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SPEAKERS

Trisha Talbot, Sabrina Runbeck

T Trisha Talbot 00:00

Today's episode is my interview on the Provider's Edge Podcast hosted by Sabrina Runbeck. Sabrina is a physician herself, and she coaches private practice physicians that want to take their business to the next level, avoid burnout and lead a healthy and happy lifestyle in their entrepreneurial pursuits. In this interview, we discuss how investing in their own physician-owned property, and how healthcare real estate investments can help physicians build active and passive income streams.

T Trisha Talbot 00:29

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

T Trisha Talbot 00:44

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 they 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.

S Sabrina Runbeck 01:11

Do you have a financial security while running your private practice? Is this the only way that you actually creating income for yourself and for the people that working for you on your team? Now, if you have watched the movie, The Founder, you know that the McDonald's founder Ray Kroc saw his franchises as real estate. So did you know that you can actually dig your own real

estate gold mine, and you're potentially sitting on that gold mine right now where your clinics are located? And that's why today I'm inviting Trisha to talk to you because she has been an expert helping investors and physician owners about opportunities in the healthcare real estate, and creating assets from your real estate, commercial clinics.

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Sabrina Runbeck 02:12

Her track record in investments sales landlord representation, corporate representation, and tenant representation offers clients trust experience with comprehensive strategies with pricing, marketing fluctuations and problem solving solutions that result in successful closing transactions. And that alignment in investment really requires property owners and physician investors working together with a corporate goal of the healthcare companies that occupy medical facilities that have made Trisha a leader in the healthcare real estate brokerage community. So I'm so excited for you to be here, and to dive deeper into this topic. For all the people that has been running their practices, and we know it's more than just being clinicians, it's being leader, you're more than just manager even. So there's so many people's lives, not just our patients, but all the entire staff that are dependent on us. So how can we create that financial security, not only for you as a business owner, but really for everybody else? So I'm so excited, Trisha, for you to be here. Thank you.

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Trisha Talbot 03:36

You're welcome.

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Sabrina Runbeck 03:37

Awesome. So I want you to give us a little bit background. How did you get here? Why picking healthcare as a field and how did you get into the real estate space?

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Trisha Talbot 03:48

Well, I started my commercial real estate career actually at a developer that just developed medical office buildings on campus, both on campus and off campus. And so I really started my entire career in the leasing department there. And then I went to a third party brokerage and then I was most recently at a national firm before I started my own company DOCPROPERTIES. And the reason why I decided to stay with healthcare real estate is I felt like I was really helping a group of people that needed it and their space was, is there for a purpose. There is a demand for their space. I happen to live in Phoenix, Arizona, which is just tremendous amount of growth. And more people mean that there needs to be more physicians to take care of them. We have hospitals. I think there's been, half the hospitals here have been built in the last 20 years. And it's just as population grows throughout the United States, there's, there just requires to be more physicians and even if you are not living in the city you still have to serve patients, even if you live in a rural location.

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Trisha Talbot 05:07

Trisha Talbot 05:10

So there's always a strategy behind putting a clinician in a building to serve their patients. And it's not just, let's find the cheapest space wherever we can, there's actually some thought to it and intentionality where, do you, I mean, some people obviously want to be within a drive time of their house, but it really is, where are the patients that I need to see? Where can I go to make it easier for them to get to me? And that's when physicians start to expand, because, if they are successful enough, there, they need to treat a lot of patients in a lot of different areas. So they really start to think where can I be located?

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Trisha Talbot 05:51

What does it build and then you start the discussion of what type of building do I need to be in how much space and that sort of thing. So there's a lot of, I think there's just a lot of strategy in it. And then the client that I work with, which is health care providers, their, their primary goal is to be a healthcare provider, not necessarily a real estate expert. However, a lot of them do want to start investing in their space one, because of the amount of tenant improvements that they have to put into a space, or because they want to have some passive income, or they want to grow some personal wealth, and all of those can be achieved. And I highly recommend if they have some entrepreneurial goals, that this is one way that they can achieve them.

