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SPEAKERS

Trisha Talbot, John Ellis, Computer generated voice, computer generated voice, Jennifer

- T** Trisha Talbot 00:00

Thank you for joining me today on the Providers Properties and Performance podcast. Today's episode is my interview on the healthcare leadership podcast where I discuss the benefits for physician owners to invest in the real estate where they practice, and discuss best practices that allow physicians to own healthcare real estate while continuing to practice to their lessons.

- T** Trisha Talbot 00:20

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.

- T** Trisha Talbot 00:35

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.

- C** computer generated voice 01:06

Welcome to the healthcare leadership podcast presented by Referral MD, your go to resource for increasing practice efficiency and revenue. Each episode we share tips, tricks, trends and real stories from physicians and healthcare leaders so you can hear what really works to grow and manage your practice. Let's get started.

J Jennifer 01:26

Hey there! Welcome to the Healthcare Leadership podcast, I am your host Jennifer and today I am joined by a special guest, Trisha Talbot. Trisha advises physician owners and investors with opportunities in the healthcare real estate asset class. With more than 20 years as a real estate adviser for healthcare practices, her track record in investment sales and representation for landlords, corporations and tenants speaks for itself. Trisha specializes in comprehensive strategies, including pricing market fluctuations, and problem solving solutions that result in successful transactions.

J Jennifer 02:06

Trisha, welcome to the show!

T Trisha Talbot 02:08

Thank you! Thanks for having me!

J Jennifer 02:10

Absolutely! This is a great topic, especially for those independent physicians out there looking really to find a way to invest some dollars that maybe they'd like to see for their legacy, and also a great way to grow their medical practice. So we were kind of talking before the show started, I think that you've got some really interesting information that our listeners are really gonna want to grab a pen and paper and take some notes.

J Jennifer 02:36

Let's get right into it, so how does a, how does it clinician own medical facilities and still practice medicine at the same time?

T Trisha Talbot 02:45

So unless they have a real estate background, I really recommend that they hire a professional property management company. The property management company can take care of daily maintenance items that come up, meet with vendors, you know, if their AC is gone out, they you know, the clinician doesn't have to meet with them.

T Trisha Talbot 03:07

Especially if they do procedures, it's really hard to sort of organize that and vendors typically, you know, they, they are on a job and they necessarily, they try to be on time, but sometimes job goes sideways, and they have to finish it, if they're at another site. So you know, it, it offers them the opportunity to delegate that to somebody else.

T Trisha Talbot 03:30

And if they don't have a property background, it also gives them the expertise that they don't, you know, the vendor knows what they're talking about and knows how to advise them on how to fix it. And a property manager can also have a couple of vendors go out and bid it competitively, so it offers them those services.

T Trisha Talbot 03:53

They can also collect rents, they can chase late payments, they can sometimes have a property some, some of them have property accounting, which I highly recommend just to keep the books of the building. Sometimes they try to do it all in house and you know, if they, they obviously have an accountant for, and a bookkeeper for their healthcare operation, but typically the building is a different LLC and it has a separate set of books.

T Trisha Talbot 04:20

So all of those services and less, you know, a physician wants to have a second part time job doing, I rarely recommend that they hire that out. Plus the fact that they want to communicate with these people, it's typically at the end of their day. And, you know, vendors sometimes will start really early in the morning and they're done by about three minutes, sometimes that's, that happens, so that doesn't really fit into their schedule.

T Trisha Talbot 04:49

So I think, I think for a physician when they look at, you know, it's like a house. You know, some people they don't mow their own lawn or you know, do certain things, but because they, they don't have the time and it's worth paying somebody else to do that. It's the same when you want to own a commercial property, and it becomes even more complex, because you've got sometimes in medical buildings, you have generators, and you've got HVACs that only service certain rooms, and then you've got plumbing to several bathrooms. And, you know, I think that, at the end of the day it pays for itself in convenience and stress.

