market, I look at the Middle East, and obviously the US.

T Trisha Talbot 10:58
What and who are you reading or listening to right now for news information or inspiration?

A Aiman Shehabi 11:03
Um, I think nowadays, it's important to stay up to date with the news as they unfold. I mean, compared to

40-50 years ago, anything that happens nowadays, with globalization in any country, will surely impact the rest of the world. So staying up to date with news is important.

A

Aiman Shehabi 11:07

My primary focus is economics. I look at economics, and it's easy and straightforward. I look at markets, Bloomberg, Financial Times are a very good resource. I look at those a lot. I follow the news, I follow the trends, I follow markets in different countries.

A

Aiman Shehabi 11:40

When it comes to politics, it's a little bit different. I watch multiple channels, I read multiple papers, but you know, the traditional CNN, BBC, Jazeera. I listen to all of them. Most of the time, they don't say the same facts. They're different, so the best thing to do is really to listen to different views, and at the end of the day, formulate your own opinion.

T

Trisha Talbot 12:04

Yeah, make your own decisions.

A

Aiman Shehabi 12:06

Yeah.

T

Trisha Talbot 12:08

What is one thing you do every day for healthy self care?

A

Aiman Shehabi 12:12

I travel a lot, so whenever I can, I will. I mean, I try to do at least five to seven miles a day. Staying close to a coastal area, so I do a lot of walking the coast, at least a daily basis whenever I can.

T

Trisha Talbot 12:30

You can walk anywhere, it's been a new trend

A

Aiman Shehabi 12:33

True.

—

T Trisha Talbot 12:33
since since the pandemic, and in your opinion are leaders born or trained?

A Aiman Shehabi 12:38
I think they're both, you've got people who are born with natural traits, leadership traits. They're sharp, they're intuitive, and you've got, you know, a different group of people that have significant experience in leading roles where they have acquired a lot of these characteristics that qualifies them to be leaders. But, you know, at the end of the day, it's, you know, leadership is leadership. It's what you do with it, how you lead, how you take care of your team, how you inspire and influence and impact other people's lives.

T Trisha Talbot 13:18
Right, it's how you move things forward.

A Aiman Shehabi 13:20
Yeah.

T Trisha Talbot 13:21
Well, thank you, Aiman, this has been a great interview, I appreciate your time!

A Aiman Shehabi 13:24
Well, thank you for having me. And, you know, I wish you all the best and I'm sure our paths will cross again.

T Trisha Talbot 13:31
Absolutely.

T Trisha Talbot 13:35
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