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Sabrina Runbeck 06:45

Exactly. Well said. I just recently, I was talking to some of my friends who are clinicians of various sorts. One is a pediatric dentist, and really thinking about creating a whole block, a community of different wellness - have the ophthalmologists or optometrists, have the primary care doc there, right. And then once you own the piece of property, then you can create that specific wellness team, and from individual who owns those clinics. For patient really, it's a one shot, you have this whole small - curate a community, trust the community that refer each other out. And both is good for business from all these people who are supplementing each other's care, right for the whole family. And as at the same time when patient comes, it's one drive, right? We know traffic, no matter where you go is tough, doesn't matter, you're in the city or you're rural, you have to drive much further. Right?

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Trisha Talbot 07:49

Right.

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Sabrina Runbeck 07:49

So you may have one location where your appointment is relatively the same, back to back, and then you don't really have to drive too far, almost like a creating your own mini hospital Wellness Center. And that's what I've been hearing from some of my friends who have that entrepreneurial spirit or have already opened up their clinic and thinking about how do I expand down the road. And same thing, even from a surgical side. I heard one of the, a surgeon I work with, he owns a building, so all the other subspecialties can be leasing out from this whole space of creating that medical building.

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Trisha Talbot 08:31

Absolutely, yeah. In leased buildings, they call it a tenant mix. And if the doctors really are referring to each other, I think it's better for the patient as well as - patient for efficiency care. And they can, I think having that familiarity and that great teamwork, I think it can help with better patient outcomes, and then what you're talking about those, they're called sometimes Medical Centers of Excellence, or just wellness centers, where there's just a lot of health care providers in one dense location. And you're right, as a patient I think it's easier if you're like, teeth cleaned, and then my eyes checked, and you know, all of this, it's easier just to go to one place, have them schedule them right next to each other. And then after that you can go have lunch and then go do something else. So I think I do see that trend happening.

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Sabrina Runbeck 09:32

Right. So when most of your clients, investors and physician investors come to you, where do they go? What's the first step people really should think about?

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Trisha Talbot 09:44

So they usually come to me. They're typically mid careerists. So they've had, they have some track record and either their start they're either wanting to go out into private practice or they've been in private practice and they're wanting to expand or they've been leasing space for a really long time and they're wanting to purchase their own property and - so the leasing situation is interesting because typically a physician build out just with the plumbing involved in a traditional medical build out is fairly expensive. So even if it's just family practice, and then dentists are heavily impacted as well. They have gases and other things. If there's any sort of procedure rooms, dermatology, orthopedics, if there's a cath lab, or a cardiologist with a bunch of different equipment to do different diagnostics, so you have the space that you're, it's not your typical build out. It's a lot different than general office, it's not just, offices around the exterior and a bullpen of cubes and a break room, there's a lot of offices, a lot of exam rooms, with plumbing, there has to be a nurse's station. For your orthopedic, you typically have a cast room, you have all of these procedure rooms for different specialties. Imaging, or if you start getting into imaging and oncology, those are really expensive to build out.

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Trisha Talbot 11:24

So when you're thinking about this, from a business perspective, you're thinking about the cost as a physician that you're going to put into the space - and a landlord will provide some of the tenant improvement allowance, but they're not going to provide all of it. So you're still coming out of pocket a lot of capital. So you're saying, Okay, I'm going to sign a lease, and I'm going to pay for all these TI's. And even if you sign a 10 year lease, at the end of 10 years, you don't own any of those improvements. You take, basically take your equipment, and then if you if you want to find another space, or typically what happens is you start running the numbers of finding a new space, and then a physician is like, you know, I just need to stay here, even if

they're unhappy with the building, even if they need to grow, and there's no more space for them. So they come to me with, what are my options? And a lot of them will just lease another space.

