

McKnight's

# Dealmaker's 2013 Handbook



**Capital rides in**  
For solid firms

**PAGE 20**

The essential guide to capital in the senior living market



## Two programs facing uncertainty

Fannie Mae and Freddie Mac have historically been reliable funding sources for the sector. But recent calls to terminate both programs could adjust the balance between public and private funding options

**PAGE 15**



## Making memories

Seniors housing organizations are turning to memory care as an innovative way to serve the growing needs of residents

**PAGE 16**

## Data to the rescue

NIC MAP developers continue to update and expand detailed market information that documents the latest trends

**PAGE 18**

A SUPPLEMENT TO  
**McKnight's**  
 LONG-TERM CARE NEWS

IN PARTNERSHIP WITH

**NIC**  
 National Investment Center  
 For the Seniors Housing & Care Industry



**The doctor(s) will  
see you now**  
**Page 17**

### Talking deals

Experts weigh in ..... page 14

### Fast facts

Some revealing numbers..... page 17

### Top trends

Five to remember ..... page 18

# McKnight's Capital Corner

## Companies at a glance

### Beech Street Capital

(240) 507-1985  
www.beechstcap.com

### Berkadia

(646) 432-7452  
www.Berkadia.com

### Capital Funding, LLC

(410) 342-3155  
www.CapFundInc.com

### GE Capital, Healthcare Financial Services

(312) 441-6164  
www.gecapital.com/mcknights3

### Healthcare Finance Group

(212) 785-8508  
www.hfgusa.com

### Itacit

(855) 246-5196  
www.itacit.com

### Kwalu

(877) MY-KWALU  
www.kwalu.com

### Lancaster Pollard

(866) 611-6555  
www.lancasterpollard.com

### MDI Achieve

(314) 439-6489  
www.MatrixCare.com

### Philips

(800) 451-0525, ext. 3100  
www.PhilipsSeniorLiving.com

### PointClickCare

(800) 277-5889  
www.pointclickcare.com

### Red Capital

(800) 837-5100  
www.redcapitalgroup.com

## Advertiser Index

Beech Street Capital	4-5
Berkadia	6-7
Capital Funding, LLC	8-9
GE Capital, Healthcare Financial Services	10-11
Healthcare Finance Group	23
Itacit	24-25
Kwalu	32
Lancaster Pollard	12-13
MDI Achieve	26-27
Philips	28-29
PointClickCare	30-31
Red Capital	2



There is no doubt about the year's biggest dealmaking event. It will take place in Chicago, when the National Investment Center for the Seniors Housing & Care Industry hosts its 23rd National Conference. 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 and offers insight into mission, history, range of services and types of properties served for each.

We have included a "Fast Facts" box of convenient information, such as mailing address, contact names, phone and fax numbers, Web site address, eligible properties and other useful material. Please note that the first part of the supplement features firms that are in the capital business. Additional vendor profiles appear at the end.

# Beech Street Capital

## Company History



BEECH STREET  
CAPITAL

Beech Street Capital was founded in late 2009, and in less than four short years has become one of the most dynamic and successful commercial real estate lenders in the country. Each year, Beech Street has doubled its performance, reaching \$4 billion in originations in 2012. Thanks to this exponential growth, Beech Street took the #3 spot among Fannie Mae DUS lenders for the last two years running and was recognized by Freddie Mac as its top structured finance lender. In 2012, it earned Freddie Mac's Partnership Award for outstanding collaboration, commitment, and increased loan volume, also for the second year in a row. Since its founding, Beech Street has assembled a seasoned team of professionals with deep knowledge and relationships in HUD offices nationwide to support its growing FHA LEAN and MAP businesses. In the fall of 2013, Beech Street entered into a definitive merger agreement with Capital One that will enable us to provide even more options for borrowers.

As of August 2013, Beech Street had 130 employees, half in its Bethesda headquarters and the rest at offices in Alabama, California, Florida, Georgia, Illinois, Massachusetts, New York and Texas. Its servicing portfolio stood at over \$10 billion.

