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SPEAKERS

Trisha Talbot, David Mandell

T **Trisha Talbot** 00:00

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** 00:15

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** 00:42

The podcast episode you will hear today is my interview on the Wealth Planning for the Modern Physician podcast, hosted by David Mandell, a partner at the OJM Group. David interviews me about healthcare real estate assets in general and specifically for physician owners interested in properties for their practice as a financial planning and wealth management.

D **David Mandell** 01:09

Hello, this is David Mandel, host of the podcast. Very excited about today's discussion and about our guests today. We're going to be talking about a topic that is close to the heart of many docs. I know this, which is real estate. So let's talk - let me introduce Trisha Talbot.

D David Mandell 01:25

We will have her bio that I'm going to read plus a link to her LinkedIn which I'll refer to in the show notes so you can read all about her and let me give you her brief bio and bring her on. So Trisha Talbot advises physician owners and investors with opportunities in the healthcare real estate asset class. Her track record inn ivestment sales, landlord representation, corporate representation and tenant representation offers clients trust and experience with comprehensive strategies with pricing, market fluctuations, and problem solving solutions that result in successfully close transactions.

D David Mandell 02:00

Aligning the real estate investment requirements of property owners and physician investors together with the corporate goals of the health care companies high medical facilities, has made Trisha leader in the healthcare real estate brokerage community. Her performance and production achievements are recognized annually. Trisha lives in Scottsdale, Arizona with her wonderfully patient husband and two gracious children that support her drive to make an impact helping clinicians share their gift to heal others. So with that, Trisha, welcome to the program.

T Trisha Talbot 02:32

Thank you.

D David Mandell 02:34

Excellent. So I read, you know, your bio, which is you know, kind of about you and what you do, but I also want to link to your LinkedIn profile, which gets into some of your degrees and experience and we'll talk about that. But one of the things or two of the things I saw on that profile that were interesting to me, because I hadn't heard of them before. And I think the docs will be interested are two certifications that you have. One is called a Masters of Corporate Real Estate, MCR and the other is a Certified Commercial Investment Member, CCIM. Can you give us a little background on both of these, and you know what they mean?

T Trisha Talbot 03:10

Absolutely. So CCIM, a Certified Commercial Investment Member, it's an organization that you go through four different classes, and then a capstone where you focus just on positioning properties as income generating real estate and how to value them and how to underwrite them. It starts with, you know, just some general discount cash flow analysis, and then it goes through user decision analysis, which is, you know, you can get three properties, but you don't necessarily want to take the cheapest one because it could be in a really poor area. And then, and then it gets into underwriting in a lot more detail.

T Trisha Talbot 04:02

So people that have this designation, like myself, you know, they have specifically gone through this training, and have a background in how to make sure that a property is properly underwritten and helps you know, on the sell side, properly underwritten and on the buy side, how to analyze that for a client, and then also how to help them decide financially on a piece of real estate along with the qualitative aspects of the property as well in order to either purchase or sell a property that makes sense for them.

D David Mandell 04:46

So it's a lot of understanding cash flows kind of modeling and and getting a sense of sort of the financial model of a property. Would that be accurate?

T Trisha Talbot 04:57

Exactly right. Yeah.

D David Mandell 04:58

And then what about the Masters of Corporate Real Estate? How's that different? Or what did you learn in that one?

T Trisha Talbot 05:05

That one is different so that's taking a look at real estate as a function of a company. So, for instance, I had a client that had, you know, 150+ sites across the country. And, you know, that has to be, you know, aggregated in order for somebody somewhere to be able to make some decisions without, you know, it being incredibly painful. So this is taking real estate as a function of a company, again, financially modeling it, but being able to also have key indicators, saying, Hey, what is your annual run rate? Which is what is the cost of all your leases and the operating expenses to you, as you know, as the person using the real estate.

T Trisha Talbot 05:57

I mean, obviously, nobody wants to overpay, but you know, sometimes for companies, you need to be in a specific location and that location, when you run the numbers of what it will generate for your business, it makes sense for you to pay the rent that's in that location. Is it the cheapest rent in town? No. Do you want somebody like myself to represent you in that negotiation, because there's a lot of other things that can be negotiated? Absolutely. But it takes the financial analysis of the real estate and then applies, you know, the company's, you know, business on top of it. And then real estate, you deploy the real estate, as a function of what the company objectives are.