T Trisha Talbot 12:21

And that works for some, and sometimes it makes sense. Everybody's situation is different. So I don't want to say that leasing is never not a good option, it depends, if you need to be in a certain location, and there's only four lease project properties, then obviously that's a business decision that you have to make. But if you're in a position to be able to buy the building you end up putting more capital in tenant improvements, because you don't have the landlord's contribution, but now you're becoming a real estate investor as well. And so you can either purchase land and build a building, or you can find an existing building and rehab. A lot of medical providers, there's some old standalone retail centers that are no longer in use that they have done adaptive reuses. There's lots of different - and you can buy a little bit bigger building than you need. And then you can lease that out to a tenant, maybe even just an office user that is on a five year term, so that you eventually can absorb that space if you need to.

T Trisha Talbot 13:30

But typically, doctors look for visibility, they don't want to be tucked away in a project. So that's why retail's a little bit attractive is that they do offer visibility. They typically are built for signage, and physicians do want to have signage, and they have the parking. So parking is usually key, but if you can find all of those in a building the small business loans - a lot of physicians are concerned about the outlay of capital, and there's a, the Small Business Administration has a ton of loans that love physicians, and they, I mean, they have historically loaned up to 90%. And then sometimes 100%, during the pandemic, they waived a bunch of fees for a while. And that can be the loan amount that think you can borrow up to \$5 million. I mean, that can get you if you're just putting in one clinic or just buying a moderately sized building, that's, that's sufficient.

T Trisha Talbot 14:35

If you want to go bigger, there's a ton of capital partners that focus on the healthcare real estate asset class and they can share in the risk with you - and you can co-own it or they'll actually take the risk and you're a limited partner. But for the physician just wanting to be there so there's a lot of ways that a physician can own the building depending on the risk that they want. And then, once they do own it a lot of physicians are like, well, once I do own it, then I have to manage it. You can hire a professional property manager. And again there's different structures that you can have, if you want to have no day to day involvement, or monthly involvement or quarterly involvement, whatever the case may be how you have it set up, and how much management services you want to purchase. There's, like I said, there's different ownership structures that you can do. And then once you do own it, I just feel that there's a lot more options available for exiting that can be fairly lucrative for for different health care companies.



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Sabrina Runbeck 15:47

Right, you brought up so many good points that I think number one thing people is like a where I'm gonna get the funding, right? Like do I actually have to save up enough to even put in some, and then borrow? How likely am I to get those loans and as you're saying, like, even throughout pandemic is very welcoming for healthcare professionals, and they, you can get these loans. And and those are as if it can even be up to 5 million. And that can be enough for you to really get started. And some people might even want to talk to their financial advisor or accounting to even work things out so they can feel more secure. Right? As all of us, right? The primitive brain is always going to chime in to say, How safe are you doing this? How big a risk are you willing to take so you can get that, quote unquote, guaranteed growth, but we can't always think about the guarantee grows, we have to have a vision. And then we keep growing that vision getting to that vision.

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Sabrina Runbeck 16:51

And what Trisha, you also mentioned I think it was really awesome is that there are other management companies, right? No matter where you go, what type of property you have, they're always going to have management companies. For some physicians, we are very controlling, right? That's, remember, for those of you who know me, who talked about the 10 sabotaging tendencies - is one of those, right? We want to know everything about everything. And if we don't delegate them, we have no time for ourselves even. Nevertheless, the primary thing we actually want to do in our life in our practice, right?

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Sabrina Runbeck 17:28

So when you delegate yes, you can set up whether it's that monthly checking quarterly checking, well, however short or long you want to have it and then once you develop enough trust with certain people a certain company, then yes, you can let that string of rope, let it go a little bit more. And you can create that more freedom. So you can continue to build that security that we didn't thought that there is right? And really at the end of the day I think is another best thing anybody can have is, how big a vision do you want to create? Do you want to own the whole building? A whole throng of retail stores, one after another, so you create that entire community of specialty centers? Or do you just want to have your own location and your franchise in multiple different areas of town or city so you can grow? Don't you think that will be the first start and then as well like implementing that vision with a talk to people like you, the experts, on how to make that happen?

