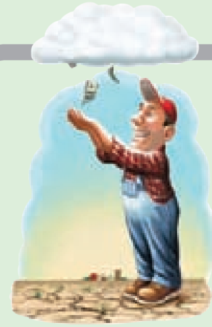
McKnight's

Dealmaker's 2012 Handbook

The essential guide to capital in the senior living market



Drought over?

Lenders lining up

PAGE 10

Getting off the ground

Following a lengthy recession, capital providers are beginning to back more new senior living construction projects

PAGE 3

Inside the numbers

NIC MAP developers are revealing detailed market information that documents the latest trends

PAGE 4

Not just a facelift

New and innovative design features are revamping the look of senior living. A look at three recent projects reveals how fast things are beginning to change

PAGE 6

A SUPPLEMENT TO
McKnight's LONG-TERM CARE NEWS
IN PARTNERSHIP WITH
NIC
National Investment Center
For the Seniors Housing & Care Industry

NIC on tap

Looking for value

Page 16

TAKING STOCK

2012 has been a year with more ups than downs, but the trends have gone both ways. Here is a snapshot of some of the more notable developments:

Up: Participation by banks and private equity lenders in seniors housing investment
Down: The dollar volume of REIT transactions compared to 2011

Up: Occupancy rates in general, especially for independent living properties
Down: Investor interest in independent living due to its economic vulnerability

Up: Investor interest in higher acuity care models, such as assisted living with memory care
Down: Commitment to skilled nursing due to Medicare reimbursement challenges

Up: HUD, Fannie Mae and Freddie Mac continuing to underwrite seniors housing projects
Down: Interest rates, which hover between 3% and 5%

Up: The percentage of new construction projects underway
Down: The supply of inventory versus the absorption rate

Sources: NIC, interviews with financial specialists, 2012

Photo: Silverado Senior Living

New seniors housing construction is taking off. The latest round appears to be needs driven, observers say.

New construction on the rise as economy begins to heal again

By John Andrews

Four years after a steep post-recession falloff, building activity in the seniors housing industry is starting to get off the ground.

The 8,257 seniors housing properties started in MAP31 during the past year (or 1.6% of inventory, as of 2Q12) is up from the rolling four-quarter pace of 7,996 units in first quarter 2012, says Mike Hargrave, vice president of the National Investment Center for the Seniors Housing & Care Industry's Market Area Profiles service.

NIC MAP reports that this rate of construction starts is below the annual absorption rate of 2.3%. This is good news for occupancy because it shows the balance in favor of the demand side. By contrast, the trailing twelve month (TTM) construction starts rate was over 3% and absorption under 1% in early 2009.

The numbers since the third quarter of 2011 reveal new construction is "ticking up," Hargrave says. The final quarter of last year showed 3,389 seniors housing and care starts — the highest number since the recession began.

NIC President Robert G. Kramer says after new construction fell to historically low levels for independent living and assisted living, "we're starting to see signs that there is pickup in construction levels." But because absorption is still outpacing inventory growth, it is putting upward pressure on occupancy, he says.

"The difference between the rate of absorption growth and inventory growth will compress over the next several quarters," he says. "It is narrowing and we're projecting that occupancy rates will rise slightly. It is a slow recovery."

The profile of new construction has "changed materially" from a few years ago, Hargrave added.

"Investors are more likely to pursue new community developments that are more needs driven, such as free standing memory care developments and assisted living," he explained. "Independent living construction continues but at lower levels."

Private equity firms in particular are renewing interest in new construction, perhaps in response to what the REITs are doing in the marketplace Hargrave says.

"With the REITs forming partnerships and acquiring platforms, private equity is looking to invest through new construction," he noted. ■

MARKET TRENDS

Inside the numbers: NIC MAP® documents uptick

By John Andrews

Overall, things are looking up just about everywhere in seniors housing. And NIC MAP can prove it.

Two areas that were particularly hard hit during the recession — independent living and new construction — are displaying modest recovery numbers, which is a positive sign, said Mike Hargrave, vice president of NIC MAP.

"Independent living occupancy, which saw the steepest peak-to-trough occupancy decline from 2007 to 2010, has seen the most improvement in occupancy over the past year," he said. "The next construction and development cycle is also starting to take shape, with the highest numbers since the first quarter of 2008."

Independent living has seen its collective occupancy level grow from 87.4% in the second quarter of 2011 to 88.5% in the second quarter of 2012.

"This is a bit counterintuitive in the fact that industry sentiment suggests that independent living is more choice driven, and therefore facing the greatest challenges with regard to occupancy growth," Hargrave said. "But the numbers suggest independent living occupancy is in recovery mode."

Top 10 Metro Markets:

Seniors housing units under construction during the second quarter of 2012

1.	Chicago	1,134
2.	Minneapolis	1,099
3.	New York	853
4.	Houston	762
5.	Dallas	644
6.	San Francisco	635
7.	Atlanta	570
8.	Memphis, TN	463
9.	Seattle	459
10.	Boise, ID	454
10.	Kansas City, MO	454

Source: MIC MAP® Data & Analysis Service

NIC MAP® data reporting has been upgraded to capture additional market trends.

With a total of 3,389 seniors housing and care units started in the fourth quarter of 2011, new construction posted its highest number since before the real estate bubble burst in 2008, he said.

"The difference now though is the property types have changed," Hargrave said. "Independent living properties were the predominant property type under construction at that time. Recently, assisted living, memory care and more 'needs-based' types of properties have been the predominant property type to start construction."

Hot markets

Two of the leading metropolitan statistical areas in seniors housing right now are Minneapolis and Austin, TX, according to NIC MAP data.

Minneapolis has seen a rise in construction activity over the past few years, beginning in the third quarter of 2010, when NIC MAP was tracking 12 properties under construction in the market. NIC MAP is currently tracking 10 properties and more than 1,000 units under construction there.

"The seniors housing inventory has been growing recently and has grown by over 1,400 units since the third quarter of 2010," Hargrave said. "Construction is split, with five majority independent living properties and five majority assisted living properties. One of the factors that may have helped drive development in the Twin Cities could have been high indicators of demand. The occupancy rate for seniors housing properties was above 94% in 2008, which was well above the respective MAP 31 benchmark."

Austin has seen similar growth in inventory over the past few years, Hargrave said, with its seniors housing inventory growing by 1,308 units, or 33%, since the first of quarter 2009.

"Like Minneapolis, Austin's seniors housing occupancy rate was above 94% in 2008 but fell as low as 82.7% in the third quarter of 2009, largely due to inventory growth," he said. "Its occupancy rate has been recovering lately and sits at 90.6% as of the second quarter of 2012."

Search upgrades

Earlier this year NIC MAP upgraded its Local Module, which is used in the due diligence and underwriting process. The upgrade includes significantly improved property searching abilities, which allows users to search via MAP or by advanced features such as property type, age of property, or by owner/operator and property status (open, under construction or expanding). The service also developed a new Property Advisor Report, known as PAR, Hargrave said. The PAR report aggregates occupancy and average monthly rent information across the properties selected by segment (service level) and unit type.

"This report can be run on as few as four properties across three stakeholders," he said. "The PAR report even reports historical data for three years on occupancy, average monthly rent and revenue per available room." ■

MARKET TRENDS

Private equity groups making their presence known as deals emerge

Influx of private equity funding has helped drive new housing deals

By John Andrews

Although the REIT deals of 2011 were too rich for their blood, private equity groups were nonetheless inspired and initiated plenty of their own projects this year. And because of that influx, financing is at its healthiest level in four years.

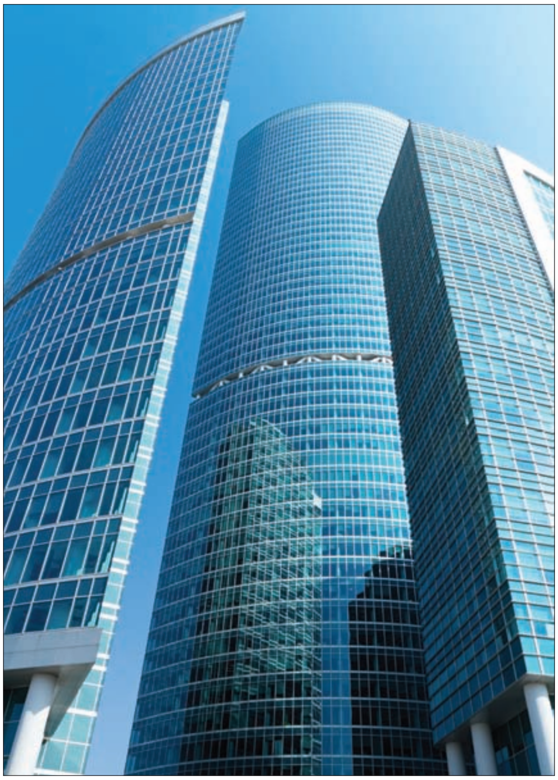
"Private equity is a major factor," said Robert G. Kramer, president of the National Investment Center for the Seniors Housing & Care Industry. "A number of private equity funds have been raised in the past year."

The seniors housing industry's resilience throughout the recession has caught the attention of institutional investors. Factors such as higher acuity assisted living projects and rising occupancy rates are being noticed, Kramer said.

"Private equity is looking aggressively to deploy capital," he said. "They are providing funding for operators with solid track records."

The optimism is focused on the private pay side and less on the skilled side because of the continual financial pressures of Medicare and Medicaid, he said. "But some see opportunities in skilled nursing, too."

