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SPEAKERS

Trisha Talbot, Cherry Chen

C Cherry Chen 00:00

So that was a triple net lease with Dr. Cockrell. And I think we closed on that December 2019, if I recall correctly. And so that one actually came to me through just an organic relationship actually with another doctor, Dr. Sink, who has been in this space. And so he found me, we got to talking. And we realized, hey, this makes a lot of sense for our investors who are physicians, it's very easy for them to understand, you know what this investment would entail. But at that time, I had not done you know, a triple net lease kind of offering and so, it's a great learning opportunity and then to be able to share that, you know, with our members who went into the project with us.

T Trisha Talbot 00:42

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 00:57

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. The interview in today's podcast episode is with physician owner Cherry Chen. Cherry is an internal medicine hospitalist for her day job and co-founder of the Real Estate Physician, a real estate investment firm. We discuss how she entered the investment real estate market and a medical office building her company and partners purchased from an organic physician network relationship. She also shares her journey from passive to active investing, and admits that she is still learning. Cherry, welcome to the Providers, Properties and Performance podcast.

C Cherry Chen 02:00

Thanks, Trisha. I'm really excited to be here and hopefully, it'll be good learning for everybody.

T Trisha Talbot 02:07

So walk me through - you're an internal medicine hospitalist and you started becoming, I would call you a physician investor, but just a real estate investor who happens to be a physician, and you started a company called the Real Estate Physician. So how did you start in going into the investment direction?

C Cherry Chen 02:26

Hopefully, I won't take you through my whole life. But yeah, so certainly was not planned. I'm a trained physician. So as your audience, you might very well know, it's pretty straightforward path, it's everything's kind of laid out for you to become a doctor, you don't really have to think about your next steps, right. Everything's required. But that came at the expense, I would say, of time and space to think about a lot of other things. And so, when you graduate, come out of residency and start working, you have a bigger paycheck, you have debt, you have mortgage, just like everybody else. And so I think it was just in that context, as I finished training and became an attending, I only had exposure to you know, 401k that's kind of all I heard, I maybe understood stocks a little bit. But beyond that, I had no training, no exposure, no really friends that talked about it. So it became really just kind of a journey of my own self discovery and learning, and really giving myself the space to ask those questions, as I was out of training and had to really ask myself these questions, because nobody really taught us. And so it was mainly that's kind of how it started.

T Trisha Talbot 03:38

And what interested you in real estate investing?

C Cherry Chen 03:41

Yeah, and I wish I could say I was smart enough to be like, Oh, well, there's these tax benefits and cash flow and appreciation. But I had never heard of any of those terms before at all, either. And so I was like, I think most people you think, Okay, real estate, you intuitively understand it, you've grown up in an apartment or lived in a house before and Airbnb, and so I was thinking, I was living in Dallas, and I'd just get an Airbnb condo or townhome, and I could decorate it. And I thought that was just going to be so much fun, literally, like the end of my thought process there. So it wasn't a lot of you know, forethought or intention other than that, but what it allowed me to do was to then ask myself these questions like, oh, well, is this an investment that okay, what actually makes an investment? Oh, what are my goals in an investment? Because I didn't even know like, I had to consider what are my goals into investment rather than thinking oh, that's a great investment, I should just put money into a

401 K. And so it pretty much stopped there. But what that allowed me to do was then, okay, really learn Okay, there are tax benefits, or there are other things besides putting my money into a 401k for the next 40 years. And so that's kind of where I began to learn. Okay, what makes real estate an attractive investment? Does that fit me? What do I want my money to do in an investment? Yeah.

T Trisha Talbot 05:07

So what did you learn from your first real estate investment?

C Cherry Chen 05:12

So I would actually say I got lucky. And so this was, I, probably my first one was as a passive limited partner into a multi-family syndication. So I didn't even know what any of those words meant, like I didn't know, multi-family stood for apartments, but it was after six months of just kind of digging around online, talking to people looking at bigger pockets, going a couple of meetups to say, Oh, okay. I think I have a general idea of okay, what is a syndication? What does that mean, when I have a limited partner, and the passive investor and you know, that fit me really well, right? Being a full time physician, I do not want to be active in real estate. As much as an Airbnb sounds fun, when I actually think about it I want my investment to go to work, and I want to go to work, and I don't want to think about it right. And so was learning all of that, then really digging down into the education of what makes a syndication? What are some of these terminologies? And so that's my very first one was actually into a multi-family syndication as a passive investor.

T Trisha Talbot 06:19

So how did you get from passive to more of an active role?