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Trisha Talbot 18:40

Absolutely. And the expansion is, I think, the biggest strategy that I think owning the real estate affords because you can - no matter how you own your real estate, the practice always has a lease - or it should - on the building and then you can sell that lease. As investors, they're called sale leaseback. So you sell the lease, essentially, along with the real estate, and then you as the investor can take those proceeds. You can even 1031 them into two smaller properties in two different locations of town and build up those practices. And then kind of continue along this path. I mean, there's just so many options available once you start to get

into the investing side. You have to start with your risk level and risk tolerance and have a business plan of how you want to see your future growing in that direction. And then use your real estate to to achieve those goals.

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Sabrina Runbeck 19:42

Exactly. And one of the questions I always think is, we know the residential real estate, every single city it seems like it's crazy and you can't hardly find your own house. There's a supply chain shortage. Do you see that happening in the commercial real estate as well?

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Trisha Talbot 20:05

So I think for all real estate in general, I mean, real estate, as an asset class typically does always appreciate in value, no matter which asset over time. Now different times, there has been huge dips and whatnot. But real estate is typically a long-term hold. The commercial side was very healthy just as, as residential was very healthy through the pandemic and still is. And that was driven mostly, the residential side is driven mostly from interest rates. The healthcare real estate was driven because the occupancy rates stayed high. So for most landlords that own healthcare properties, their occupancy rate, the rent that was paid, a lot of the investors, I talked to mid 90s, to high 90s, for the amount of rent that they still received. And that is because they're, you know, the PPP loans helped these physicians pay for rent, and as well as they needed to be there. I mean, there was maybe in some municipalities, elective surgeries were put on hold for a brief period, but they came back, and that's the beauty with healthcare real estate is that it is purpose, it's demand-driven and mission-critical.

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Trisha Talbot 21:39

Doctors have to see their patients in a building. The doctors can't work from home. I mean, telemedicine is a tool, but it does not take the place of a physical examination. You can't do surgery through telemedicine. I mean, there's, I mean, I know that there's robotics and stuff like that. But for the most part, surgeries have to be done in person. Even if you're going to even physical therapy, you have to be able to treat the patient. So that has driven the success of healthcare real estate. Interest rates, I believe, has been the driver for residential. And then there are other different asset classes, you know, have their different reasons for being successful, or not. I think just overall real estate is a good investment for anybody as a long-term investment, because you need to be able to have a horizon where if it does dip that you see it through.

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Sabrina Runbeck 22:35

Right, correct. I'm a advisor in the Digital Health platform, as many of you know. Yes, since COVID, all of us need some type of virtual telemedicine component, but that's not going to fill all, right? That just hey, if you need something quick visit so I can decide if you really should see us in the clinic, right? Whether that's video or phone call, that capability allow us to give patient increased access to care, but it's not going to be taking away our physical location need.

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Sabrina Runbeck 23:08

And you're so right, Trisha. When we are in surgery, or even just minor surgery, we still wanted to see the patient; how well they're functioning, right? I see them actually walking into the door, because you can't assess that when people are in our house. Yeah, maybe in front of their camera, and they can stand up. But how many people actually can adjust the camera correctly? We do this on camera all the time, because we're professional speakers too. And we know how to do this. Just like right now I'm traveling, but I know exactly how to set up my lights whatnot. For most people, average Americans, especially the elderly, no one's gonna be like, oh, yeah, yeah. Can you see me? Right? Like it's more difficult. So we have to see people in the office to see how long how their wound is healing. I can actually put my hand on them. There's no underlining issue, right. So yes, we would not be able to completely get away from having the physical location.

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Sabrina Runbeck 24:11

And even beyond medicine, chiropractic, you mentioned physical therapists, occupational therapy, and even on dental is definitely a big thing. Right? They have so many procedure based visits. So yes, we definitely need those be in place. It's not going to go away. However, yes, digital health can help us to get us to thinking about how well our patients are doing when they're not in office. That's why we are using Digital Health platform and that's why we can actually bill higher with digital health technology, but it's not going to replace it right. And then some people's like liability issue, what liability? We actually know our patients better so then you can funnel them back into seeing them in office.

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Trisha Talbot 25:05

Yeah, and I think I think we've gotten spoiled. I mean, I think it's great for just a pre kind of like a first conversation or just like a quick post, like you said, just to kind of see how the patient is quickly, but the appointments that you have for exams or procedures, those those are not going to be replaced by in person at all.