T Trisha Talbot 05:57

If you own real estate, you know, what is the value of your assets under management, and

if you own real estate, you know, what is the value of your assets under management, and obviously, that drills down into what those needs, but as a company, you know, we as real estate professionals, on my side, you know, it's easy for us to understand how real estate works. But if you are selling widgets, your real estate is a function of you being able to sell more widgets, it's not necessarily a function of the real estate, per se.

T Trisha Talbot 06:28

Interesting. So it sounds like that the CCIM is more kind of looking at a property or a group of properties in isolation. And the Masters of Corporate Real Estate is more how it fits in with the rest of the business. Depending on what kind of businesses and here we're talking about healthcare, right? So we'll get to that in a couple of minutes.

D David Mandell 07:29

So you've been in the real estate industry for a long time. Tell us a little bit about your career path. Where did you go first? Andhow did you kind of move through that industry?

T Trisha Talbot 07:40

Yeah, I started as an in house leasing department for a healthcare developer. They just developed medical office properties and healthcare properties. So I started there, and then moved into third party brokerage and did a ton of landlord leasing. And then from there, started doing investments.

T Trisha Talbot 08:02

And from there, I've just continued to do more on the investment side. I actually don't have any more landlord listings. But I like all of the experience, because I can really understand when I'm, you know, putting a property on the market, how to underwrite it, read the leases, see some of the clauses that are in there and understand, you know, that you can't just throw a lease rate out there, it has to actually fit within, the market dynamics and the other terms of the market fundamentals, which I would say, you know, are tenant improvements.

T Trisha Talbot 08:49

If there's any renewals, annual increases, and how all of that fits together, and in a lot of real estate professionals, sometimes, you know, can do this, but sometimes you have people that just grew up in the investment side, and people that just grew up doing landlord leasing and I think the benefit I have is really extensive experience in both leasing and sales. So I really can, I think, take a very deep dive look into these properties and help organize them if they are not organized and you know, be able to get some standard lease terms and conditions and forms in place, together with some attorneys.

T Trisha Talbot 09:32

And, you know, really clean up a property and put it on the market. If you put a property that's not cleaned up on the market to investors, this is where people don't get the value of the property for themselves because investors they'll take a property in whatever form and clean it up, but they're not going to pay you for that. They're going to discount it to you because you know they typically have to hire people and spend money so they will get the economic benefit of them cleaning it up, rather than, you know, somebody else cleaning up the property.

T Trisha Talbot 10:05

And that's what I find a lot with some of these physician owned properties is sometimes they have a lease on it for themselves, sometimes they haven't had a lease, you know, they're just like, well, I just pay the mortgage, and that's fine. And then, you know, so they don't either they don't have a lease, or they have tenants in place, and the tenants aren't even paying market lease rates so that's problematic. Sometimes what happens is, when I get some physician owners come to me, they're tired of managing the property, they're tired of dealing with leasing the property, because in some cases, and not all, there will be like a group of physicians that get together, and then they decide that they want to own instead of lease, but then they don't really discuss who's going to be the one to manage it, and then someone raises their hand, because they don't feel that they want to pay management fees or anything like that.

T Trisha Talbot 11:05

And then that person ends up, you know, as a part time job, you know, managing the building. Because it is. I mean, it takes time, and, you know, an expertise into doing that. So, then someone just gets tired, and like, you know, what, let's cash out of this, but it hasn't been professionally managed, or leased. And so everything's in different places, and some things have been taken care of, and some haven't. So I can come in and sort of grab all of that and organize it for them to hopefully be able to get their property to the value that they are expecting.

D David Mandell 11:39

And how did you end up launching DOCPROPERTIES? You worked for it sounds like a landlord. You did someinvesting on your own. What caused you or what motivated you or what did you see in the marketplace that got you to launch DOCPROPERTIES? And tell us what you do for physicians.