C Cherry Chen 06:22

Yeah. So that, again, is like pretty much kind of what I do is pretty organic, and I just kept learning and learning and in my own education, of being pretty analytical and wanting to really understand how all the pieces fit together, right? And so I just kept going to more conferences or buying books, listening to every podcast out there of, okay, the A to Z of what is a multi-family syndication beyond just me putting \$50,000 into a deal, for example. So, and so it was through that process that kind of opened my eyes to okay, well, this is a lot of steps, do I want to be a part of it beyond just putting my investment money? And I just very much enjoyed it. I think allowed me to think about something outside of medicine. And even though it's a very different field, it very much fits with my personality as an internist, meaning, I like to understand every part of a system, and I like to understand how they interplay against each other. And so that's kind of what got me into wanting to just learn everything about syndications. And then really, then just met people I like, right, and then you say, okay, I understand this kind of asset, I understand the benefits. Does it make sense to partner, right? Then you become on the active side.

T Trisha Talbot 07:47

Right. And then right now, you guys, if this is still accurate, you have \$1.1 billion in assets under management.

C Cherry Chen 07:53

Yeah, and so that's since so the company Real Estate Physician was founded in 2018. And that's through every one of our partnerships, into we've done mostly multifamily. We've also done self storage, a medical office building, and then a mobile home park. So we've done kind of across the spectrum, as well as really distressed assets more stabilized, or real estate development. And so that is, then finding the right partners, getting to know them, and if we think it makes a lot of sense, the numbers work out, then we partner with them, and then go into these projects together.

T Trisha Talbot 08:30

So do they typically come to you? Or do you find a property and then get investors involved?

C Cherry Chen 08:37

I think now it's probably both, right? And so since I know more people in the industry, but in the beginning, it was purely me just going to conferences and meeting those in the field sponsors, as a passive investor myself. So I wasn't really going out there and saying, Hey, you want to partner? I'm gonna bring on investors or anything like that, that just came way later, after creating the business, after just having a lot of organic conversation with friends and colleagues in medicine, outside of medicine, because as you know, it's -even though it's might be common for us, a lot of people still don't know you can invest this way.

T Trisha Talbot 09:14

Right. And so you have all these partnerships. So how do you do the actual day to day operation of managing and leasing and accounting and all of that?

C Cherry Chen 09:26

Yeah, I would be, what's the word? Remiss to say that I do it myself, right? There's no way. There's only 24 hours and there's no way I understand every accounting, you know, box. But a syndication, right, is the team right? And so, this is what makes it different. Like if I want to, you know, purchase my own single family, I could do it myself, or more likely than not, maybe have a manager to fix things. But it's an occasion where you're talking about 10, 20 \$100 million properties, like it should not be done by one person, right? And so while it's not my main role to manage these assets on a daily basis, right, I am part of the team. We do have asset

management calls, we know what's going on with the properties, what projects we're working on, what's our occupancy, what we want to do with our unit turnovers. But that is not my forte, nor is that what I want to spend my time on.

C Cherry Chen 10:23

So, basically, kind of when I learned all the different roles, it really came down to, what are my strengths, but also what is the highest and best use of my time. So you want everybody on the syndication team, that's really taking care of investors money and the assets to really be poised for, like the strongest value they can add to the team. So my value is really understanding who our partners are, after getting to know them, really understanding how to actually do due diligence on these investments, and then being able to translate that to busy physicians or people working who, yeah, it's interesting, but they don't want to spend, you know, 300 hours digging up all this information. So, a lot of my role is investor education, investor guidance. And then, if everything makes sense, right, we can see if it makes sense for them to invest.

T Trisha Talbot 11:16

Well, my podcast audience is specifically around healthcare real estate, so I want to focus on the medical office building that you guys have. It's Cockrell medical office.

C Cherry Chen 11:26

Yeah. Yeah. So that one is actually our, actually our only one that's a medical office building and I hope we can do more. And so that was a triple net lease, with Dr. Cockrell. And I think we closed on that December 2019, if I recall correctly. And so that one actually came to me through just an organic relationship, actually, with another doctor, Dr. Sink, who has been in this space. And so he found me, we got to talking and we realized, hey, this makes a lot of sense for our investors who are physicians. So it's very easy for them to understand what this investment would entail. But at that time, I had not done a triple net lease kind of offering. And so it's a great learning opportunity, and then to be able to share that, you know, with our members who went into the project with us.