J Jennifer 05:27

Well, yeah, and I mean, we all know that physicians need to work to their license and to the highest license that they've got. In real estate, you know, unless they've had a side gig all these years, like, it's probably not the place to do it. And really you don't want, you don't want to delegate it to somebody in your practice, who already has a job. You know, you want

J Jennifer 05:45

someone that's dedicated full time, it would be by assumption so that you can, you know, be

the most efficient and get the kind of the biggest bang for your buck. So how would you advise a physician who's maybe looking to go into commercial real estate or to acquire a property choose an advisor?

T Trisha Talbot 05:45
Right!

T Trisha Talbot 06:02
One, I think that they should, you know, have experience in doing healthcare real estate transactions. In the commercial real estate world, typically, healthcare real estate falls under office for a lot of big firms but it really is its own separate subset. You have to really understand the market when it comes to lease rates and tenant improvements for medical office buildings and space planning.

T Trisha Talbot 06:34
I mean, each specialty has some different unique requirements for their space. A lab needs different requirements than an orthopedic group, and then, you know, cardiology. And sometimes they have, you know, like an orthopedic group needs a casting room, you know, sometimes, there's different diagnostic testings that the cardiologists do as well.

T Trisha Talbot 07:02
Sometimes I see those that want to do, so in the states that allow surgery centers, they will, like an orthopedic, they'll have a surgery center, and then a clinic space right next to it, and that seems to be really convenient. When they're looking for real estate, they need to speak with somebody that kind of understands and can ask the right questions, you know, what exactly you're gonna use this space for? If it's a surgery center and like clinic space about how big that they're going to need? You know, based on their experience, what it gonna cost them, because typically, in that situation, they purchase it, but they still have to they have to purchase it with the real estate fundamentals.

T Trisha Talbot 07:44
So when a healthcare company buys a building, or does it build a suit, and the practice will still lease the building. And so they have to be able, and they they can't, they have to lease it under market conditions. So they still have to buy it, where the lease rate makes sense. And they know the current market fundamentals to advise properly because if they get a loan, the lenders gonna, you know, want all of this information, and they're gonna need to be able to supply it and they need somebody that can help them do that.

J Jennifer 08:19

Jennifer 08:12

So that's really good information, you kind of started talking on the specifics per subspecialty. So like ortho, you know, my office is actually tied to an orthopedic surgery center, an outpatient surgery center. We're in the old pain management suite that they ended up moving everybody out of and I sublet space in the attachment to the surgery center. Their needs are very different than like, you were just saying like a cardiologist for a cath lab or something to that effect.

J Jennifer 08:46

But what are some of the trends that you've seen? Or are there even trends that you're seeing since kind of March of 2020, and people are starting to return back to work and expectations from a patient standpoint are a little different, do you have clients that are looking at space differently now than they did pre pandemic?

T Trisha Talbot 09:06

So medical space started to change when the 2008, 2009 recession occurred. When that happened, practices were already starting to evaluate the cost of their real estate. And so when they did that, they really started to already sort of say, okay! You know, we have this space, it's really expensive. And we have, you know, let's say 30% administrative space in here, we can move that out to lower cost general office building for administrative uses, and then we can make this revenue generating clinical space.

T Trisha Talbot 09:44

So they already started down that path in that regard. And with the pandemic, um, they also started what's called kind of the hub and spoke model, where, like hospital groups, they would, you know. As you know, private equity groups sometimes would be buying either, you know, family practice or urgent cares, or, you know, they're doing, you know, eye clinics and stuff like that.

T Trisha Talbot 10:14

But there's already been this model where, you know, the hospital had already started to say, hey! You know, we're going to put some of our community medicine providers and invest in those, and put them in a community that, you know, when they need a hospital, they'll drive it to the closest regional hospital. So that trend had already started to occur and this change in, you know how to make our medical space, that's expensive, because it has to be because it's either location or tenant improvements, or it's a newer building that they needed to go in for a location situation that had already happened.

T Trisha Talbot 10:54

With the pandemic, you know, telemedicine was just starting to get a little bit of foothold. And now, I think a lot of practices are folding it into a part of their practice. It can't be 100%, because they still need to see patients, but they can do some pre like some sort of pre meeting

or pre op discussion and then come in and get examined, or, you know, the physician may ask them to go get certain labs before they come in, depending on how the conversation goes. And then you know, maybe just some sort of checkup, sort of wellness things.