Jason Stroiman, president of Evans Senior Investment, says although his company has been growing 40% per year over the past seven years, the business he has done in the first quarter of 2012 "has been incredible." Most of the transactions have been with operators that have 10 to 15 buildings, he said.



All signs indicate that institutional investors have become even more optimistic about senior living construction.

"There is so much activity at this level," Stroiman said. "There is a major push. Private equity investors have come back."

Mike Hargrave, vice president of NIC's MAP service, says private equity is also interested in new construction and despite lingering reservations about market saturation, could play a significant role in new projects going forward.

"There are several private equity funds that are targeting new construction due to a change in the investment landscape," he said. "With the REITs forming partnerships and acquiring platforms with companies private equity would ordinarily partner with, private equity is looking at new construction as another avenue of investment." ■

Back on the horse

After some time on the sidelines, local and regional banks return to action

Welcome back, banks. You were definitely missed.

Try not to stay away that long ever again.

Of course, banks were no different than other investors that held on to their cash during the recent economic crisis. The amount of uncertainty kicked up by the recession spread throughout every corner of the economy and stubbornly lingers just about everywhere.

But the banks have gradually returned to investing in seniors housing, though not on a grand scale and not without stipulations. Regional and local banks appear to be taking the lead in seniors housing lending, said Robert G. Kramer, president of the National Investment Center for the Seniors Housing & Care Industry.

"We're seeing relationship lending at the community level without question," he said. "The appetite is growing once again for seniors housing and care."

Banks took their time re-entering the lending landscape, but in many cases circumstances dictated that, Kramer said.

"Because so many banks took a hit from the housing crisis, they had regulators looking over their books," he said. "Now that they know what they have on their books and have increased their capital reserves, they are ready to commence. But that doesn't mean they will run amok with loans and have lenient terms."

In fact, most banks still have tight limits on the size of their deals and need multiple banks for pacts of $25 million or more.

"The banks are healthier, but they are being very choosy about the deals they make," said F. Donald Kelly III, director of healthcare real estate for CapitalSource. "Credit quality is trumping rate. Some banks will be aggressive on rate but not on credit quality. This is related for fairly large transactions of $30 million to $100 million."

Seniors housing operators in small and mid-sized cities with strong operating records should have no problem securing loans, however.

"Providers with good reputations make it easy for local banks," Kelly said. "They know who the reliable businesses are in the community."

— John Andrews

MARKET TRENDS

Senior living takes on a new look

Photo: ACTS Retirement-Life Communities

A variety of innovations is changing the look of senior living.

By John O'Connor

Henry Ford famously said customers could have any car color they would like — so long as they selected black.

When it came to senior living communities, previous generations could often seem similarly limited. Long hallways, small rooms and cramped quarters were often the norm, whether the setting happened to be a skilled care facility, assisted living community or an independent setting.

These days, new and innovative design features are transforming the face of senior living. And the push is just beginning: Future residents are likely to be far more selective and demanding.

Some recent "Design Decisions" communities showcased in *McKnight's Long-Term Care News* show just how fast things are changing.

Top 10 trends in senior living

1. Optimizing resident privacy and dignity
2. Creating homelike settings
3. Introducing hospitality design concepts
4. Expanding individual choice
5. Using technology to enhance senior living
6. Filling in the continuum
7. Taking the 'R' out of CCRC
8. Expanding urban options
9. Seeking more sustainable environments
10. Capitalizing on globalization

Source: Perkins Eastman Architects

The Wright stuff

The newest Belmont Village property in Scottsdale, AZ, places a high premium on form and function. The form is inspired by renowned architect Frank Lloyd Wright, while the function includes an award-winning program for treating mild cognitive impairment.

Opened in February 2012, Belmont Village Scottsdale features a Wright-like exterior that includes strong horizontal lines, deep overhangs on the roof and wall details reminiscent of early 20th century Wright buildings, such as Midway Gardens in Chicago. At the same time, a lot of attention also has been placed on integrating the essential Scottsdale look to conform with community standards, said Paul Chapman, executive vice president of development for Belmont Village.

"As we prepare to enter a new region, we spend time looking at what is already there," he said. "We want to be sensitive to the regional flavor and respond appropriately to the design climate and market appeal. This is a hallmark of our development program — all of our communities incorporate some of the same elements, but each design is shaped by its market. We also work closely with the city and with the neighbors to ensure that our design is a good fit for the community around us."

Based in Houston, Belmont Village operates 21 senior living communities across the southern United States, California and the greater Chicago area. Scottsdale is the first Belmont property to open in Arizona.

To take full advantage of the warm climate, Belmont focused on marrying indoor and outdoor spaces with a seamless flow, Chapman said.

"A lot of thought went into creating shady outdoor spaces — so much of the year has great weather and we wanted residents to be able to make the most of it on the terraces, courtyards and balconies," he said. "We've also expanded our common spaces to create dedicated areas for program activities and plenty of additional room for socializing and spending time in the community. One of the elements we've added to this design is the unique visual spaces — areas are defined by distinctive colors, art and themes to create memorable spots that add interest and aid in wayfinding."

One sweet 'Onion'

When completed in early 2013, Silverado Senior Living's Onion Creek property should be the envy of memory care facilities everywhere, Senior Vice President Steve Winner says. Currently under construction on a five-acre site near Austin, TX, the company that specializes in memory care expects Onion Creek to be the culmination of its efforts to date.

"Onion Creek is the model we designed going back 15 years — comprising all the parts that are important to us," said Winner, who co-founded Silverado and also serves as its chief of culture. "There are no limitations — everything we ever dreamed about doing is going into it."

Designed with a Texas Hill Country-meets-Tuscany ambiance, the one-story, 45,000-square foot Onion Creek property will offer assisted living memory care for up to 90 residents. Silverado's staffing model includes a full-time registered nurse who directs clinical care, along with licensed nurses who provide 24-hour seven-day-a week licensed nursing coverage.

Philosophically, the design focus is on freedom and dignity for residents, Winner said, adding that the primary challenge is balancing a liberal amount of freedom with the right measure of security to keep residents from wandering. With Onion Creek, Winner believes the company has designed a layout that provides the maximum amount of freedom with an unobtrusive measure of security.

Photo: Belmont Village

In order to appeal to a broader range of clientele, many new communities look more like vacation settings.

Storm trooper

When a skilled nursing facility more than doubles in size — but adds only 20 beds — and switches to a brand new model of care, one could reasonably expect some growing pains. But officials at WillowBrooke Court, the skilled nursing community at the continuing care retirement center Indian River Estates, are genuinely pain-free with their new replacement center.

Located in what used to be a relatively rural area in Vero Beach, FL, the 120-bed community ballooned from its original 40,000-square-feet footprint to 100,000 square feet. The ACTS Retirement Life community, which added only 20 new residents as part of the upgrade, transitioned from a traditional hospital-like nursing home to a household style home. It debuted its new look in April.

The transition, harmonious as it was, is due to more than a year's worth of monthly staff meetings to discuss components of the transition — be they culinary or clinical in nature. Staff members also wrote regular letters to residents' families to keep them apprised of the coming move.

"We transported 100 people over the course of a week, or one household [20 people] per day. It worked very well," said Dianne O'Rourke, the community's director of nursing. "By the time they got to the new building, their households were intact. We were very tired by the end of that week!"

O'Rourke says one of the biggest changes for the nursing staff was the transition away from any kind of official uniform. Under the household model, nurses and aides are required to wear street clothes. They cannot wear scrubs or all white.

The community's administrator, Erin Montegut, said this change was hardest for "younger nurses who worked hard to wear white."

On the construction side, convincing the state of Florida that a household-style SNF could meet state regulations was by far the most challenging part of the product, according to Sean Fletcher, director of construction services for ACTS. The operator had decided 10 years prior to the completion of WillowBrooke to build the community in the household model.

"Putting forth a design that really challenged the building code and this regulatory environment was really challenging," Fletcher explained.

When ACTS finally started construction in 2009, state regulators had no experience working with a household model, in part due to a state moratorium on new skilled nursing beds.

A top priority for ACTS was ensuring the building could withstand a Category 4 hurricane.

"This building is basically a bomb shelter," Fletcher said. "We shelter in place, which means that if a storm is coming, we keep both our residents and staff in the building."

Fletcher's design team made the decision to build the structure in compliance with Miami-Dade County building codes, the most stringent in the state. Fletcher said they followed those codes even though local codes didn't require it.

"We could literally ride out any type of storm," he said. "We have a 1,500-kilowatt generator that could power the building for seven days if we lost power." ■

MARKET TRENDS

Independent living appears to be on the rebound

By John Andrews

Independent living proved to be the most vulnerable sector in seniors housing when the real estate bubble burst in 2008 as prospective residents who had trouble selling their homes suddenly stopped moving in.

The backlash had a dramatic effect on occupancy in independent living, causing it to plummet significantly. This loss of residents also sent shock waves through the investment community, which as a result viewed the market as less desirable.

But there are signs that fortunes are changing in independent living — at least on the occupancy side. The National Investment Center for the Seniors Housing & Care Industry's Market Area Profiles recently gauged a significant improvement in independent living's occupancy rates, showing a rise from 87.4% in the second quarter of 2011 to 88.5% during the same quarter this year.

"It is up 110 basis points from last year and 170 basis points from the 86.8% rate in the third quarter of 2010, its cyclical low," said Mike Hargrave, vice president of NIC MAP. "Assisted living is at its highest level in four years, but over the past year independent living has seen a greater upward rise in occupancy. This is curious because investor sentiment has clearly shifted to assisted living and memory care."

Independent living is making a comeback, as stabilizing occupancy rates show.