T Trisha Talbot 12:15

Well, I have two questions as a response to this. But the first one is, so this is your only medical office, what did you feel about the due diligence and underwriting that was required for this? Because I'm sure it probably had a pretty long lease on it as well, but did it need any, like common area improvements? Or was there anything in due diligence for a medical office property that was not a part of some of the other stuff?

C Cherry Chen 12:42

Actually no, and so I guess each offering is pretty unique. But the building was actually already owned, and Dr. Cockrell was already running his practice, research. And the way you can

owned, and Dr. Cockrell was already running his practice, research. And the way you can structure, which I didn't know, is that it was actually a master lease. So then as the you know, sponsor or the group, then we don't have to worry about writing it or finding the tenants. So it was structured in just such a favorable way where was a master lease, personal guarantee, triple net lease, medical office building, near UT Southwestern. And so definitely looking to do more because it just makes a lot of sense for our audience.

T Trisha Talbot 13:22

Great. So then the second part of my question, so you mentioned - are a lot of your investors physicians as well.?

C Cherry Chen 13:28

Yeah. So I'm a physician, so it just kind of, is my natural tribe. And so I'm lucky in that way. Because right, we do have income, a pretty stable secure job, and but we want to invest wisely and be educated. Right? So that that's kind of how I've kind of structured the way the group is, in trying to make sure one, we are informed about our investments that we know what we're investing into, because there have been also, you know, horror stories on the other side.

T Trisha Talbot 14:00

Well, share a horror story.

C Cherry Chen 14:01

Oh, I mean, I can share a story of mine, but I just like in general, where physicians are always complaining of advisors coming to them or investing into things and then not realizing what they invested into afterwards. So I was made mainly meaning that but thankfully, I haven't had any terrible horror stories for my investments. But I did have one syndication investment that was multi-family of my own personal one. Not that we did as a group. This was before then where it was just a smaller, older property and the sponsorship was more fragmented, meaning it wasn't one cohesive team. It had many members, which is good, but it wasn't a cohesive team. And then it being an older property and not having enough scale. Being a smaller team, that's kind of where it ran into trouble where we needed more maintenance, some unexpected capital expenditure things and so I got distributions for about a year or year and a half and then we started having budget and changing management. Ultimately, the project went on to sell, but I lost about 30% of my capital on that. So I'll be happy that was a learning experience and not too terrible.

T Trisha Talbot 15:16

Right? Those, those aren't -



C

Cherry Chen 15:18

Right? I'm sure it happens to all of us on some level if you invest long enough, but that was one of my earlier ones.

T

Trisha Talbot 15:25

Well, I like that you talk about having a team because it's, I feel horrible, sometimes I get these properties that physicians have owned and they bought them, I think almost as if it was just like a super quick conversation, hey, you know, I need to sell my property and they just get excited about investing in commercial real estate. And I don't know, if they are misadvised, or they don't look under the hood. Or what happens is partners change and some want to do different things at different times, and they don't talk about that ahead of time, but I get some real estate that has some problems in there, they either have leases that are under market, or like deferred maintenance, and all of that, and they didn't plan on on those costs, and just what happens if they can't invest in those and changing that around themselves, they ended up selling it for a lot less than it could be worth.

C

Cherry Chen 16:27

Yeah, and I think that probably is a lot of just education and experience combined on that spectrum somewhere, because I think being commercial properties is very different than your single family, right? And I feel some might think it's the same or translate a single family into into every other real estate, where the due diligence is much different, especially if you then break it down into a medical health care, or multifamily or self storage. And that's probably where people can get into trouble because it is very much not only, I think asset specific, but then property specific, especially in real estate.

T

Trisha Talbot 17:09

So then geographically, do you stay close to home with your investments? Or do you branch out?

C

Cherry Chen 17:16

So short answer is, we do branch out. We do have a lot of properties in Dallas, where I'm from, that's just, I guess, fortuitously, that Texas markets have been so great. A lot of people and headquarters moving to Dallas - not just Dallas, but Houston, Austin, San Antonio. So that's just being on the right side of the trend there. Same thing with those trends, you see, you know, Florida, Georgia, North and South Carolina, or Tennessee. So we have properties in all of those states with our partners and investors. Basically, anything you can do to mitigate the risk of your investment, right? Even if it's a good investment, doesn't mean every piece of commercial real estate property would make sense. And so the whole point is to help investors then feel comfortable. Well, how do you feel comfortable is if you can mitigate any risk factors you see and in real estate it's location and how many, how many, your tenants, right? So you want to be where there's a lot of jobs, a lot of people, a lot of economic diversity, and then you put yourself at the best chance of succeeding.