T Trisha Talbot 12:00

Sure. So I was at a national firm, and when you're at a national firm, medical office, or healthcare is underneath office. So the food groups of commercial real estate are office, industrial, retail, multifamily and land. So healthcare gets sort of pushed under office, and it's not its own. And that sometimes would be, I would hit a lot of walls, because they would be like, well, we have all these resources for the office, and you sort of have to figure out how to get those resources to help you.

T Trisha Talbot 12:39

But it's different than office, I can't just go and say, Hey, I need you know, the Market Report, the quarterly market report for office properties. I need you to help me, you know, do some research on this market for medical. You have to take office, and you have to parse out all of the non medical properties because not every property will qualify as office.

T Trisha Talbot 13:03

In Arizona, a lot of the municipalities are 5 per 1000 parking. And I think in a lot, I see this across the board, I do deals in other markets with a network of brokers that I have, but you know, the parking is pretty much consistent. It's 5 per 1000, plus or minus. Some are grandfathered in, some are going even higher 6 per 1000. So, first of all the parking has to accommodate medical. It has to be high enough. Not every building has that.

D David Mandell 13:33

You're saying just to make sure because this is kind of, you're saying that you if I was looking to buy, you know, if I'm a physician and I was looking at offices, there may be some offices that just don't qualify for medical because they don't have enough parking?

T Trisha Talbot 13:50

Right. That's exactly right.

D David Mandell 13:52

So they wouldn't work essentially.

T Trisha Talbot 13:54

Yeah. And so, you know, like for.

D David Mandell 13:56

Because there's people coming all day long to a medical office versus an actual office and we have some people come by, but really, it's just not that many people. So is that kind of a difference when someone's looking, they have to really understand they need something that would fit a medical environment, which has a lot more traffic?

T

Trisha Talbot 14:16

Yeah, so you know, like right now, there might be some office landlords owners, thinking hey, you know, since my office building is vacant, I might want to try and make it medical well.

T Trisha Talbot 14:27

Some might be able to do it and but others may not. Some will be able to do a portion but then as soon as they lease up enough in medical to absorb you know, the maximum amount of parking to allow for the rest of it to be office you know, they have to stop leasing to medical. Plus, typically when they bought it they have not bought it with the underwriting in mind to do medical tenant improvements. So, you know, building out an office for financial services or an attorney is a lot less than building out an office for a medical provider that requires typically sinks in exam rooms, probably more than one bathroom because they probably have separate staff and then there's also requirements by the city for a certain amount of square footage, you have to have more bathrooms.

D David Mandell 14:27

I see.

T Trisha Talbot 15:18

If you're an OBGYN, you're gonna definitely want to have like a staff, you know, a staff bathroom, and then a patient bathroom, because, you know, every time somebody has to come in for an OB appointment, they have to, you know, leave a urine sample. So just things like that. And, you know, there's functionally different uses for, you know, an Office user versus a medical user. And the medical user, you know, requires more TIs. Now with that the owner gets longer lease terms. So you know, you could probably go in, and as a general office user, maybe negotiate a three year lease. That typically doesn't happen in medical because they need tenant improvements. And so in order for the landlord to offer those tenant improvements, it needs a longer lease term to amortize those costs.

D David Mandell 16:03

Got it. Makes sense.

T Trisha Talbot 16:04

And so, you know, so there's different financial strategies when you're purchasing a building to make it medical and different ones, if you're going to do general office.

D David Mandell 16:14

That makes total sense. And it sounds like in big picture, I mean, again, high level, medical is

more involved. It's more involved in terms of like, what you need inside, the parking I wouldn't even have thought of, but it makes sense. And so because of that, if I'm on the owner side, I need longer lease terms, because I need to, like you said amortize those costs over time.

D David Mandell 16:34

And if I'm on the physician buyer side, I got to really understand that, you know, hey, I might want to buy this building, so I can have my office in there. And my idea is to have all these other medical offices in there, but I may not be able to do that. Because based on the office, I may be able to get one or two medical in there. And the rest can't be because I will bump up against these requirements. So yeah, that's interesting, I wouldn't have thought about that.

T Trisha Talbot 16:58

Well and there's also some patient dignity, I'm sorry. So there's some patient dignity to like, really, like the patient's like, you don't want to have an oncology center or a dialysis center or something where patients are really, really sick coming through a general office lobby, where there's attorneys and lawyers like it just doesn't make sense.