## Range of Capital Services

Beech Street Capital provides a broad range of multifamily, seniors housing, and long-term care financing solutions including CCRC, skilled nursing, assisted living, retirement communities, congregate care, and medical office. Beech Street is a top-ranked Fannie Mae DUS® lender, a Freddie Mac Program Plus® Seller Servicer, and an FHA LEAN and MAP lender. Beech Street also has access to commercial bank, life insurance, and CMBS lending. We leverage our knowledge and relationships to deliver the best financing solution that meets the needs of our borrowers.

## Types of Properties Served

Senior living properties, long-term care facilities, apartment buildings, student housing, manufactured housing.

## FastFacts

**Website:** www.beechstcap.com

**Sales/Marketing contact:** James F. Sherman

**Title:** Executive Vice President, Seniors Housing

**Phone:** (240) 507-1985

**E-mail:** jfsherman@beechstcap.com

**Address:** 7600 Wisconsin Avenue, Suite 800,

Bethesda, MD 20814

**Eligible properties:** ■ CCRC ■ Skilled nursing

■ Assisted Living ■ Retirement communities

■ Congregate care ■ Medical office

## Our Philosophy

The seniors housing and long-term care team makes customer service its 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.

## What We Offer: Great People

When you partner with Beech Street, you work with people who are analytical, knowledgeable, and entrepreneurial, who can sift through the agency and commercial alternatives and seek out the one that works best for you. Our people developed relationships over the years with Fannie Mae, Freddie Mac, FHA and other lenders and can work with them to find ways to accommodate your individual circumstances.

Most of all, you work with people who are dedicated to extraordinary service, whose attentiveness to your needs starts with your first meeting and extends far beyond closing.

At Beech Street, we approach every deal as if it were our first, which is why we have so many repeat customers. Whether you're interested in apartment financing, seniors housing, or long-term care financing, you can turn to Beech Street for lending that goes beyond exceptional.

## Good Enough Just Isn't

At Beech Street Capital, we have the depth of expertise, the strategic relationships, and the flexibility required to deliver timely and innovative financing solutions for multifamily businesses. With an entrepreneurial mindset, Beech Street Capital focuses on serving our clients by getting the deal done.

# 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.

## BERKADIA®

## Range of Capital Services

*Healthcare and Senior Housing* provides financing via Fannie Mae, Freddie Mac, HUD and Proprietary Balance Sheet Funds.

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

*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

Seniors Housing, Healthcare, Multifamily, Retail, Office, 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 and independent 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 successfully 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 has also 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 ten years, to companies in over 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 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 2012, GE Capital, Healthcare Financial Services completed over 60 transactions in seniors housing, skilled nursing and medical property representing approximately \$2.6 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,

## FastFacts

**Website:** [www.gecapital.com/mcknights3](http://www.gecapital.com/mcknights3)

**Sales/Marketing contact:** James Seymour

**Title:** Senior Managing Director, Healthcare Real Estate

**Phone:** (312) 441-6164

**E-mail:** [james.seymour@ge.com](mailto:james.seymour@ge.com)

**Address:** GE Capital, Healthcare Financial Services  
500 West Monroe, Chicago, IL 60661

**Eligible properties:** ■ CCRC ■ Skilled nursing  
■ Assisted living ■ Retirement communities  
■ Memory care ■ Independent living ■ Rehab hospital  
■ Medical office ■ Other medical property

**Options:** ■ Acquisition ■ Refinance ■ Exit

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

bridge or long-term financing and as term loans and/or RE collateralized revolvers. For more information, visit [www.gecapital.com/mcknights3](http://www.gecapital.com/mcknights3).

## A Successful Partnership

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

# Lancaster Pollard

## Company Profile



Lancaster Pollard focuses on providing debt financing for senior living new construction, substantial rehabilitation or renovation as well as for acquisition and refinance. Consistently dedicated to senior living financing for more than two decades, we understand the needs of both for-profit and nonprofit providers as well as the impact of the market, legislation and reimbursement on both small and large organizations. For fiscal year 2012, we were the top ranked HUD/FHA senior housing lender with 98 closed loans totaling over \$738 million. Our firm works with the continuum of senior living care: independent living, assisted living, skilled nursing and continuing care retirement communities.