Indeed, since the recession began in late 2008, investor preference has shifted away from low-acuity, choice-driven models to need-driven, higher acuity care models, said NIC President Robert G. Kramer.

"Five years ago the prevailing wisdom in private pay was that lower acuity was the way to go," he said. "Now it is high acuity that is attractive. We've seen growth in Alzheimer's care units, conversion of independent living and assisted living facilities and significant growth in free-standing memory care. On the skilled side the greatest interest is in post-acute care, transitional care and rehab. Properties are being repositioned for those types of residents."

Challenges to overcome

Independent living "fell the furthest, but has also had the greatest comeback," Kramer said. Even so, operators still must deal with a model that has fallen out of favor with investors while hoping that the residential real estate market eventually makes its way back to normal levels.

To build and stabilize occupancy rates, some independent living facilities are giving current and prospective residents financial incentives, such as offering more services, providing third-party home healthcare and providing assistance to sell residents' homes.

For now, independent living operators can take solace in occupancy rate growth, which shows the sector headed in the right direction, Hargrave said.

"The bottom line with independent living is that it is still challenging but the occupancy numbers show that it is clearly in recovery mode right now," he said. ■

Where the interest lies

There are various aspects of seniors housing that investors are looking at when deciding where to put their money. Depending on the point of view, certain developments stand out that can sway a lender either way.

Here is a sampling of the opinions circulating in the industry right now.

Imran Javaid, healthcare real estate director for Capital One: "Seniors housing has proved that while it may not be recession-proof, it is recession-resistant. That is contributing to a more positive outlook. The Social Security Administration reports that 10,000 baby boomers per day are hitting the retirement rolls."

Dan Biron, senior vice president and co-head of Senior Housing and Healthcare at Berkadia Commercial Mortgage: "The reimbursement climate for skilled nursing is a concern. Will cuts continue? It comes down to how much risk tolerance you are willing to take. While independent living is the most vulnerable to the economy, there is still a need to grow the sector. Many operators are getting dual licenses for independent and assisted living."

Jason Stroiman, president of Evans Senior Investment: "There has been lot of consolidation at the mid-market level, with aggressive companies that have eight buildings wanting to double their size. It means this has become a much more competitive business, where you need economy of scale. This used to be the kind of business you could pass down to your kids."

Jason Dopoulos, vice president for Lancaster Pollard: "We concentrate a lot on sensitivity analysis to ensure the buildings can meet debt service in various scenarios. We also have been focusing on the functional obsolescence of the buildings. The baby boomers expect a much different product."

Jeff Binder, principal and managing director for Senior Living Investment Brokerage: "The most positive indicators in the market continue to be the sector's strong performance compared to most other classes of real estate. From a negative perspective, I believe continued concern over Medicaid expansion, and how to fund that expansion, is something we continue to see anxiety over."

Doug Korey, managing director for Contemporary Healthcare Capital: "There is a remarkable interest among a number of operators, lenders and investors for stand-alone memory care facilities. For a number of these groups, this is the new generation of specialty seniors housing facilities. However, similar to the mid-1990s overbuilding of assisted living in certain markets, there is the potential for the same for this type of property."

TALKING BUSINESS

"Confidence is contagious; so is lack of confidence."
– Vince Lombardi

"Motivate them, train them, care about them and make winners out of them ... they'll treat the customers right. And if customers are treated right, they'll come back."
– J. Marriott, Jr.

"Technological change is like an axe in the hands of a pathological criminal."
– Albert Einstein

"I believe in benevolent dictatorship, provided I am the dictator."
– Richard Branson

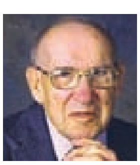
"It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."
– Charles Darwin

"We are all faced with a series of great opportunities brilliantly disguised as impossible situations."
– Charles R. Swindoll

"The best way to predict the future is to invent it."
– Alan Kay

"The minute you're satisfied with where you are, you aren't there anymore."
– Tony Gwynn

"Expect the best. Prepare for the worst. Capitalize on what comes."
– Zig Ziglar



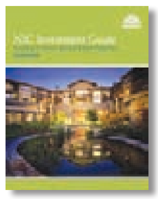
"There is nothing so useless as doing efficiently that which should not be done at all."
– Peter Drucker

Time to catch up on your reading

By John O'Connor

Whether you are a novice just learning about the market, or an experienced pro plotting your next big deal, these publications deserve a spot on your "must-read" list. Collectively, they offer unmatched insight about the senior living and care field today.

NIC Investment Guide / Investing in Seniors Housing & Care Properties Second Edition
By the NIC



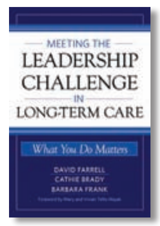
The second edition can be ordered through NIC

The second edition of the Investment Guide provides an overview of the seniors housing and care sector, as reflected by current data. The guide is intended to be a primer for those who wish to learn more about the field. The guide delivers an introduction to the sector's investment characteristics and performance, as well as its leading players. A helpful appendix allows the curious to drill deeper.

2012-2013 Nursing Home Salary & Benefits Report
By Hospital & Healthcare Compensation Service
This 300-page annual update covers salary and bonus data on 42 management, and 45 nursing, therapy, dietary, and clerical positions. All data are reported according to bed-size, for-profit or not-for-profit status, geographic region, state and county. The report offers current data for anyone who wants to get a better handle on labor-related costs. Similar reports are also available for the assisted living and CCRC sectors.

2011 Seniors Housing & Care Journal
By the NIC
The 2011 Seniors Housing & Care Journal continues its tradition of disseminating empirically based research and commentaries about quality and progressive practices that are focused on critical issues faced by professionals in the field. Demonstrating the richness of how program implementation, evaluation, and research can be used to improve planning, operations, and policies in senior living, articles in this edition cover diverse topics, from nutrition to gerontechnology.

Meeting the Leadership Challenge in Long-Term Care
By David Farrell, Cathie Brady, and Barbara Frank



Challenges come in all sizes and shapes

This book can help anyone in leadership positions in long-term care. It offers practical, common-sense, easy-to-implement approaches that can yield immediate positive results. It also serves as a wake-up call to leaders who doubt their impact and as an affirmation to leaders who struggle daily to do a good job. Too often long-term care leaders feel overwhelmed by regulatory, financial, and corporate constraints and succumb to the myth that staff turnover is an inevitable cost of doing business.

The Executive Guide to Understanding and Implementing Baldrige in Healthcare: Evidence-Based Excellence
by Glenn Bodinson and Kay Kendall
The Executive Guide to Understanding and Implementing Baldrige in Healthcare: Evidence-Based Excellence identifies a set of common best practices and focuses on nine essential systems that cut across the seven categories of the Malcolm Baldrige Criteria for Performing Excellence. The examples and case studies described in the book show a range of organizations, large and small. Bodinson and Kendall offer practical strategies on how to get the results you seek quickly yet sustainably so you that you gain an edge on your competition. ■

MAIN FEATURE

Lenders line up

After four years of reticence by lenders, purse strings are starting to loosen, which means more capital is available for smart operators, experts say

By John Andrews

Until real estate investment trusts made so much noise last year with some mega-deals, seniors housing was a pretty quiet place for investors. The market withstood the real estate collapse better than its commercial and residential counterparts, but it still suffered a capital drought due to wary banks and private equity firms.

But now, perhaps sparked by the REITs' brazen moves in 2011, money is once again flowing into seniors housing at levels not seen since before the recession began in 2008. For seniors housing operators with strong performance records, capital appears to be plentiful for all types of projects.

Robert G. Kramer, president of the National Investment Center for the Seniors Housing & Care Industry, acknowledges that the past four years were difficult but says conditions have eased substantially.

"There was little debt financing available for new construction and outside the HUD-Fannie Mae-Freddie Mac pipeline. Finding bridge financing and other financing was very tough," he said. "That is opening up now — just look at all the new lenders and teams being put together."

After a wild REIT-driven first half of 2011 that saw nearly $16 billion in transactions, this year has been much calmer, though activity has still topped $2 billion.

"The focus right now is more on middle market and smaller deals, whereas last year we saw the really big deals," Kramer said. "Many deals last year involved 50 or more properties while this year they typically include three properties."

Jason Stroiman, president of Evans Senior Investment, says he is "extremely optimistic" about the current state of investment in seniors housing as banks and private equity firms make a notable return to the market.

"We've seen significant change in the smaller and regional lenders, with much more activity at this level," he said. "They are back and are making a major push."

F. Donald Kelly III, director of Healthcare Real Estate for CapitalSource, said he has seen banks and private equity firms leap back into the fray, but with a more conservative, risk-averse approach.

"Lenders are being choosy about the loans they make," he said. "They are backing quality companies. Lenders seem much more focused on quality operators with solid integrity that have successfully navigated the issues and challenges of the recent past."

Even though investors are being lured back into the seniors housing market, the "great leap of faith" that typified the pre-crash hysteria is definitely gone, said Dan Biron, senior vice president for Berkadia Commercial Mortgage.

"Banks are coming back, but it is much different now," he said. "If you are an operator with a weak cash flow, you will struggle with getting a loan. No one is doing *pro forma* lending. If you need to boost occupancy, they will tell you do that and then come back. It is now 'show me the money, operations and cash flow.'"

Rolling along

HUD, Fannie Mae and Freddie Mac have been the backbone of seniors housing lending since 2008 and show no signs of stopping, even with the re-entry of private equity lenders into the marketplace.

"Seniors housing is a small part of their portfolio, but it's the best performing part so they want to do as much as they can do," Kramer said. "They are eager to do more and I don't see any signs that these agencies will exhaust themselves."