T Trisha Talbot 11:33

I know behavioral health has been using it, so I think that they have built in telemedicine rooms, I think and put those into spaces. Now whether those are I would think for efficiency, they'll be in the clinical space, more often than not, so that the physician can go back and forth between telemedicine patients and in person patients. So I see that, I see a lot more practices wanting high visibility.

T Trisha Talbot 12:02

So you know, in Arizona, where I live, there's a lot of sprawl and land. And there used to be when people had before 2008-2009, early in my career. In early 2000s, if a developer had a piece of land, they would just say, Okay, I'm going to build a medical building, and sometimes they were successful.

T Trisha Talbot 12:23

Now, I think the location has to be very strategic, and they really want visibility. They want it easy for their patients to find them, they want them to be able to see them, they want signage. That's why this medtail trend where a lot of practices have considered retail locations. Parking is a big deal with that also visibility, and you know, their retail has also gone through its own adjustments, so there's been some available space that has been able to be you know, adapted to be reused. So all of those are still happening, and then I think they've just accelerated a little bit with the pandemic, where they're finally like, Okay, we've been trying to make this, implement this now we're going to do it.

J John Ellis 13:08

We'll be right back after a quick word from me. Hey! good listeners, it's John Ellis here. And I wanted to take a few seconds to tell you about our presenting sponsor Referral MD, a fully cloud based referral management solution. Referral MD helps you manage your referral process like you never thought possible. In fact, Referral MD clients report an increase in referral conversion upwards of 25% since switching to the platform.

J Jennifer 13:35

Yeah, absolutely! I've got a, like I was saying my office is tied to a outpatient surgery center, which happens to be in a pretty big retail shopping center, which all the employees love. Because there's a Target and there's a Starbucks, and there's plenty of places to walk to lunch. But it's interesting, like what started as this retail center is now just a hospital and a medical office space, you know, with a Target attached.

J John Ellis 13:35

But that's not all, clients also increase operational efficiencies by 37%, and reduce patient leakage by upwards of 65%. If any of those benefits sound good to you, and how could they not, we invite you to visit [get referral md.com forward slash offer](http://getreferralmd.com/offer) to schedule your no obligation tour of the Referral MD software in action. Plus, as a thank you for being a listener to this podcast, you'll get 50%, that's 5-0 off your implementation fee. All you have to do to get that 50% savings is visit [get referralmd.com/offer](http://getreferralmd.com/offer), it's set up your product tour. And now back to the show.

T Trisha Talbot 14:43

Right!

J Jennifer 14:44

And I've got a big optomology group that I work with and they've been expanding like hand over fist. And they're a surgical center they're not, not like an optometrist or optomologist. And they've moved into a retail space and now all of their expansion, they only want to be in retail because of the foot traffic and because of employees, making employees happy. And if there's waits that patients can kind of walk around the retail place, and it just seems to be working for some of these, some of these practices out there.

T Trisha Talbot 15:13

And it does! And I think that, you know, however, whatever anyone's opinion is of the Affordable Care Act, it has put an emphasis on trying to keep people, I think the emphasis has been on, excuse me, hey! you know, let's, let's put some preventative care in place.

T Trisha Talbot 15:34

So with preventative care, you're not necessarily sick, so you know, with that, you're just going into get checkups. You're going into maintain, obviously, there are some practices, I mean, oncology, dialysis, those, you're not going to put in a retail center, you want the patients to have dignity, and, you know, they're very sick in a lot of cases. So those will still, I think, be in a location that serves the patient better than in a retail location.

T Trisha Talbot 16:09

But I think a lot of the health wellness I mean, eyes, ears, you know, even dermatologists, because sometimes they do their clinics along with some medspa stuff, you know, those are very adapted to retail locations. You know, they'll do their surgeries, you know, somewhere else. So, I think it could, it really works for some practices.

T

Trisha Talbot 16:37

And, you know, if you're like, hey! You know, if you're, you know, if you have kids, too, and you're like, hey! You're gonna go and they're older for instance, and your new, but they can't drive yet. So they're in that in between stage, they're like, hey! You need to get your eyes checked, go get your eyes checked. I have a couple things to get you know, offer reviews and some convenience as well.