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Sabrina Runbeck 25:32

Right, exactly. So if we still very much needing that physical location, and it's definitely something really, people should really look into. You mentioned that PPP loan. And then on top of that for many practices, I'm sure you're not just using contractors, so you have the Bluetooth. So for those who haven't heard of ERC Loan - the Employee Retention Credit - feel free to reach out to me that those are really things that can give you money back so you can run your practice, and the government have these incentives and ERCs are not even a loan, they're actually credit directly funding to you. So all these things actually are helping us to get to the next phase, right? Get over the hump, and that even you have been growing you having making a good amount of revenue for your practice, you can still get these assistance. So don't feel like you couldn't get to that or field this fear of oh, what if I don't have enough?

T Trisha Talbot 26:34
Right.

S Sabrina Runbeck 26:34
There's always possibility, always solutions. Love it.

S Sabrina Runbeck 26:38
So we know that we're experts in many things, but it's hard to be experts at everything. And that's okay, because we're humans. And it's not fun if we're all saints, right? Saints probably all have different things they have to think about. So, Trisha, I'm not sure if you remember, I ask all the speakers to do a quick, whole life assessment. And when you're thinking about your whole life in these key 10 components of: physical wellness, mental fitness, family relationship, social support, career development, financial intelligence, spirituality, life mission, and lifestyle, and personal growth - of all these things that are truly important to us, right? Of course, everyone has a different ranking for which one is the most important, but if you think about taking everything into consideration, which ones you feel like oh, those are my default, those I'm always leveraging on, versus there's a couple things that I wish I can have more or work on more.

T Trisha Talbot 27:52
So this is probably not an answer you're looking for, but I honestly think that sleep and eating not processed foods and having healthy relationships at home, I think those are I would say my key pillars because I know if one of them are off, then my stress level typically goes up. So for me, I can't eat a lot - I just don't like a lot of processed foods and when I start to deviate from that I feel horrible. And I guess physical and mental health might be what I kind of sum up as the, as those have to be in check and then the rest of it because without those you can't appreciate. I feel like for me it's hard to appreciate and think about the rest if I'm sleeping horribly and eating horribly and my personal life is a mess. So for me it's important to spend a lot of time to make sure that those are always consistently in a good place so that then I can go and you know attack the other valuable parts of my life.

S Sabrina Runbeck 29:24
Yeah, that's right. Like, you see yourself as the vessel being right? The more that you can be optimized for yourself in the physical mental space and your family is so important right back home and that relationship part, then the more that you can give out for everything else in your life. That's awesome. Thank you for sharing. And I know people are going to have a lot more questions about this topic. How do they get into it once they start thinking? Maybe they already talked to investors to help them or they're already speaking to different banks on what to do next, right? Like, where's the best location, whatnot? How can people get contact with you to have more of an in-depth discussion?

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Trisha Talbot 30:11

Absolutely. The best way to reach me is email, and I say that not because I don't want to give my phone number out, it's just that I'm typically on the phone. And so when people call me and they can leave a message, but if you email me, and we then from there, we can schedule a call pretty easily or you can say, hey, I'm available this time and I'll just give you a call. But so my email is ttalbot@docproperties.com which is the same my website is docproperties.com. You can go on there and see how I've helped other physicians and a little bit about my track record. A lot of people want to know who you are and what you've done before they talk to you so that's why I created the website. So go there and then take a look and see if anything that I've done interests you or is something that you might want to do. And then send me an email and we'll get on a call pretty quick.

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Sabrina Runbeck 31:05

Perfect. Yeah, definitely reach out to her if you start thinking about expansion when you're at that level, or if you want to have your team start growing so big that you can create a second location, and whatever that really means to you, have that clear vision. Look Trisha up from all the other projects that she has been working on, her team's results, and have that conversation, right? I truly believe that we all kind of have every single version of success. As long as you know what that is, you can find the right help to get you there. So I so appreciate everyone for joining us and until next week, bye guys.

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Trisha Talbot 31:52

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