D David Mandell 17:17

Yeah, there's that marketing kind of or image element to it. I mean, different plastic surgeon or a dermotologist or something like that.

T Trisha Talbot 17:26

Yeah, I think it's more for the patients like you don't want to have to have like sick patients, like they're already feeling horrible and they're obviously not looking their best. And they don't necessarily want to be, driven through this main lobby, where people were, you know, coming doing your white collar job stuff, they're all dressed nice suits, and then you're sick and you know, being wheeled through the lobby.

D David Mandell 17:48

Yeah, it's a good point. Yeah, listen, I don't really think about, fortunately, I'm pretty healthy so far so I haven't had to, you know, really deal with that but I'm thinking of even orthopedics, you know, crutches, all these people on crutches and then there's, you know, medical office, like I know, where we have our office, you know, offices, none of them, I think have medical, right?

D David Mandell 18:12

I mean, I'm in an office tower down here in South Florida. We're an office building in Ohio and in Phoenix. And I don't think there's medical on any of that. So you know, I never really thought of it that way. But I guess that's true.

D David Mandell 18:26

So I want to explore some questions to keep us on track timewise kind of questions that physicians would ask you, right? So first of all, like what is a healthcare real estate advisor? And if I was a doc, why would I use one? Why would I consider that?

T Trisha Talbot 18:43

So one, a healthcare real estate advisor, they really do or should know the medical office market. So if you're saying hey, I want to open up a site here or in these three markets, they either know people to interview that can help you if it's not in your local market or they kind of know the inventory. Now you can go in the databases and click through a bunch of stuff but you know, the landlord's that based on what you're going to need or your client's investment in tenant improvements are going to require, I think you can save your client a lot of time of spinning wheels and negotiating deals and in properties where the landlord has had it for so long that it's a lot of second generation space, they're not interested in in redoing a ton of tenant improvements.

T Trisha Talbot 19:41

They just want to sort of backfill, do carpet, paint and maybe, you know, something here or there but they're not interested in doing much else. And then if you're, you know, that tenant that's like if your clients like hey, I'll do a 10 year lease, but I really want the landlord to fund a majority of the tenant improvements like you know, the landlords are willing to do that. Because otherwise you spend a lot of time chasing, and negotiating deals that are, you know that they don't make sense for your client based on what their needs are going to be.

T Trisha Talbot 20:16

And you know, where Cap rates are for medical buildings. You know where lease lease rates are, lease terms, where different places in the lease that the client should negotiate based on their goals. You know, just for example, death and disability is a big one in healthcare. Because, you know, if the doctor is disabled or is deceased, then sometimes, you know, they are the practice so they need to be able to, you know, not have their estate have to deal with a lease, if that's the case. So that's just one clause. But there's several that are sensitive to healthcare providers, and that they should be aware of, depending on if they're a group or a sole practitioner.

D David Mandell 21:06

So a follow up question on that. So let's say I got a doc listening to this right now. And they're they you know, Trisha sounds like she knows what she's talking about. She's got experience in this. She's in Scottsdale, and fill in whatever city it is, let's just call it Atlanta. Is that something that you with you're kind of knowledge would do you have like a network, like I have somebody

in Atlanta who would know the local and I can give the national expertise? Or would that be something you would refer out? Or is that somebody that you could work with? How does that work in terms of like, a national audience that's listening to this?

T Trisha Talbot 21:46

Sure. I have an extensive broker network that I've developed over the years, and I have a lot of a lot of states covered. And for example, it depends, like if it was, if someone was buying something in Atlanta, or wanting to lease something in Atlanta, I would just refer it to somebody that I know there. If they want to sell something that's in Atlanta, I would still go through a local broker, but I would do a lot of the upfront work. And then, you know, with with the local broker, we would put it on the market. But so it depends, but I do have a pretty extensive broker network. And if I can't help them at all, and it really just requires the person in the local municipality, I'll just, you know, I'd make the introduction and then get out of the way.