J

Jennifer 16:57

Absolutely! And consumers expected, and so you got to meet your potential patient where it is they want to be. And nowadays, we have to really be concerned about what's going to make our employees want to stick around as well. So, so say, I'm a doctor, I've got a couple of ditching partners, we're looking to, get into our own real estate versus renting, what's kind of the first couple things that we should be thinking about as we're starting to come to this decision?

T

Trisha Talbot 17:23

Well, financing and lending unless they're gonna pay everything cash is, I think one of the biggest things they need to consider. So how much they can typically, you know, physicians can get a low cost of capital. There's a lot of lending institutions that will, that like physicians, because of their high net worth, they're constantly working, so they're a good risk.

T

Trisha Talbot 17:49

Obviously, everybody knows SBA. But there's, you know, conventional programs as well that are very favorable to healthcare practices. So the first thing is, start with figuring out how much you can qualify for, because that's kind of, obviously you can build your dream building, but if you can't pay for it. So I would find out that and, you know, if you want to keep, so when you find out that then you can understand, hey! You know, how does this relate to our current rental expense that we have, is it gonna increase, decrease with all the tax advantages of it? How does it really financially make sense for me?

T

Trisha Talbot 18:28

There's also a lot of partners that they could partner with and this, and in the asset class, there's a lot of joint ventures with developers that specifically focus on healthcare asset class where they can still own a part of the building. There's different ways that they can own it. They can do build a suits, they can build it and have somebody take them, buy it from them after they do build it. If they want to keep owning it, they could own a piece of it. They could become a passive investor in it, where they don't have to worry about the day to day or they could, you know, still have a very large part of it.

T Trisha Talbot 19:11

So there's a lot of different programs that are out there with joint venture developers. If they're gonna do a build a suit, especially that's, at least I think, worth having a conversation about. So you know, I really advocate them having a lot of runway. I've said in a couple other interviews, I think if their leasing space, they should give themselves three years. So three years before their lease is up, they should be and if they know that they're going to want to own a building or do a build a suit, even a build a suit, maybe even a lot longer time period.

T Trisha Talbot 19:47

But giving yourself enough runway, where you're not forced into any decisions, I think is key, so they can explore all the options available to them, analyze them all and see which one is the best one for them, because there are, there are several options.

T Trisha Talbot 20:02

Obviously, then it's, you know, the inventory, what's available, is there existing buildings that they can purchase for adaptive reuse, instead of building from scratch? Is there a building that they can buy pretty cheap, if they demo it? Is it land and building? You know, there, there's all of that that needs to be analyzed. If they're gonna buy a property and rezone it and that's a whole other process. That is the rezoning process in and of itself here in Arizona is typically about six months. So you know, that is, it's just, there's time involved, that's out of anyone's control that they need to allow for.

J Jennifer 20:44

Absolutely! I mean, there's just so many unknown factors, so you know, three years out, it's a probably a good timeframe. But, you know, I would say most physicians that kind of know, going into it, like, do I want to, do I want to be this or do I want to be this and, and we all like to make sure that we have an investment that's gonna grow. And when they're building their business, that, that's definitely the case.

J Jennifer 21:05

So is there anything, as they're starting to think about acquiring property or building their own place. Is there anything they should do from day one, to set themselves up for financial success, maybe upon exit or something that's going to give them the highest valuation?

T Trisha Talbot 21:25

So the best way for them to get the highest valuation is to put at least 10. And in some cases, some, some investors want 15 years, but 10 is a good sweet spot. So if they're looking to sell a building, you get the highest value with being, having a tenant in there.

T Trisha Talbot 21:45

So I recommend if they have about 10 years left to practice ish, but they start considering their real estate portfolio and what they want to do with it. Because they will get the highest and best value, selling it with a tenant in place, and that tenant is typically themselves. There are investors out there, there's that purchase just these assets for the cash flow, and they're very attracted to them. So that is the best way to do it.

T Trisha Talbot 22:21

And then they are a tenant again, but they know their landlord, and the landlord can change and they can sell but you know, in some of these situations, the investor will dictate a lease. In some situations, the tenant already has a lease in place.