Low interest rates have driven the demand for public financing and boosted the REITs' business as well. In fact, if it weren't for the REITs' ability to secure low rates, "Fannie and Freddie would have unbelievable

"We've seen significant change in the smaller and regional lenders."

Jason Stroiman
Evans Senior Investment

Sector evolution sparking friction?

As the Accountable Care Organization movement causes hospitals to increasingly discharge patients into trusted post-acute care sites, both skilled nursing and assisted living are clamoring to get that business.

With every sector evolving in its approach to patient care, it is a logical progression that competition for discharged patients intensifies between properties, said Robert G. Kramer, president of the National Investment Center for the Seniors Housing & Care Industry.

"The reality is that the skilled nursing unit of today is the old med/surg unit of the hospital 10 years ago," he said. "Likewise, the assisted living building of today is the skilled nursing building of 10 years ago, with residents being older and frailer. Some would also say that the independent living model of today is the assisted living model of 10 years ago."

The recession has impacted this evolution because many seniors who planned to move into independent living have been delayed because they could not sell their own homes. Due to this delay, these prospective residents are older and more price sensitive, Kramer explained.

It adds up to "a changing profile of patients and residents" in the new healthcare environment and each sector will have to forge its own identity and tailor its marketing accordingly, he observed.
— John Andrews

MAIN FEATURE

"Banks are coming back, but it is much different now."

Dan Biron
Berkadia Commercial Mortgage

volume levels," Kramer added.

Kelly reports that in early July, HUD rates were in the "threes" and Fannie and Freddie rates were in the "fours and fives." REIT rates have hovered between two-and-a-half and three.

To be sure, Fannie, Freddie and HUD represent "very compelling" refinance vehicles when compared to conventional financing methods, said Jason Dopoulos, vice president for Lancaster Pollard. "Their rates are fixed and very low because of where the treasury markets are trading and they provide a high leverage point."

HUD has also made some comments about wanting to finance more unlicensed units, which could benefit assisted living operators with projects that include independent living, Dopoulos said.

"If this mix is more than 25% independent living, your only agency options were Fannie Mae and Freddie Mac, which are great programs, but you can't compete with HUD on rate and term right now."

The SNF factor

In Kramer's view, the level of optimism among lenders depends on the seniors housing sector and the type of project proposed. In essence, investors are more enthused by private pay properties and less so about skilled nursing.

"Investors are skittish about the cloud of uncertainty on the skilled side, particularly with the continual pressures on Medicare and Medicaid," he said.

Even so, Kramer said as the skilled side evolves under healthcare reform and other initiatives, skilled nursing and its need-driven services may become more desirable in the future.

"The bundled/capitated format is something many people feel is an inevitable reality and that could shift the playing field," he said. "It comes down to who has solid data systems that document outcomes and who can make themselves look attractive to the acute care player as part of an integrated delivery network or accountable care organization. So there are opportunities for realigning."

Broader offerings

SNFs aren't sitting still, either. Some are pursuing new care delivery concepts, such as upscale spa-type rehab centers for knee and hip replacement patients who have discretionary dollars and want luxury accommodations. Others are focusing on post-acute care services that specialize in high acuity patients, such as ventilation, bariatric surgery and stroke recovery.

There is "no question the market is there" for these types of properties, but any specialty center "must have enough mass to support it," Kramer said.

Healthcare Finance Group specializes in skilled nursing, providing a bifurcated structure of accounts receivables and a revolving line of credit for cash flow based on the enterprise value of the operation. Claudia Gourdon, senior vice president and national marketing manager, conceded that reimbursement cuts have

Construction vs. Inventory; MAP31

	Majority IL	Majority AL	Majority NC
2Q2006	3.9%	2.6%	0.7%
2Q2007	5.5%	2.4%	0.9%
2Q2008	5.2%	3.2%	0.7%
2Q2009	3.2%	2.7%	0.8%
2Q2010	2.4%	2.1%	0.8%
2Q2011	1.7%	2.8%	0.4%
2Q2012	1.6%	3.0%	0.6%

Source: NIC MAP® Data & Analysis Service diminished the sector's attractiveness.

"I don't think there will be the same level of cuts going forward, but we won't be getting back to what people would consider a level of normalcy," she said.

Gourdon echoed Kramer's view on the factors for driving success in SNFs, saying "those entities that can maximize their use of electronic health records and align with hospitals will fare the best. The ACO model is just as important to SNFs as it is to hospitals."

Overall, the financial community is mostly bullish on the growth potential and stability of the seniors housing market, encouraged by factors such as a rebounding occupancy rate.

"The steadily growing occupancy trend is a clear positive," said Imran Javaid, national head of lending in seniors housing and long-term care for Capital One. "The industry is in a good position and is doing well on this track. Steadily growing occupancy, with no excess inventory, is well in line with the demographic trend."

An average per-unit sales price of $179,042 in 2011 represented a 38% jump from the previous year, which has been a tremendous positive for the assisted living sector, Dopoulos said.

"It is now extremely close to the pricing peaks we saw in 2007," he said. "This asset class has been resilient throughout the recession."

In fact, it is the entire seniors housing's resilience throughout the economic malaise that has boosted the confidence of institutional investors, Kramer said.

"It doesn't mean they've all plunged in, but more institutional money is considering commitments — it is on their radar screen," he said, cautioning that "there is a big difference between being on the radar screen and taking the plunge."

Through it all, however, Kramer sees "a whole new pool of institutional investors" brought in through the "big three" REITs – Ventas, Health Care REIT and HCP. "So there are people holding REIT stock who have the potential to significantly expand investment in the sector." ■

"Those entities that can maximize their use of electronic health records and align with hospitals will fare the best."

Claudia Gourdon
Healthcare Finance Group

Occupancy by Property Type; MAP31

	Majority IL	Majority AL	Majority NC
2Q2006	92.6%	90.6%	90.6%
2Q2007	92.0%	90.0%	90.4%
2Q2008	90.1%	88.7%	89.7%
2Q2009	87.4%	87.2%	89.1%
2Q2010	86.9%	87.8%	88.6%
2Q2011	87.4%	88.2%	88.3%
2Q2012	88.5%	88.7%	87.9%

Source: NIC MAP® Data & Analysis Service

YTD 2012 Transaction Volume

Seniors Housing	$1,564,854,647
Nursing Care	$492,480,957
Total Seniors Housing & Care	$2,057,335,604

Source: NIC MAP® Data & Analysis Service

FEATURE

Still a real force

REITs jump-started seniors housing investment in 2011 with some of the biggest deals seen in years. Even though they've simmered down, they remain highly influential

By John Andrews

In early 2011, real estate investment trusts materialized on the seniors housing scene like a flash mob — converging on major properties and churning out multi-billion dollar deals almost instantly. Call it the REIT riot.

When the dust settled, 2011 saw more than $27 billion in transactions – almost 90% of the industry's volume. The financing machine then dialed itself down, giving everyone a chance to catch their breath and review what transpired. By most accounts, the REITs gave the signal that the previous four years of financial dormancy was definitely over and that the time had come for investors to once again open their checkbooks.

The REITs opened the door for others to enter and today banks and private equity firms are getting more involved with seniors housing investment, albeit more cautiously than before the crash of 2008. And while REIT financing in 2012 hasn't come close to the heights of last year, their activities have still reached the $2 billion mark.

"The REITs are still active, but not in the fashion of 2011, where the focus was on much larger portfolio opportunities," said Jeff Binder, principal and managing director for Senior Living Investment Brokerage.

"This year appears to be providing more regional portfolios and one- and two-property packages. We are also seeing an increased volume from some of the REITs that did not grab the headlines in 2011, but have focused on the middle-market relationship opportunities in 2012."

Jason Stroiman, whose firm Evans Senior Investment specializes in serving mid-level operators with 10 to 15 facilities, says he is seeing REITs get involved with lower-rung deals not typically associated with them.

"We were involved in a $50 million capitalization a few weeks ago and met with REITs from coast to coast," he said. "They are now showing up for deals they previously wouldn't have taken calls about."

Middle-market REITs appear to be actively marketing to prospective clients for transactions in the $10 million to $40 million range, but "only a limited number of deals appear to be getting done," said F. Donald Kelly III, director of CapitalSource Healthcare Real Estate Group.

Additionally, he said "some REITs are strategically paring older skilled nursing product from their portfolios to improve their average asset age."

There are a number of $50 million to $300 million senior debt transactions going on in the market, Kelly said, and lenders are competing to lead the syndication of those deals.

Real estate investment trusts' access to public markets for debt and equity has given them an advantage in the market.

"Since many lenders are being cautious about hold size, large transactions require more participants compared to pre-2008."

Rise of the REITs

Just as the auto industry has its Big Three in General Motors, Ford and Chrysler, so does the REIT sector in Ventas, Health Care REIT and HCP. It is these REIT giants that represented the lion's share of buying activity in 2011, including VTR/NHP REIT for $7.4 billion, HCP/HCRManorCare for $6.1 billion, VTR/Atria for $3.1 billion and Genesis/HCN for $2.4 billion.

The bold moves caused quite a stir in the financial community, which had grown sedentary after three years of inactivity. But while banks and private equity investors sat back, waited and watched, the REITs had the means and fortitude to put together an impressive array of portfolio packages.

"In the period between 2009 and 2011, the fact that the REITs had access to capital at all provided them with a huge advantage," said Robert G. Kramer, president of the National Investment Center for the Seniors Housing & Care Industry. "They had low leverage to begin with and could access the public markets for debt and equity, which put them well ahead of private equity firms. Now that even those markets have opened up, the Big Three still has an enormous advantage in the rates they can command."