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

## Our Philosophy

We work hard to thoroughly understand our clients' needs and risk tolerance and we perform the most comprehensive qualitative and quantitative assessment in the business. We simplify complicated processes so you can understand every option and make the most informed decision on a financing strategy that best serves your needs. Lancaster Pollard's associates:

- Are knowledgeable and highly experienced in the broadest platform of funding solutions
- Maintain state-specific geographic coverage to foster awareness of local market activities and regulatory, licensure and reimbursement matters
- Are active contributors on the Executive Committee on Healthcare Financing and the Mortgage Bankers Association's Section 232 Working Group

## What We Offer

Lancaster Pollard offers a full range of taxable and tax-exempt financing options for acquisition, new construction, rehabilitation and refinance. Our platform of services was created especially for senior living, with this sector's needs in mind, and to provide access to capital in any market. As industry specialists, our professionals can identify and articulate our clients' credit strengths and provide creative financing options, which include:

- Rated and nonrated tax-exempt and taxable corporate

## FastFacts

**Website:** www.lancasterpollard.com

**Sales/Marketing contact:** Nick Gesue

**Title:** Senior Vice President & Chief Credit Officer

**Phone:** (866) 611-6555

**E-mail:** ngesue@lancasterpollard.com

**Fax:** (614) 224-8805

**Address:** 65 East State Street, 16th Floor, Columbus, OH 43215

**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

and municipal bonds

- Government agency enhancement, such as HUD/FHA Sec. 232 Mortgage Insurance and USDA Guaranteed Mortgage Loan programs
- Fannie Mae Seniors Housing Program
- Privately placed and bank-qualified bonds
- Our proprietary high-leverage EquityTap™ program

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

- Are supported by one of the largest groups of underwriters and analysts to achieve successful and timely outcomes while minimizing the "burden" on our client's executive leadership
- Offer investment banking and mortgage banking services under one roof, streamlining the process for organizations that combine government credit enhancements with tax-exempt bonds
- 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. Your relationship with Lancaster Pollard is for the life of your loan, as we service every loan we underwrite.

# MARKET TRENDS

## TALKING DEALS



"I don't make deals for the money. I've got enough, much more than I'll ever need. I do it to do it."  
 – Donald Trump

"It's hard to say exactly what it is about face-to-face contact that makes deals happen, but whatever it is, it hasn't yet been duplicated by technology."

– Paul Graham

"The entrepreneur always searches for change, responds to it and exploits it as an opportunity."

– Peter Drucker



"If you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem."

– J. Paul Getty



"Life deals you a lot of lessons. Some people learn from it, some people don't."  
 – Brett Favre

"Business is never so healthy as when, like a chicken, it must do a certain amount of scratching around for what it gets."

– Henry Ford

"Business deals are successfully negotiated every day throughout America. The common thread is a mutual desire to reach an accord."

– Gordon Smith

"The legislator learns that when you talk a lot, you get in trouble. You have to listen a lot to make deals."

– Bob Woodward



Photo: Greenfields of Geneva

The financial picture for seniors housing continues to show signs of improvement, experts say.

## A market inching toward recovery?

### Seniors housing market continues its strong rebound in the wake of the 2008 economic collapse – but doubts remain

By John Andrews

**B**y and large, most of the news coming from the seniors housing financial front is good these days – enhanced participation from investors, strong and steady absorption rates, rising occupancy levels and growing demand for services by a baby boomer generation entering its golden years. Still, some concerns linger, such as a suddenly uncertain status for major underwriters Fannie Mae and Freddie Mac and the impact modestly higher interest rates will have on financing.

On the whole, however, the picture is pretty rosy for seniors housing financing and development for the foreseeable future, industry observers say.

Among the positive indicators:

- More investors are lining up to finance projects, including debt financing, renovations, mergers and acquisitions, and new construction. Lenders that were initially slow to open their checkbooks, such as banks and private equity firms, are now firmly entrenched in providing funds for qualified operators.
- A more rational investment posture is being practiced across the financial spectrum as

prospective lenders conduct thorough due diligence on operators, their communities and various sectors. No longer are loans being made “on a promise”; they are being based on sound operating performance.