D David Mandell 22:37

Yeah, yeah, that makes sense. So, you know, doing this for a long time, you've got networks around the country, which makes sense. Similar to like, OJM and you know, estate planning attorneys, we know a lot of good ones. We know some firms that can cover nationally. A lot of states where they're licensed and have done work. So you know, we can cover most places, if a client needs it. If I'm a doc, I've got, let's say a building already where my practice is or I've got a surgery center, that you know, has real estate, how, you know, if I was with our thinking about selling it, or just wanting to understand the value maybe to refinance, or what have you, how would I go about that? And is that something that you typically help with, then? What's the process there?

T Trisha Talbot 23:25

Yeah, so, so definitely on the sell side, I mean, valuating, for refinance, that would just be kind of a consulting gig, you know, doing kind of a market analysis for them. And then they would take it to some lenders, it's, like a broker opinion of value. But the selling is something that I can do, I'm actually doing a pretty big portfolio right now. And it's in a variety of different markets. And so, you know, along with my broker network, have been able to get that teed up, and then off the ground.

D David Mandell 23:58

Got it. Okay. And then the process, you know, you were talking a little bit about purchasing or leasing. It sounds like I mean, to me, it's a big enough decision. And I've been at conferences, especially, like I said, at conferences where they talk about build out and actually figuring out like, architectural plans and all this. You know, it's like, what should you do first? Do you figure out what you need from an architect point of view. And then do you go to somebody like you to say, Okay, now I want to find this somewhere, or do they work with someone like you first to

say, okay, financially, what I should be doing, and then build around that with a budget, you know, because some people may want to build the Taj Mahal and it doesn't really make sense. So how do you see that working out often in your experience?

T Trisha Talbot 24:46

Right, this first I go, I go back to you know, first of all, you know, a company deciding what is their budget for a new site. What do they want their lease expense to be? And that includes rate plus the operating expenses. Because different business lines or whatever they're trying to accomplish, like, they might have different revenue streams, so what the revenue stream that's going to be in that site, really figuring out what your budget can be on your overhead for your office space.

T Trisha Talbot 25:21

And then from there, kind of figuring out if, you know, if they if it's their first office, I feel like the first office is really hard, because they don't necessarily know what they need. But for example, so I have a client, that's a women's center, and they have an idea of what they're looking at, and then they're doing now their own internal analysis. But like, if you're an orthopedic or family practice, or something like that, and you know, it's like how many exam rooms, I can ask the questions of how many exam rooms are you looking for? How many bathrooms do you want in there, you know, for patients? And then for staff?

T Trisha Talbot 25:59

How many people do you want your waiting room to hold? How many people do you want in your front office? Do you want to have a break room? Do you want to have private physician offices? And then, you know, whatever, like if they need a lab or something else, so I can sort of sketch out that and based on my experience, have a little bit of an idea of how much space they're going to need within a target range, and then, you know, with their budget go and you know, be able to find buildings that are that size, and when they start to buy a building, you know, do they want it just for that size? Do they want to be able to have expansion abilities? Do they want to lease out some space? You know, so those those questions come in.

T Trisha Talbot 26:38

So I can help them in that regard. If they don't have architects, I can recommend some. But if they do have a relationship with an architect, you know, I try to get plans to send over to the architect to be able to do some conceptual plans for their client. So I guess the answer to your question is, it depends, but you can have some things running somewhat parallel. I can be looking for buildings, find some, get the plan, send it over to the architect, have them do some sketches, see if it's going to work for them physically, and then you know, start getting into a shortlist of properties, because I'm sure there's probably a few properties that something can work in.

T Trisha Talbot 27:22

And then from there, you know, I can just try to negotiate if they like all the properties the same, and they all will functionally fit, then I can just negotiate on terms and try to get them the best deal. It is nice. So with general contractors as well, you know, it kind of depends on the size of the project, but you know, somebody like me, I can refer to them, or if they have a relationship with them, you know, once they do get that conceptual plan from the architect, they could have their general contractor do kind of what's called budget numbers, just to give them a sort of an idea of what the numbers would be, because I'm sure they have, you know, their own models that they can say, oh, you know, this, this and this tweak a few things, here's that here's, you know, an estimated amount of what it would cost. So some of these things can all sort of be running parallel. And when I'm, you know, when I'm working with a client's team like that, you know, try to make it as seamless as possible.