The REITs' long-term approach to the market is the source of their financial muscle. Their status as "landlords" gives them options that other investors don't have, Kramer said.

"A private equity's hold strategy might be five to seven years, but if the REITs choose to, they can exercise a long-term hold — that is clearly a huge difference in strategy," Kramer observed. "They own the assets and get a stream of revenue through rent, so they have a certain insulation."

REITs also strive for a diversified portfolio of products so they don't have all their financial eggs in one basket.

"They have multiple operators, multiple product types and a balance of private pay and skilled," he said. "That way if certain properties aren't performing, it doesn't dent their earnings."

Straddling the middle

The blockbuster deal frenzy appears to be over for now, but it touched off a wave of smaller transactions that have been consistent and fruitful in the REIT sector.

Health Care REIT characterizes 2012 as "a year of follow-up transactions" with its partners, said Mercedes Kerr, senior vice president of marketing.

"HCN has confirmed and advanced the strategies which fueled our growth in 2011," she said. "Transaction volume continues to be high and HCN is seeing much of what comes to market. For the year to date in 2012, HCN has reported $1.9 billion in investments."

Since Jan. 1, 2010, HCN has raised approximately $9.6 billion in capital, which has helped fuel their partners' growth, Kerr said.

"Our company has evolved significantly over the past few years," she said. "In response to our RIDEA investments, we have added a new relationship management division at the company to collaborate with our operating partners more actively. Our goal is to be informed and involved partners, able to facilitate the success of our portfolio investments."

At the end of July, Aviv REIT announced it had acquired 15 skilled nursing facilities, three assisted living facilities and one long-term acute care hospital in five transactions worth $104.6 million.

"We continue to execute our strategy to grow and diversify our business by buying quality properties with quality operators, attractive returns and at conservative valuations," said Craig M. Bernfield, the company's president, chairman and CEO. "These acquisitions are further examples of our pipeline of opportunities that we continue to realize from our existing tenant relationships and our industry presence as a market leader."

Prime position

Jason Dopoulos, vice president for Lancaster Pollard, said that while REITs have typically avoided smaller transactions in general, they are well-positioned to venture into that territory if they so desire.

"The REITs already have a great relationship with many of the large operators in our space so they can easily add high quality assets to their existing portfolios and not disturb operations because of their established partnerships with national operators," he said.

These mid-level pursuits are serving as a capital boon for operators while encouraging other investors to increase their activity in the marketplace. Does this mean REITs are seen as a bellwether of the industry's financial condition?

"Not necessarily," answered Doug Korey, managing director of Contemporary Healthcare Capital. "The REITs have been significant players, but some of this can be attributed to their access to incredibly low interest rate debt as opposed to being able to actually guide or foresee the future of the industry. I certainly think that some REITs have a very good sense of where the industry is heading, but a lot of their recent actions don't necessarily reveal that they know more than others." ■

"The REITs are still active, but not in the fashion of 2011."

Jeff Binder, Senior Living Investment Brokerage

FEATURE

NIC Conference will focus on high value

Dealmaking will be a common sight at the 22nd NIC National Conference.

The 22nd NIC National Conference takes place in Chicago on Sept. 19-21. This year's event is certainly happening at a pivotal time. With a presidential campaign in full swing, an unsteady economic recovery, ongoing deficit reduction debates, and continued pressures for — and experiments in — healthcare reform, it's more important than ever to understand both the challenges and opportunities in today's evolving landscape.

As the industry's signature deal-making event, the NIC National Conference will again create unmatched access for owners and operators of seniors housing and nursing care properties to network and meet with debt and equity capital providers interested in the sector.

With dedicated meeting areas, scheduled time for meaningful conversations, networking opportunities and a focused mission of bringing like-minded operators and investors together to discuss and close business, this is an ideal environment to make deals. Add to that the educational sessions, and every minute of this event can help you continue to deliver value in an evolving landscape.

Ensuring a Deal-Making Environment

NIC events, including the 22nd National Conference, are intentionally focused on creating opportunities for owners, operators and developers of seniors housing and care properties to interact with sources of capital and with service providers critical to the process of buying, selling, valuing, lending, financing and investing in the sector.

Whether You're Providing Great Value is Determined by Those Receiving It

Success means understanding both the challenges and opportunities in today's evolving landscape. The 22nd NIC National Conference is happening at a pivotal time. With potential gridlock, budgetary pressures, economic uncertainty and fundamental market-driven reform, it's more important than ever to have the right plan in place.

Thursday Morning General Session

Robert J. Shiller – Returning to Stability: Insights in the Real Estate Capital Markets

Gain insight to the U.S. housing and financial market as Robert G. Kramer interviews noted Yale economist and U.S. housing market expert Robert J. Shiller. The discussion at this don't-miss session will focus on the current state of and outlook for the residential housing and commercial real estate capital markets at the national and individual market levels in terms of return to stability and the expected cost of capital. Shiller is one of the most far-seeing political economists of our time, known the world over for his brilliant forecasts of financial bubbles and his penetrating insights into market dynamics and how human psychology drives the economy. He co-created the most widely quoted home price index in the country (the S&P/Case-Shiller Index) and is a best-selling author. In his newest book, "Finance and the Good Society," he argues that we need more financial innovation, as finance is among the most powerful aspects of society for solving our common problems and increasing our general well-being.

What Will the Growing Role of Managed Care in Medicare and Medicaid Mean for SNFs?

Managed care increasingly is being utilized at both the federal and state levels in an effort to control costs while delivering quality service. At present, 27 states are considering or moving to implement Medicaid managed care programs. Also, private sector payers are increasingly focused on long-term and post-acute care delivery and financing—a trend which is starting to fundamentally influence the relationships with referring providers. After an overview presentation, Dan Mendelson will moderate a discussion with panelists on what the managed care revolution will mean for skilled nursing operators and investors in the sector. Topics will include how providers should prepare for the increased role of managed care and what will it mean for Medicaid and Medicare.

The Case for Seniors Housing Investments

Seniors housing again is among the most attractive property types for new investment, according to the 2012 Plan Sponsor Survey conducted by Kingsley Associates and Institutional Real Estate, Inc. (IREI). During this session, learn the arguments for pitching equity and debt investments in seniors housing properties. Industry experts, including operators, will offer a comprehensive overview of sector performance, as well as the opportunities and challenges associated with investing in seniors housing.

Private Pay Seniors Housing in the Post-Acute Continuum

With a focus on controlling costs, improving outcomes and reducing rehospitalizations, seniors housing must strengthen its place in the post-acute continuum. Evolve with the changing healthcare and economic landscape or miss out on market opportunities. In this session, the industry's most progressive thought leaders will discuss how their organizations are adapting, the need to understand measurement criteria and outcomes tracking and the importance of demonstrating value.

Thursday Networking Luncheon

Tom Scully – Political and Fiscal Realities and What They Mean for Post-Acute LTC

Get a Washington insider's perspective from someone who knows healthcare, post-acute care, LTC and the world of private equity on the new realities, defining challenges and surprising opportunities for post-acute, LTC and seniors housing providers.

Tom Scully was Centers for Medicare & Medicaid Services Administrator under George W. Bush from 2001-2004 and is now a General Partner with Welsh, Carson, Anderson and Stowe (WCAS), a leading private equity investor in healthcare. Scully also is Senior Counsel with Alston and Bird, LLP, where his focus is on healthcare regulatory and legislative matters.

In this session, you will hear about the impacts and fallout from the Supreme Court decision on the Affordable Care Act, what the results of the national election could mean, not only for healthcare generally, but specifically for post-acute and LTC, and what the likely future is for Medicare and Medicaid with the continued budget pressures, as well as the extent to which market-driven pressures to improve outcomes and reduce costs may be the most dramatic driver of dynamic change in the healthcare, post-acute and LTC sectors.

FEATURE

Thursday Breakout Sessions

Life after Medicare Cuts: Delivering Value and Maintaining Profitability

This session will examine the real impact and financial implications of reimbursement cuts. You'll hear from three different operators from three different geographic areas who took unique approaches to mitigating negative rulemaking.

Private Equity – Current Capital Deployment Strategies for Seniors Housing

Private equity funds have been a source of capital for the seniors housing industry for many years. Recent developments, including the formation of new funds specifically focusing on seniors housing, indicate that private equity is poised to play an increasingly active role and will be a significant source of capital for the industry in the future. In this session, industry leaders from the private equity arena will focus on the role of private equity in financing transactions as well as the growth of operating platforms, how private equity investors view opportunities along the continuum of care, return requirements, the investment horizon and how seniors housing compares to other asset classes that they consider for investment.

Seniors Housing Market Trends and Outlook

This briefing will provide a detailed review of key insights for the seniors housing market and the outlook for which markets are best positioned to experience growth. It will focus on the recovery in occupancies to date and the expected pace of future recovery; new construction starts and scheduled completions; property pricing and sales trends.

Partnerships Across the Continuum of Care: Changing the Face of Skilled Nursing

Spurred by changes in reimbursement, funding opportunities through CMMI and other forces, numerous innovations are underway to meet the "triple aim" of improving care, improving population health, and reducing the cost of care. What is the potential impact of such innovation on skilled nursing providers? Do these initiatives signal greater incentive for all health care providers to communicate and collaborate along the continuum of care including seniors housing and care/long-term care providers? What are the opportunities for tighter collaboration and synergy between acute and post-acute providers, and the potential impact/benefits of cross-provider initiatives?