- Independent living properties are reporting rising occupancy rates as the mortgage crisis eases, residential real estate regains ground and operators’ promotional strategies to gain residents have been effective.
- A maturation of the seniors housing sector is causing the real estate investment trusts to look beyond mega-deals and scrutinize smaller portfolios for funding.
- Overall, investors see the industry as a collection of organizations that provide care in addition to real estate.
- Greater transparency is giving potential investors an honest look at market dynamics and enriching the investment community’s knowledge base and sophistication in its approach to seniors housing.
- Positive absorption as a measure of increasing demand is running above the growth rate of the age 75-plus generation, which is enabling more traction and balance across all sectors. ■

For more, see page 20.

# MARKET TRENDS

## Future now looking less certain for Fannie, Freddie

Many wonder what will happen as the government considers terminating one of the seniors housing industry's most consistent sources of reliable capital

By John Andrews

Along with HUD, Fannie Mae and Freddie Mac have been the seniors housing industry's most reliable source of capital in the years following the economic collapse of 2008 and, even though the industry has come back strongly, the public agencies continue to be a mainstay for funding. But now that President Obama is urging Congress to terminate Fannie and Freddie, it has many wondering what it will mean for financial transactions in the future.

**“The industry is the best performing portfolio.”**

**Robert G. Kramer**

National Investment Center for the Seniors Housing and Care Industry

The president's directive is part of a strategy to buffer taxpayers from future housing market downturns by ensuring that “private capital must be wiped out before the government pays on any form of catastrophic guarantee.” At the time of the mortgage meltdown five years ago, Fannie Mae and Freddie Mac, then bankrupt, were bailed out by the government at a great cost to taxpayers.

Conversely, seniors housing financ-

**Go Figure:**

**\$154 billion**

Fannie Mae and Freddie Mac provide some \$154 billion in funds.

Source: GAO



As one funding source dries up, others may open, experts say.

ing is a profit-maker for Fannie and Freddie — in fact, the industry is the best performing portfolio for each agency, says Robert G. Kramer, president of the National Investment Center for the Seniors Housing and Care Industry.

“Upfront, it's important to highlight that seniors housing is not among the property types that caused problems for Fannie Mae and Freddie Mac, as the seniors housing loan portfolios of both Fannie Mae and Freddie Mac have been exceptionally strong performers,” he says. “With that in mind, the guarantees provided by government-sponsored enterprises — namely Fannie Mae and Freddie Mac — have been a major factor in the availability and cost of capital for long-term debt financing for seniors housing. Therefore, it's of critical importance to seniors housing real estate financing how any transition towards a greater private sector role and a decreased government role is executed.”

Kramer posed two key questions

that seniors housing industry financiers must consider in the wake of Fannie's and Freddie's demise:

- Is there sufficient time for the private sector to develop alternative sources of capital and
- Is the remaining government role adequate enough to attract reasonably priced private sector capital?

Some observers such as Dan Biron, senior vice president and co-head of Berkadia's seniors housing group, sensed something was amiss with Fannie and Freddie even before Obama made the announcement in early August.

“Fannie and Freddie have been conducting business as normal, but there are concerns that they have reached their set volumes for the year,” he said in late July. “They have been told to reduce their volume and they have done as their bosses told them to do. But it looks like they will hit their limits before the end of the year. This is ironic because seniors housing is their most profitable portfolio.” ■

Photo: Thinkstock

# MARKET TRENDS

## More operators adding memory care to the mix

Seniors housing organizations are boosting need-driven acuity services for residents to attract investors and raise occupancy levels.

By John Andrews

**M**emory care in seniors housing is currently a hot commodity as need-driven service components are promoted by operators seeking capital and higher occupancy rates. The addition of higher acuity services in assisted and even independent living environments is seen as attractive to investors as well as residents, industry observers say.

"In the nonprofit CCRC sector, services have definitely been evolving," says Lisa McCracken, head of research in senior living for Ziegler. "We're seeing the whole continuum evolving and changing to accommodate higher acuity."