D David Mandell 28:19

Yeah, that makes sense. Sometimes you have to run these things in parallel. So a couple related questions, we're sort of coming to the end of the time, but I want to get these two together. So let's just say I'm thinking about, and I'm sure a lot of docs have thought about this, maybe in the last year or so as real estate values have gone up a lot. I don't know so much in the medical office space, certainly all we know about homes. How would I position a medical office for a valuation? A and B, when should I consider selling, I mean, a lot of doc if their solo practice would be like, okay, when I'm about to retire, but in a group practice, you know, would they ever sell? I mean, you know, why would they, the practice has gotta continue, they need to be somewhere. So, if you can talk about positioning for valuation, and then when you would even think about selling.

T Trisha Talbot 29:06

So positioning. A lot with income, real estate, it has a lot to do with the tenants and site. So if they're the only tenant, I would say they need to get a lease, a market lease in place. If they have other tenants. You know, you have to look and see what is going on there. If they don't have market leases, then you can, you know, try to work through them if they're expiring, and you know, renew them, but it's depending on where. This is the problem if they've been negotiating below market rents, and then they want to all of a sudden do market rents what's most likely to happen is they'll have to clean out the tenants that are in there because jumping attendant up too much, you know, just everyone gets upset. So let's assume we have market leases in place.

T Trisha Talbot 30:01

So that's great. The common area, making sure that that common areas is in its best look and feel, maybe a fresh coat of paint. I don't know that anyone has carpet anymore, but if they did have carpet, I'd recommend that they remove it. Then landscaping, you know, make sure that the landscaping is taken care of. If the building needs to be painted just like you know, a house in some ways, you know, if the exterior of the building needs to be painted. If the roof is that

it's, you know, I don't necessarily recommend replacing a roof of a building you're gonna sell, but definitely make sure that it's in good working order, you know, patch it, repair it, definitely do not have a lot of deferred maintenance on the property, you know, just make sure. Exactly.

D David Mandell 30:55

Yep. And then what about the other piece of it? Which is, when would I consider selling? Now what what would you say would be like a indicator that, hey, this might be a time to sell either because of the market or because of your circumstances? Or when do you see practices selling?

T Trisha Talbot 31:13

So if you're looking to sell, you know, just in general, right now, cap rates are pretty low, and they stay pretty low on medical office, for the most part, you know, provided that the lease terms are strong, and the tenants are strong. It's just, there's a lot of capital that has migrated over to medical office because that they think it is recession proof. It's not recession proof. I mean, it's recession resilient. I mean, everyone's gets affected when there's a recession. But it is the fact that it is a purpose driven property. I mean, there's reasons for these tenants to be in there. Even during COVID, you know, the physicians had to go in. I mean, it was essential business. Physicians had to go in. I mean, there were some elective procedures that were paused for some time, but they went back pretty quickly.

T Trisha Talbot 32:11

In Arizona, I think it was maybe five or six weeks.

D David Mandell 32:14

Yeah.

T Trisha Talbot 32:14

And so there's these these people cannot work out of their homes, patients can't go you know, so there's a reason for them to be there. And these they are mission critical and demand driven. So that's one reason to do it now. When somebody should cash out. So sale leasebacks are pretty popular with physician owned real estate. And that's because the value of the property is at its highest when you have the longest lease in it. So let's say 10 years, so if you're going to want to sell it, I would say look and be kind of aware of maybe your retirement age and maybe 10 to 12 years before then maybe think about putting a 10 year lease on your property and then selling it to an investor.

T Trisha Talbot 33:06

Because that's where you're gonna get your highest and best use, if you wait until you retire and that you move out, then you're selling a vacant building, then it's on a price per square foot. And you know, if you bought it, of course 30 years ago, you're going to make money on it. But the highest amount, the highest value you will receive is with a tenant in place. So either you have to move out and find a tenant, or you do it about you cash out about 10 years before you are about to retire.

T Trisha Talbot 33:33

Now practices with multiple providers, there are people out there that you know, can put some structures in place where if people that are looking to retire can cash out, and people that are young and coming into the practice can buy in, so they can structure it that way where you don't actually have to sell the real estate, you just, you know, you can exchange ownership.