Not All Valuations are Created Equal: Pricing Variables Today – and Tomorrow

Market data can provide useful benchmarks, but when it comes to valuing seniors housing and care properties, no two deals are alike. This session is for anyone needing competitive intelligence not only on the current data—but more importantly on the variables—influencing the pricing of seniors housing and care assets in today's market.

Facts and Fiction About Today's Options for Financing Development and Redevelopment

Having a realistic perspective on new construction and redevelopment financing is important in today's seniors housing and care market. Hear from borrowers and lenders as they walk through case studies of actual new construction and redevelopment projects. Borrowers who have accessed construction financing will share successful strategies and identify what didn't work well and why. Lenders, speaking to more than their credit policy, will outline requirements and help demystify the process.

Friday Morning General Session

How CEOs are Creating Value for Residents and Investors

As an industry veteran and former President of Health Care REIT and CEO of Cogdell Spencer Inc., Raymond Braun, dean of the College of Business, Bowling Green State University, will moderate a fascinating panel discussion on the key issues and challenges currently facing CEOs within the seniors housing and care sector and their respective companies.

Friday Morning Breakout Sessions

Debt Financing: What's Changed and What to Expect Going Forward

Who is offering debt financing in today's seniors housing landscape? What's available and how can you access it? A panel consisting of senior members from the GSEs and FHA/HUD with experienced lenders will walk you through case studies detailing the task, initial response and end result.

Dealmaker's Forum: After The 'Year of the REIT'

What happens after "The Year of the REIT?" A diverse panel of investment executives will provide insight into the market defining deals of the last 18 months and the factors transforming the landscape for 2013 and beyond. Learn what types of investments are being sought after by REIT investment teams and how that impacts non-REIT investors. Discover where valuations are going and how the cost of capital will impact dealmaking. Gain insight into the REITs and other institutional investors' business plans and who they are looking to partner with as well as how and when development fits into their plans.

The Evolving Landscape and Need for Memory Care Services in Seniors Housing

As the forecasted demand for memory care services escalates, this session explores the opportunities and challenges of building, adding or expanding services to those with memory care needs. Understand the different types of dementia and the impact on staffing and property design. ■

McKnight's

Capital Corner

Companies at a glance

Berkadia
(646) 432-7452
www.Berkadia.com

Capital Funding, LLC
(410) 342-3155
www.CapFundInc.com

Crossroads Hospice
(770) 270-9898
www.crossroadshospice.com

GE Capital, Healthcare Financial Services
(312) 441-6164
www.gecapital.com/healthcare28

Healthcare Finance Group
(212) 785-8508
www.hfgusa.com

Kwalu
(877) MY-KWALU
www.kwalu.com

Lancaster Pollard
(866) 611-6555
www.lancasterpollard.com

PDI
(845) 365-1700
www.pdipdi.com

PointRight
(781) 457-5952
www.pointright.com

Senior Living Investment Brokerage Inc.
(314) 961-0070
www.seniorlivingbrokerage.com

SunDance Rehabilitation
(888) 267-2220
www.sundancerehab.com

Advertiser Index

The following pages showcase firms that provide capital and services to the seniors housing and care sector. They are listed in alphabetical order.

A profile appears for each firm. The profile offers insight into each firm's mission, history, range of services and types of properties served.

For each company, we have included a "Fast Facts" box of convenient information, such as mailing address, contact names, phone and fax numbers, website, eligible properties and other useful material.

Berkadia

Company History

GMAC Commercial Mortgage Corporation (GMACCM) was established as a separate operating unit of the GMAC Mortgage Group. GMACCM grew to become one of the largest commercial real estate finance companies in the industry, with operations in the United States, Mexico, Canada, Europe and Asia. In March 2006, an investor group led by affiliates of Kohlberg, Kravis Roberts & Co. (KKR), Five Mile Capital Partners, LLC and Goldman Sachs Capital Partners completed the acquisition of a majority interest in GMAC Commercial Holding Corp. The company then changed its name to Capmark Financial Group Inc. (Capmark) and established a new executive team. In December 2009, Berkshire Hathaway and Leucadia National Corporation (LUK) formed Berkadia Commercial Mortgage in order to acquire Capmark's North American loan origination and servicing business.

Range of Capital Services

GSE & Multifamily Originations offering Freddie Mac Program Plus lender, HUD MAP, LEAN and Fannie Mae DUS® Multifamily Seller/Servicer.

Healthcare and Senior Housing provides through Fannie Mae, Freddie Mac and HUD.

Life Insurance Originations and Servicing for over 34 investors nationwide, with annual origination volume exceeding $1 billion.

Proprietary Lending originates bridge loans for its own balance sheet and provides solutions where traditional lending sources cannot. Our customized products are designed to meet your unique needs.

Types of Properties Served

Multifamily, Retail, Seniors, Office, Healthcare, Land, Student, Industrial, Self-storage, Hospitality, Manufactured Housing

Our Philosophy

The Seniors Housing and Healthcare team makes customer service our number one priority. For us, customer service does not end when a loan has successfully closed — it continues long after closing. Our team is always available to assist our clients with their existing loans and future financing needs as well.

FastFacts

Website: www.Berkadia.com
Sales/Marketing contact: Dan Biron
Title: Senior Vice President
Phone: (646) 432-7452
E-mail: dan.biron@berkadia.com
Fax: (646) 432-7482
Address: 521 Fifth Avenue, 20th Floor, New York, NY 10175

Eligible properties: ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Rehab hospital

Product base: ■ Bridge loans ■ Conduit ■ Fannie Mae ■ Freddie Mac ■ FHA ■ HUD

What We Offer

- Innovative products such as proprietary bridge lending and third-party capital
- Access to capital for the acquisition, refinance, or rehabilitation of commercial real estate properties
- Debt financing for refinancing, renovations, expansion, acquisition and new construction
- Assessment and matching of our client's structure and needs to the best financing options
- A highly experienced team of professionals that have operational experience with national operators who truly understand the business and needs of our clients
- Everything from conception to execution— from origination to servicing mortgages for all commercial property types

Our experience is also indicative on the volume of large and complex transactions we have successful closed. Our combined team experience has successfully originated and closed over $1.5 billion in FHA/HUD loans, including nine, large or medium size portfolios. Our team experience also has included large volumes of Fannie Mae, Freddie Mac and proprietary bridge loans all focused on the seniors housing and healthcare industry.

A Successful Partnership

Our dedicated team is focused on understanding our clients' needs and developing long term industry relationships. This has been proven based on the large number of clients who have known our associates over numerous years and have followed them over their careers. Our clients know that our associates are focused on meeting their needs efficiently.

Capital Funding, LLC ('CFG')

Company Profile

Capital Funding, LLC ("CFG") is a leading provider of senior mortgage and permanent financing to the owners and operators of senior housing companies across the country. The company was founded in 1993 and has been the number one originator of HUD Section 232 loans since 2002. CFG specializes in HUD financing for senior housing assets and also provides bridge-to-HUD loans through an affiliate company. Through our various affiliates we offer commercial and retail banking, accounts receivable financing, sale/leasebacks and spend management. CFG is headquartered in Baltimore and has affiliate offices in Media, PA, and Dallas.

CFG Approach

CFG is truly a "one-stop shop." We have the complete suite of product offerings to fully address the needs of our clients. We also originate, underwrite, process and service all of our loans. We currently have a servicing portfolio over $2 billion, which is more than 10% of HUD's entire senior housing portfolio. This allows us to provide consistency in the management and servicing of your loan. CFG is independently owned, which streamlines the decision-making process and facilitates the development of the lender/client relationship.

FastFacts

Website: www.capfundinc.com
Sales/Marketing contact: Erik Howard
Title: Managing Director
Phone: (410) 342-3155
E-mail: ehoward@capfundinc.com
Address: 1422 Clarkview Rd., Baltimore, MD 21209

Eligible properties: ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Hospital ■ Rehab hospital

HUD Financing

Why is HUD financing attractive?

- Acquisition, refinancing, new construction and substantial rehabilitation
- Low, fixed interest rates
- No personal recourse
- Fully amortized up to 35 years for refinances
- Minimal reporting requirements
- Equipment purchases and repairs up to 15% of the value are eligible
- Loan-to-Value up to 80%
- The debt is assumable

GE Capital, Healthcare Financial Services

Company Profile

With in-depth industry knowledge and expertise, GE Capital, Healthcare Financial Services has provided more than $60 billion in financing over 10 years to companies in more than 40 healthcare sectors including senior housing, skilled nursing, hospitals, medical offices, outpatient services, pharmaceuticals and medical devices. Our team of professionals creates business and financial solutions tailored to meet the individual needs of our customers.

Our Philosophy

As a leading provider of financing for senior housing, skilled nursing and medical office properties across the U.S., our dedicated healthcare real estate finance team has decades of experience and delivers customized financing solutions to a wide range of healthcare providers.

What We Offer

In 2011, GE Capital, Healthcare Financial Services completed approximately 30 senior housing and care transactions representing approximately $1.2 billion in committed capital including loans, ranging from $10 million single asset to $220 million highly structured portfolio transactions. We offer structured fixed and floating rate senior secured loans as interim, bridge or long-term financing, and as term loans and/or RE collateralized revolvers. For more information, visit *www.gecapital.com/healthcare28*.