The trend has been gaining traction for some time, McCracken says, as providers re-think their care models in order to find the right position within the whole "aging in place" concept. Some organizations are committing substantial time and thought to creating distinctive new services, such as dementia rehab, to get grants and attract investors.

In July, Phoebe Ministries, a multi-facility provider in Allentown, PA, received a \$25,000 Brodsky Innovation Grant from the Alzheimer's Foundation of America to create a comprehensive rehab program that engages dementia patients in occupational, physical and speech therapies appropriate to their cognitive abilities, interests and needs. Grant criteria include demonstration of innovative-



Photo: Thinkstock

ness, greatest need and replication potential.

"We're seeing an increasing number of facilities that are well-prepared for higher acuity residents and making the necessary adjustments to handle this new model," she says.

Robert G. Kramer, president of the National Investment Center for the Seniors Housing and Care Industry, also sees an increase in assisted living with memory care starts, attributing it to the market's response to unmet demand.

"More and more customers are looking for state-of-the-art memory care, from design to staffing to actual programs, which really reflects the latest thinking," he says. "There is a very strong market for it. Whether it is CCRCs with memory care or an addition to an assisted living facility, the industry now understands there is a definite demand for it. But investors want more than just a shingle that says 'memory care.'"

While robust interest in developing higher acuity projects is a positive indicator for the market, Kramer cautions

that maintaining a steady absorption rate is paramount in order to maintain a healthy balance between supply and demand.

"By no means are we seeing overbuilding going on in the aggregate, but when multiple new projects with memory care open up in the same market, it will impact the fill-up rate for those properties," he says. "Ultimately, success is all about the delivery and execution at the local level. We're watching the ratio of starts-to-supply and constantly monitoring the overall inventory growth rate to make sure absorption stays steady and strong."

During the past two decades, nursing homes and assisted living communities have battled fiercely for residents with memory-related challenges.

Senior living operators have argued that they are better equipped to serve such people, thanks to dedicated programs and staff. Nursing homes have countered that the needs of such residents often exceed what non-skilled settings can provide.

The result has been a détente of sorts. Much of the lower-acuity private pay market has tended to gravitate toward senior living. But as memory challenges intensify, such residents are more likely to be found in skilled care settings.

Many senior living operators have established specific programs and services for memory-challenged residents. For example, Sunrise Senior Living settings now offer Snoezelen therapy rooms. These take a fun and peaceful approach to sensory stimulation. The concept originated in Europe. The name is intended to evoke a sense of lazy relaxation. At Sunrise, these peaceful chambers offer calming sights and noises that help relax residents.

By some estimates, there are more than 500 Snoezelen rooms nationwide. ■

**Memory care services are becoming an increasingly popular option.**

# The doctor(s) will see you now

As healthcare reform takes hold, seniors housing operators are looking at physicians and hospitals in a whole new way

By John Andrews

It goes by several names, with Accountable Care Organizations, Value-Based Purchasing and Medical Home most commonly used. But the idea is the same – shorter hospital stays and a higher degree of clinical services performed on an outpatient basis in a major effort to slap a lid on escalating healthcare costs.

Sitting in a prime position to capitalize on this shift are seniors housing and long-term care operators. As hospitals look into the community for provider partners, huge potential exists for the post-acute care sector to greatly bolster its patient volume.

As it stands now, though, new care configurations are still off in the distance, says Robert G. Kramer, president of the National Investment Center for the Seniors Housing and Care Industry.

“There is a big difference in where things are going and where they are now,” he says. “It is still fairly rare for acute care providers to reach out and forge relationships with other organizations. It is not yet the norm.”

A Medicare rule penalizing hospitals for readmissions went into effect last October and has had some influence on how hospitals handle patient discharges, which Kramer says could be seen by long-term care providers as an entry point for ACO discussions.

“It is an opportunity for providers in skilled nursing, assisted living, memory care, rehab and home care to approach a health system, showing how their programs can reduce readmissions and how they can partner,” he says. “There are real opportunities there, but without question our healthcare system is moving away from an episodic and silo-based



Photo: Thinkstock

system where you are rewarded for keeping the patient as long as possible without concern of what happens after they leave. This is being turned on its head.”