T Trisha Talbot 22:43

I see a lot of this too, with private equity, buying a lot of these specialty practices. They're, you know, if their practice is going to be owned by a private equity, and they still own the building, but they have 10 years left on it, you know, it's kind of a no brainer, it's kind of an easy, easy decision for them to sell and exit out of the real estate while it still has value.

J Jennifer 23:10

Especially and you kind of alluded to that, at what point in a career stage, should somebody start thinking about offloading their real estate or going ahead and starting that exit?

T Trisha Talbot 23:21

You know, I think that, I typically see, so I don't, I don't see early careerists unless they are from a high net worth family looking to take on the expense of buying a building just because they come out of, they typically come out of school with a lot of loans and figuring that out. But you know, they earn, they are high net worth earners, so you know, they earn pretty quick. When they start to get into their mid career when I see them wanting to say hey! You know, I want to invest in myself, I want to, you know, create some equity, and they start exploring this option.

T Trisha Talbot 23:59

And then, you know, there's late careerist is when, you know, they start saying, Okay! how many years do I have left to practice? And it really depends on the practice. I mean, if it's a practice that has a succession plan, you know, maybe they never, you know, the real estate's part of the practice and becomes part of their recruiting tool. And there's companies out there that can help them structure those sorts of things.

T Trisha Talbot 24:23

But you know, it's towards the, when they're like, hey! You know, I have X amount of years I have left that I think I'm gonna be actively practicing, so that's when they start to consider selling. But sometimes they're, they sell because they need cash for their operations. They want to expand, they want to build a couple other buildings, they need to go into a couple other markets. So, so there's all different reasons to, for them to sell and then use the money for their operation, so I've seen that as well.

T Trisha Talbot 24:56

And it's, you know, it offers another way to make money, I mean, they build it and buy it, they buy and build it themselves, so they have that cost and they put a lease on it, and then they sell it. And they, you know, they get their, the, they, they get the money that they put in plus, you know, some added value, and then they go and use that and reinvest. So there's, that offers a lot of opportunities.

J Jennifer 25:21

Yeah, it sounds like that's the, that's really the strategic tool is if you want to grow the practice, you use it, you know, just like when you're buying a house,

J Jennifer 25:28

use it, use the equity build the next thing, build the next thing, leverage it and get to the place that you want to be.

T Trisha Talbot 25:28

Right!

T Trisha Talbot 25:31

Exactly!

J Jennifer 25:34

Yeah! Trisha, this has been really good information. Is there anything that I haven't asked you that you really want to touch on, for our listeners?

T Trisha Talbot 25:42

I think this has been pretty, pretty detailed and intense, I would say. If they, if they want more information, then I think it's specific to what they're wanting to do and their specific strategy.

J Jennifer 25:56

Absolutely! And how would, how would anybody get ahold of you if they want to have a conversation with you?

T Trisha Talbot 26:00

Sure! So my email is ttalbot@docproperties.com. My phone number is 480-369-7983. I do recommend, I'm typically on the phone a lot during the day, and I know that physicians time is, is a sensitive. So the best way I recommend is, you know, shoot me an email, let me know when you're available, I can give you a call, or we can set up a schedule something, whatever works for you.

T Trisha Talbot 26:36

But that sort of eliminates the 20 emails of trying to coordinate schedules. And so I try to make it easy for them to shoot me an email saying, Hey! I'd like to talk to you. These are the times that are most available, the timezone I'm in, that's important as well, and then, you know, I can give you a call.

J Jennifer 26:55

I get, I get a lot of the 6am and 7pm

T Trisha Talbot 26:59

Yeah!

J Jennifer 26:59

meetings.

J Jennifer 26:59

So I completely understand that. Well Trisha, it's been great having you on the show! I really appreciate you taking the time!

T Trisha Talbot 26:59

Yeah!

T Trisha Talbot 27:06

Thank you!

J Jennifer 27:07

Absolutely! And with that, I'm Jennifer, your host at the Healthcare Leaders podcast, and we'll see you next time. Thank you!

C computer generated voice 27:14

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C Computer generated voice 27:43

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T Trisha Talbot 28:10

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