FastFacts

Website: www.gecapital.com/healthcare28
Sales/Marketing contact: James Seymour
Title: Senior Managing Director, Healthcare Real Estate
Phone: (312) 441-6164
E-mail: james.seymour@ge.com
Fax: (866) 207-0498
Address: GE Capital, Healthcare Financial Services
500 West Monroe, Chicago, IL 60661

Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Congregate care ■ Hospital ■ Rehab hospital ■ Medical office

Options: ■ Acquisition ■ Refinance ■ Exit

Product base: ■ Bridge loans ■ Lease ■ Line of credit ■ Leasehold mortgages ■ Term loans

A Successful Partnership

We focus on building and sustaining valued relationships with our customers. We have financed more than 6,000 senior housing and skilled nursing facilities across the United States, and three out of four transactions are with repeat customers.

Lancaster Pollard

Company Profile

Lancaster Pollard has been a consistent and dependable source of capital funding for senior living since 1988. Our diverse platform of services was created especially for senior living, and it continues to evolve and adapt to new trends and changing markets with this sector's needs in mind. We work with small and large organizations, for-profit and nonprofit organizations, independent living, assisted living, nursing facilities and CCRCs; and we understand that each of their situations is unique. As a leading underwriter of bonds and mortgage loans, we have considerable experience assisting organizations with their funding needs. Lancaster Pollard has earned a reputation for sound financial advice, cost-effective options and outcomes that exceed clients' expectations.

Lancaster Pollard is headquartered in Columbus, OH, and has offices to serve clients nationwide, including: Atlanta, Austin, TX, Kansas City, Los Angeles and Philadelphia.

Our Philosophy

Lancaster Pollard was specifically created to serve the senior living sector. The founders recognized that the capital markets did not have a complete, uniform understanding of the senior living sector and, as a result, access to capital was sometimes more limited, and the cost of capital more expensive. Lancaster Pollard is an independent firm, free from the influences inherent with ownership by or affiliation with large commercial banks. This independence allows us to provide more objective consultation, consider the entire spectrum of options and negotiate the most advantageous terms for our clients.

If you choose a mortgage or guaranteed loan, your relationship with Lancaster Pollard is for the life of your loan, as we service every loan we underwrite. Our goal is to provide a level of service that exceeds your expectations.

What We Offer

Lancaster Pollard provides debt financing for senior living renovation, expansion, acquisition, new construction and refinance.

Our focus on senior living means better understanding and articulation of your organization's unique credit characteristics, and our platform of options means better access to affordable capital in any market condition and better opportunities to match an appropriate finance strategy to your goals and objectives, such as:

- Taxable and tax-exempt bonds
- FHA mortgage insurance
- Fannie Mae Seniors Housing Products
- Our proprietary high-leverage EquityTap™ program
- Bank private placements and traditional credit enhancements

Lancaster Pollard has one of the largest groups of finance professionals in the nation focused on senior living. Our knowledgeable associates:

- Help you evaluate and understand your financing options to determine the best possible financial structure
- Offer investment banking and mortgage banking services under one roof, streamlining the process for organizations that combine government credit enhancements with tax-exempt bonds
- Navigate your loan process to ensure a quick and smooth process
- Diligently negotiate the best and most flexible terms possible in the current marketplace

A Successful Partnership

Our dedicated associates are committed to exceeding our clients' expectations. In an inherently transactional business, we develop sustainable capital financing solutions that meet short-term financial needs while safeguarding long-term financial viability.

FastFacts

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Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Congregate care ■ Hospital ■ Rehab hospital ■ Medical office

Options: ■ Construction ■ Substantial rehab ■ Acquisition ■ Refinance

Product base: ■ Fannie Mae ■ FHA ■ HUD

Alcohol Free.
Fragrance Free.
Worry Free.

Introducing NEW Sani-Cloth® AF3.
Protecting your residents has
never been easier!

SANI-CLOTH® AF3
GERMICIDAL DISPOSABLE WIPE

- **Ideal for use around residents and staff**
  Fragrance free formulation. No harsh odors.
- **Effective against 44 microorganisms in 3 minutes**
  Quat-based disinfection against the most prevalent MDROs.
- **Perfect for equipment and other hard surfaces sensitive to alcohol**
  Compatible with most healthcare equipment.

To receive a **FREE sample,** go to www.pdipdi.com/AF3

PDI®
BE THE DIFFERENCE™

PDI

Company Profile

PDI helps reduce preventable infections, control healthcare costs, and ultimately help save lives by delivering a broad range of evidence-based, market leading environmental hygiene and patient care solutions. Our expertise in making a difference in the community and healthcare environments extends throughout the United States and worldwide.

What We Offer

PDI addresses the top three interventions for preventing infections. Our market leading products coupled with staff education and clinical support can help you bring your infection rates down to zero.

Our brands include:

Sani-Cloth® Germicidal Disposable Wipes — providing a complete solution for environmental hygiene, from general, housewide disinfection to high risk areas endemic with Multidrug Resistent Organisms.

Sani-Hands® Instant Hand Sanitizing Wipes — making hand hygiene easily accessible to residents, staff and visitors.

Chlorascrub™ 3.15% CHG and 70% Alcohol Skin Antiseptics – providing an efficacious, easy to use skin antiseptic for preinjection and preoperative procedures.

FastFacts

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Eligible properties:
- Skilled nursing
- Assisted living
- Retirement communities
- Hospital
- Ambulatory surgery
- Rehab hospital
- Medical office

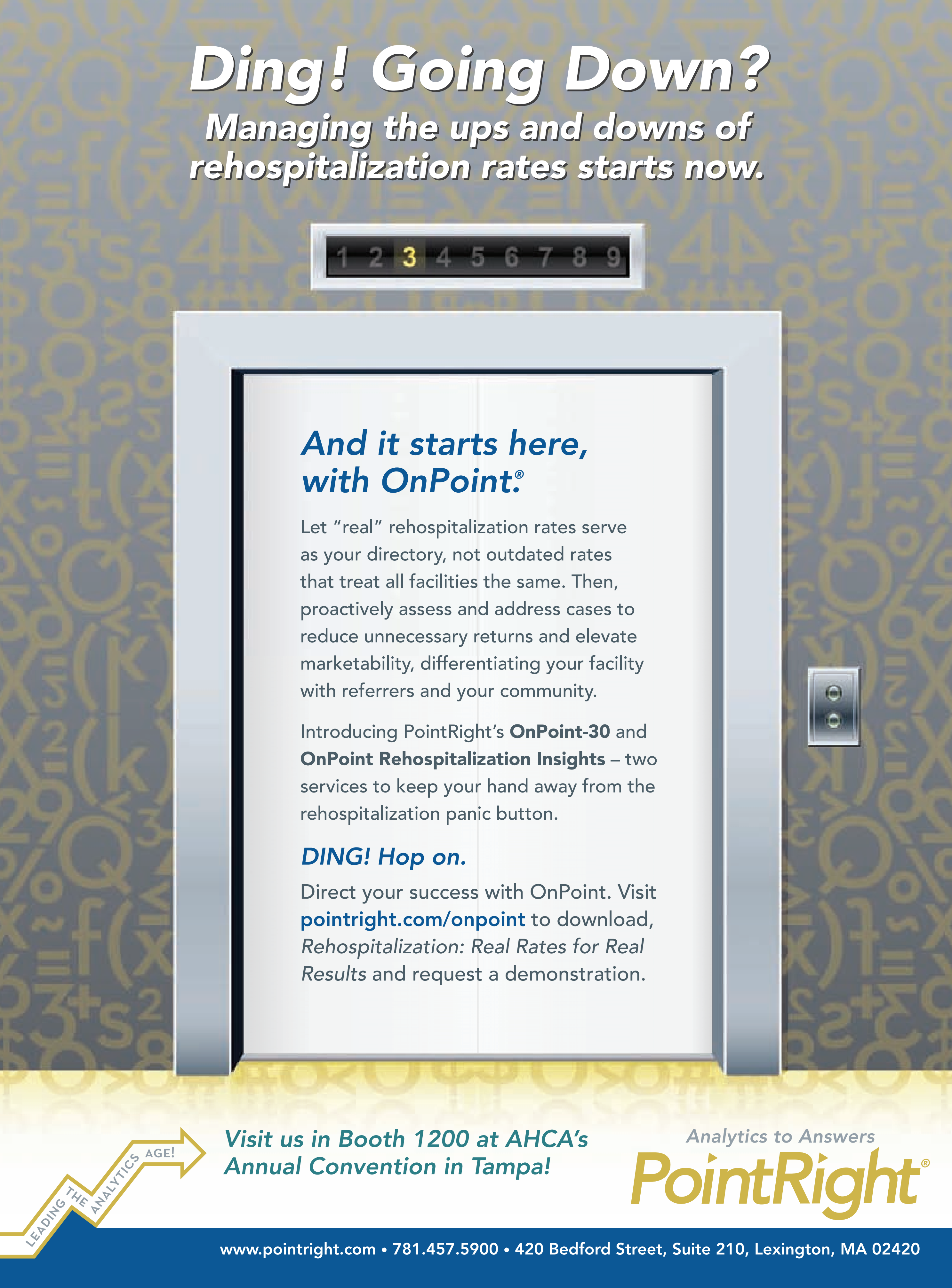
Product base:
- Environmental Hygiene - Sani-Cloth® Germicidal Disposable Wipes
- Skin Antisepsis - Chlorascrub™
- Hand Hygiene - Sani-Hands® Instant Hand Sanitizing Wipes
- Patient Care - Hygea®

Support and Education

Since 2008, PDI has been published in over 25 clinical studies, in both healthcare and community settings, demonstrating improved outcomes and reduced costs. In one study, a Long Term Care Facility implemented an infection prevention program targeting Environmental and Hand Hygiene using PDI support, education and products. After 6 months, the facility observed a dramatic reduction from the previous year.[1]