Doug Korey, managing director for Contemporary Healthcare Capital, offers an interesting take on the changing care model, citing “a large consolidation play” by REITs and private equity firms in the seniors housing sector to “create consistency of quality and technology in order for the shift to be effective.”

“I think those who bank on this theory underestimate the local operator’s commitment to this industry and that quality doesn’t come from being big,” Korey says. “I do believe that smaller and regional operators need to continue to transform through this latest cycle of change by investing in their physical plants, technology and personnel. And in order to compete in the new post-acute world, operators must be able to communicate outcomes with payers and families.” ■

**Doctors can be your future business partners, many observers point out.**

## FAST FACTS

### 78.2

The U.S. life expectancy for males and females combined is now 78.2 years.  
— *Journal of the American Medical Association*

### 15

Overall, 15% of nursing homes receive the highest possible five star rating. Another 27% receive four stars, on average.  
— Centers for Medicare & Medicaid Services

### 15,500

There are currently 15,500 certified nursing homes in the United States.  
— Centers for Medicare & Medicaid Services

### 90

Nearly 70% of adults would like to live to somewhere between age 79 and 100, with the median ideal age being 90 years old.  
— Pew Research Center

### 94

More than 94% of assisted living residents say they are satisfied with their overall quality of life in their assisted living community.  
— Assisted Living Federation of America

### 4.3

The 85-and-older cohort will account for 4.3% of the U.S. population by 2050. It is currently 1.9%.  
— U.S. Census data

### 39

About 39% of U.S. adults provide unpaid care for a loved one with health issues.  
— Pew Research Center

### 94,170

The cost of care in a private room in a U.S. nursing home now averages roughly \$94,170 per year, with the costs of assisted living averaging \$41,124 annually.  
— John Hancock Life Insurance Company

# MARKET TRENDS

## NIC MAP® answers data needs

The market analysis service has become an indispensable tool in the process of due diligence for seniors housing investors

By John Andrews

While there are many variables that comprise the risk factor in seniors housing investment, having all the information possible about a particular market lessens that risk considerably. That is the rationale behind NIC MAP, a subscription-based data and analytics service developed in 2005 by the



Photo: Thinkstock

National Investment Center for the Seniors Housing and Care Industry for investor and operator clients.

In an emerging era where transparency is paramount for capital providers, NIC MAP has evolved to meet the seniors housing community's stringent information demands by supplying a wealth of data to identify new opportunities, keep apprised of industry trends, measure and benchmark performance and yes, manage risk, say NIC MAP principals Chuck Harry and John Blumer.

"The fact that seniors housing topped the 2013 Annual Survey for Institutional Real Estate is a solid indicator that we're providing more transparency," says Harry, managing director and director of research and analytics. "Because seniors housing trumped all property types for investment, it shows we're strong and in the limelight."

Originally tracking the top 31 metropolitan statistical areas in the U.S., NIC MAP expanded its scope into the top 100 MSAs in 2008 and continues to cover those areas. In all, about 13,000 of the approximately 22,000 properties across the country

are tracked — specifically, investment grade properties of 25 units and up, Harry says.

### Subscriptions steady

NIC MAP has had a pretty consistent level of interest over the past few years, though Blumer says increasing its client base is a key focus area. The subscriber list is becoming more diverse, however, as investors who are new to the seniors housing sector investigate its potential.

"They may have built multi-family homes or shopping centers in the past and heard about seniors housing so they're signing up to look at the market," Blumer says. "But in order for them to really learn the business, they need to partner up with an experienced operator."

For operators and capital providers, NIC MAP has become essential.

**"NIC MAP® has eight years of data, and many now consider the data service the industry standard."**

**John Blumer**  
NIC MAP®

NIC MAP also serves analysts on the public side for the purpose of disseminating critical market data. Its quarterly reports are viewed with interest across the seniors housing spectrum and quoted by Fannie Mae, Freddie Mac and Bloomberg.