D David Mandell 33:54

Yeah, Financing, you know, have the young docs buy you out. And kind of, you know, some kind of rolling process just like you might do for the practice, value. Now, it was interesting what you said there like a 10 year might be the perfect time so for those of you listening who you know, kind of approaching retirement or you see it out there, especially solo practices. Now, you know, some clients may say, you know, they'd rather hold on to it, and then try to find someone to take over the practice and then have a rental stream. And I have, you know, we had a doc, previously on the podcast, Dr. Yanoff last season, who talked about that. It's something that he did as he exited. But at least it should be thought through and it sounds like even 10 years out because you want to kind of make smart decisions and you say listen, I don't want to be a landlord. I'd rather you know, get out and if the value, if the timing is good, where there's, you know, an upcycle then maybe it makes sense to sell and lease it back and I guess you're saying there are are investors out there who would buy the property and maybe actually value it more favorably with knowing that your practice is going to be paying rent for 10 years in there?

T Trisha Talbot 35:10

Exactly. And I think, you know, once you decide that, once you make that choice, and so with physician owned real estate, sometimes there's still an emotional connection to the building. Some of these practices have built these buildings from the ground up, you know, they've put their heart and soul into it. And, and, you know, that's why they typically want to hang on to it for the income stream, but what you have to decide, you have to really kind of take the emotion out of it, and I don't mean to sound cold, but you need to analyze it from a purely financial perspective and say, you know, the benefit that I will receive on a monthly basis from this income stream versus this lump sum of capital and then go into deploying that capital and other investment real estate where there's already tenants, and I don't have to, you know, fill it and then there's passive ways that you can invest in real estate and active ways that you can invest in real estate, and you can still get tax advantages in both and so from there, you just have to decide, you know, how hands on do I want to be? And, you know, what can I do with this lump sum of capital, because maybe you go and diversify into two different kinds of rental properties instead of one.

D David Mandell 36:27

Or even diversified in other asset classes, like using a firm like ours, you know, you kind of balance out their portfolio. Say, listen, let's have some things that are that are more balanced, especially if they're not balanced already. That would be something right. Recommend. So yeah, excellent. So let's just sort of last thing, what's like one kind of takeaway, or one sort of broad idea you would give docs listening this about real estate in their practice?

T Trisha Talbot 36:58

Yeah, so you know, with with medical office, real estate, the value of the real estate is really the tenants in there. So you know, as a tenant, or as an owner, you know, the value is, is you as a tenant in the building, if you own it, or, you know, if you're a tenant in a landlord's building, it's the tenants that, that make the value of that building. So I guess, when you're negotiating a lease or looking to buy or sell a property, just think about that, that you are, the value of the property of medical office building built out in the middle of nowhere is the value of zero because nobody will occupy space there versus a medical property that is built serving a community, or a lot of multiple buildings are built with pre leasing. So they already, you know, they have to have a certain amount of pre leasing before they'll actually start going vertical. And it's because the value of the medical building is the tenants that are in it.

D David Mandell 37:54

Yeah, that's a good thing to remember for those of you who don't own who you are leasees that you have some negotiation power, because the value is in what your lease, and you're continuing to pay. So that's a great point.

D David Mandell 38:09

Trisha, thank you so much for being on. This was great. I learned a lot. And I know a lot of our clients and docs out there listening, you know, this is something that we get asked about nd questions. So thanks again, for being on here.

T Trisha Talbot 38:21

You're welcome. Hopefully, I didn't get too in the weeds. And if so, someone can just ping me.

D David Mandell 38:26

Absolutely. We're gonna have your bio in there and the LinkedIn. So if people have questions, and you know, there may be people who are in a decision place right now and could use your help. I wouldn't be surprised and you know, docs like I do, a lot of want to get in the weeds, more than sometimes they should, actually. So that's fine.

D David Mandell 38:44

But thanks again for being on. And thanks for all you folks out there listening. Again, we'll have another episode in a couple of weeks. And if you are a physician, and you think you have some interesting story to tell, or some insights or something that you think your colleagues would appreciate hearing, feel free to contact me. I'm always looking for new guests, and we'd love to hear from you. So with that, thank you very much and look for our next episode in a couple of weeks.

T Trisha Talbot 39:16

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