	CONTROL PERIOD: JUNE – NOV. 2008	STUDY PERIOD: JUNE – NOV. 2009	PROJECT CLEAN SWEEP STUDY RESULTS
Healthcare-associated infections (HAIs)	2.42%	0.55%	77% reduction in infection rate
Acute transfers due to infections	30	8	22 acute transfers avoided
Antibiotic costs	$81,046.50	$47,381.10	$33,665.40 in savings
Employee absenteeism	1,349 hours	792 hours	Absenteeism reduced by 557 hours
Cases of H1N1 Influenza	N/A	0	0 cases of influenza

[1]Schandel, Janice M., BSN, et al. Project: Clean Sweep Reducing Healthcare-associated Infections, Employee Absenteeism, Healthcare Cost and Hospital Readmissions in Long Term Care Facility Presented at the 37th Annual Meeting of the Association for Professionals in Infection Control and Epidemiology; July 11-15, 2010; New Orleans, LA Abstract 8-080



Ding! Going Down?
Managing the ups and downs of rehospitalization rates starts now.
1 2 3 4 5 6 7 8 9
And it starts here, with OnPoint.®
Let "real" rehospitalization rates serve as your directory, not outdated rates that treat all facilities the same. Then, proactively assess and address cases to reduce unnecessary returns and elevate marketability, differentiating your facility with referrers and your community.
Introducing PointRight's **OnPoint-30** and **OnPoint Rehospitalization Insights** – two services to keep your hand away from the rehospitalization panic button.
DING! Hop on.
Direct your success with OnPoint. Visit **pointright.com/onpoint** to download, *Rehospitalization: Real Rates for Real Results* and request a demonstration.
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PointRight

Company Profile

Knowledge is power, and in today's fast-paced world of healthcare, knowledge is arguably profit. Data-driven planning is a necessity for all aspects of the healthcare and insurance industries, and PointRight can harness the power of that data to drive profitable results.

As the industry leader in providing data-driven analytics and Web-based tools that measure risk, quality of care, rehospitalizations, staffing, compliance and reimbursement accuracy, PointRight provides services to more than 3,000 skilled nursing facilities, including more than half of the industry's top 10 provider chains. Our clients experience fewer survey deficiencies, rehospitalizations, fines and penalties, and lower insurance premiums. Since 1995, PointRight's nationally recognized clinical staff, researchers, and technologists expertly translate disparate industry data into usable information and insight that help make daily decisions easier.

OurPhilosophy

1. **Most Robust MDS Verification System:** Assessments run through more than 300 proprietary algorithms checking for logical and clinical consistency.
2. **Breadth and Depth of Analysis:** Unrivaled benchmarked and trended data analysis and real-time RADAR reporting to proactively identify high-risk residents.
3. **Access to PointRight Experts:** 200+ years of combined experience caring for patients and operating healthcare organizations.
4. **Evolving Answers:** New analytics-based answers to today's rehospitalization and staffing challenges.
5. **Consulting:** Leverage expertise, databases, and analytics to answer unique, custom questions for your organization.
6. **No Hidden Costs**: Simply pay monthly subscription fees for services — no implementation or staff training fees.

What We Offer

1. **MDS Data Integrity Audit (DIA)** goes beyond checks performed by MDS software systems by also viewing each assessment the same way a surveyor, fiscal intermediary, RAC auditor or plaintiff attorney would, providing immediate feedback for resolution.

FastFacts

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Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Congregate care

Product offered: Data-driven analytics, Web-based tools that measure risk, quality of care, rehospitalizations, staffing, compliance, reimbursement accuracy and risk/loss mitigation services.

2. **Management Reporting** suite of real-time reports including Green Light, RADAR and Medicare PPS reports present a comprehensive analysis of clinical and quality performance.
3. **OnPoint 30 and OnPoint Rehospitalization Insights** allow you to actively measure, compare, improve and market your facility to important referrers.
4. **StaffRight** proactively provides information to help you staff at levels necessary for quality, based on resident acuity without losing sight of the impact changes have on Five-Star staffing ratings.
5. **Merger & Acquisition Services** help investors make decisions that increase profitability, reduce risk, improve quality of service and operate more effectively.
6. **Claim Analytics** supports proactive, early investigation of claims and reportable events from triage through defense strategy and helps lower total cost of risk.
7. **Survey Insights** alerts facilities and their insurers to potential issues with CMS survey and creates an action-item task list to direct improvements to prepare for upcoming surveys.
8. **Risk Insights** puts a nursing facility's risk-level in perspective, compares it to relevant benchmarks and measures change over time.

A Successful Partnership

Working with PointRight requires partners to provide MDS data at the start to help maximize data accuracy and clinical risk management. PointRight provides analytics, predictive modeling and decision support to allow partners to make better care decisions.

Senior Living Investment Brokerage, Inc.

Company Profile

Senior Living Investment Brokerage, Inc. is a full-service brokerage company dedicated to providing our clients unparalleled service while achieving their investment objectives. From its genesis in 1997, the company has followed certain core beliefs to become one of the top providers of long-term care and senior housing brokerage services — arguably the largest firm solely dedicated to the industry. With offices in St. Louis and Chicago, we are strategically positioned to provide our services nationwide. For more information, please visit our web site at *www.seniorlivingbrokerage.com*.

FastFacts

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Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Congregate care

Options: ■ Divestitures ■ Acquisitions ■ Sale-Leaseback ■ Sale-Manageback ■ Mergers

Our Philosophy

Confidentiality and discretion are priorities in long-term care/senior housing transactions, and are the foundation from which our process is structured.

At Senior Living Investment Brokerage, Inc. we understand that brokerage does not end at the introduction of buyer and seller. Rather, this is just the beginning of our role in completing a transaction — evaluating offers, facilitating due diligence, working with third-party agents, and assisting the title company with closing preparations are just a few examples. Coupled with our thorough underwriting and detailed offering memorandum, Senior Living Investment Brokerage, Inc. provides a complete transaction package unmatched in the industry.

What We Offer

We have compiled a highly skilled team to facilitate confidential private sales of long-term care and senior housing properties. Our understanding of the multiple issues surrounding the transfer of these complex properties enhances the likelihood of a successful sale. Our network is multi-pronged and involves working relationships with key individuals within the industry, including: healthcare attorneys, CPAs/accountants, various health care associations, appraisers and regulatory/reimbursement contacts. Over the past three years, we have, on average, achieved sale prices at 96% of the value given to our clients.

A Successful Partnership

Confidentiality. Trust. Expertise. Commitment. Credibility. Teamwork. There are many reasons Senior Living Investment Brokerage Inc. has become a market leader in facilitating long-term care and senior housing transactions. We work with our clients to recognize their specific investment objectives up front and tailor the sales process to meet those needs — we are not bound to a one-size-fits-all approach.

SunDance Rehabilitation

Company Profile

The SunDance Difference … Partnership

A rehabilitation provider should be an extension of your caregiving team, linking people in performance and partnership. SunDance has built a reputation for both clinical excellence and dedication to the fiscal success of our business partners as a premier provider of rehabilitation and wellness services across skilled nursing, assisted living, retirement communities and sub-acute settings. Our strong, national base in 38 states and unique regional structure enable us to sharpen your competitive edge.

Unparalleled customer service and employee satisfaction, excellent clinical outcomes and regulatory/financial expertise are core elements of The SunDance Difference. Our resident advocacy philosophy, innovative core products and programs, and consultative services make us unique in each marketplace. Everything about SunDance makes us the exceptional choice for rehabilitative care and business partnering.

SunDance provides a complimentary clinical and financial analysis to identify opportunities for clinical, patient management, revenue enhancement, rate optimization and performance technology.

Learn why we are *The Provider of Choice for Providers of Care.*

Our Philosophy

1. **Resident-Centered, Outcome-Focused Advocacy Products and Services:** Our ever-expanding, innovative core products and clinical expertise are competitive strengths both for SunDance and our customers with examples including: Senior Solutions™, BEST®, Dementia Can Do℠ and Hey Therapy℠.
2. **FUNctional Kits™:** Functional vs. impairment-based interventions proactively improve clinical outcomes, service metrics and resident/family satisfaction.

FastFacts

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Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Hospital ■ Rehab hospital

Types of Services offered: Rehabilitation, management and consultative services

What We Offer

1. **The Right Information at the Right Time:** Utilize technology to enhance clinical outcomes, patient management, customer communication and financial results (service volume optimization, therapy intensity, LOS, revenue cycle management) via our customized Therapute© system.
2. **SunSolutions℠ Consulting and Customer Support Team:** Our business partners receive operational tools and training via seminars, teleconference series, webinars and on-site visits to optimize Medicare operations, revenue and rate; navigate RUG-IV reimbursement and MDS 3.0 changes; manage the survey process, RAC and payment audits; and provide case-mix solutions, market analysis and compliance support.
3. **Increase Your Rehab Program's Marketability:** Highlight and package your capabilities and patient/resident outcomes utilizing our Clinical Outcomes Measurement System for discharge planners, families, physicians and referral influencers to increase your competitive differentiation and customer base.
4. **Partnership Portal:** Our new *Customer Corner* provides customized reports on your caseload and utilization, clinical outcomes by payer and diagnostic profile, and financial results. Updates on changes to reimbursement and regulations are at your fingertips in real time.

Alluring Alessandria

Attracting attention for all the right reasons, Kwalu's Alessandria takes center stage. Alessandria's allure is in its appeal to your senses. Its stunning style and comfortable seat show your good taste in just about any room. Make a statement in your space with the versatile and alluring Alessandria. Kwalu, Designed to Last™.

10 year performance warranty

kwalu®
Furniture + Wall Protection
Designed to Last™

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