T Trisha Talbot 18:26

Right. So we're gonna move into the Q & A portion. Let's get to know you a little bit. So what was your first job?

C Cherry Chen 18:36

My first job, I actually worked for my parents. So they're entrepreneurs in business, and they wholesale and manufacture giftware. So it's actually a side it's been by now 40 year family business. So I kind of just basically worked for them unknowingly as a kid. Out of college, they stuck me there before I went to med school. And so that's what I did. I did not like it. It felt very transactional and so I had always enjoyed biology and science and building relationships. And so I think that was like a big value for me.

T Trisha Talbot 19:19

What else do you think you'd be doing for a living if you were not a physician and, I guess, real estate investing?

C Cherry Chen 19:25

Oh, my gosh, that's such a hard one. It's such a good one. I feel like I would have been some kind of teacher, but not really teacher specific because I tell kind of our investors now what I'm doing in real estate is very much akin to what I do as a physician, helping people sift through a large amount of information and trying to help you come to an informed decision in as objectively as possible, right? So that's what I'm doing, it's just in a different subject. So I would like to think that whatever life or lives I create after this will be somewhat similar, since I really think that is the highest and best use of my time, but outside of that I really love anthropology and history combined, like social anthropology. I don't think my parents knew what that was or so I would have had no, no way to, to really go do that.

T Trisha Talbot 20:25

What or who are you reading or listening to right now, for news, information, or inspiration?

C Cherry Chen 20:30

I do listen to a bunch of podcasts, or YouTube, whichever version. And one thing, I think, as I've invested over the years, is really trying to learn better, like macroeconomics, like interest rates and inflation, deflation, it was something that was totally brand new to me. But the more you invest, the more you realize even though commercial real estate is a great asset, you still have to think about even bigger picture. And so a lot of my continuing education, besides what we do is to really, okay, let's expound it, go further bigger, wider circles. So we're operating under

a larger system. So I need to understand the larger system of macroeconomics to really then, right, then understand, Okay, can we weather any changes? Or are we really on the side of mitigating risk? And so that's kind of where I've spent a lot of time now just to further and deepen my knowledge and that, so, books or podcasts surrounding that.

T Trisha Talbot 21:40

I'm sure there's a lot right now.

C Cherry Chen 21:41

Yeah. And then really learning how there can be varying perspectives, but there might be some grain of truth to it even though it might be two totally different points being presented.

T Trisha Talbot 21:55

Right. Is there one thing you do every day for healthy self care?

C Cherry Chen 21:59

I sleep a lot if I can, but one thing I do need to get back to doing is just exercising. I'm sure we're all guilty of that. COVID kind of put me out of my routine and working in the hospital. So that's one thing I hope to get back on and build.

T Trisha Talbot 22:19

I have two questions. Usually I do one, but since both relate, I'll do both. So with regard to being a physician, do you think a person is born with a desire to heal? Or is it only, is it learned through their training?

C Cherry Chen 22:33

You have hard questions. I think there's probably, I would say, being a physician is not too unlike any other profession, meaning that there's probably certain predilections and personalities that make you more favorable. But I think, overall, though, you need the experience, you need maybe reinforcement of things you're good at, right? Or have had positive, you know, being cultured along the way to, there's just so much that goes into how we progress through education into college. So, I think it's like, for me personally, the one on one relationships, right? Make a feeling like I'm learning objective information. That's what's very important to me. So I don't feel like I'm biased or feel like I'm presenting something that I don't believe in, if that makes sense.

T Trisha Talbot 22:33

T Trisha Talbot 23:33

And then do you think leaders are born or trained?

C Cherry Chen 23:36

That one I would definitely say is trained. Yeah. So, and that's something I'm working on honestly, because it's, I think, being a physician or whatever profession, if you have a platform, then it becomes more of a responsibility, right to because if you're sharing information with people, or people are listening or trying to take guidance or advice from you, then you are a leader, right? And so that's not something a lot of times I struggle with, because I want to just be seen as Oh, I'm me, I'm trying to figure it out myself too. But I definitely think it's definitely more of a train and there's a lot of things you can learn to be more effective.

T Trisha Talbot 24:18

Oh, great. Well, thank you, Cherry. This has been a great interview, and I really appreciate your time.

C Cherry Chen 24:23

Yeah, thank you so much, Trisha.

T Trisha Talbot 24:27

I'm grateful for you tuning in to the Providers, Properties and Performance Podcast. If you enjoyed it, please subscribe, rate, review and share the podcast with others. As a disclaimer, this podcast is intended for educational and entertainment purposes only and not intended for specific real estate investment advice.