For example, NIC MAP's assessment of 2013's second quarter showed the average occupancy rate of 89% was a nominal decrease of 0.1 percentage point from the prior quarter and a 0.4 percentage point increase from a year earlier. The occupancy rate for independent living properties and assisted living properties averaged 89.2% and 88.7%, respectively, during the second

### Top 5 trends in senior living

#### 1. Technology that supports independence

More residents expect and demand former "amenities" such as wireless Internet access, computer training and "safe home" technology.

#### 2. Service beyond the walls

More operators are reaching out to local communities to offer new services such as adult day care, services to the homebound, and in-home care services.

#### 3. Long-term care evolves

Increasingly, facilities are supporting person-directed care and meaningful relationships.

#### 4. More sensitivity to the needs and desires of older adults

Providers are changing language, perceptions and attitudes of care to accommodate the expectations of a changing customer cohort.

#### 5. Choice and value remain paramount

Older adults are demanding more choices and control, within a context of affordability.

Source: Mather LifeWays Institute on Aging, 2013

# MARKET TRENDS

quarter of 2013.

The NIC MAP quarterly reports include trend data on both seniors housing and nursing care asking rent annual growth, annual inventory growth, construction as a share of existing inventory, occupancy rates and rates of absorption.

"REITs and publicly traded operators want as much of our data as they can to share with their clients," Blumer says. "They are interested in the trends, so we put out our data at the end of the quarter, before they issue their own release."

This symbiotic relationship with its clients has resulted in a subscription renewal rate that does "incredibly well" for NIC MAP, Blumer says.

## Data on demand

NIC MAP has grown increasingly sophisticated about the type of data it generates and is always mindful of the type of information its client base requests, Harry and Blumer say.

"It depends on the subscriber what type of data is being sought," Blumer says. "If you're looking at independent living in Cleveland, that's one thing. We have comprehensive inventory and can break things down by property types — occupancy, absorption and performance are all key metrics."

Responding to subscriber feedback, Harry says NIC MAP recently created a new service for charting portfolio performance.

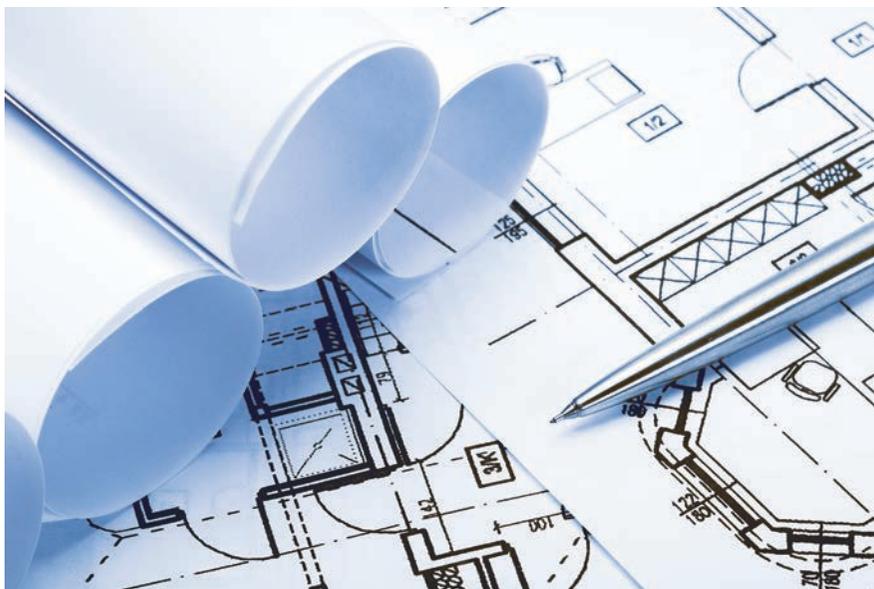


Photo: Thinkstock

**Planning tool:** NIC MAP now tracks key demographic data in most major metropolitan markets. In all, more than 13,000 properties are addressed.

"It is an interactive product where subscribers can review an ongoing quarterly report of benchmark numbers," Harry says. "Subscribers can run metrics on what they deem to be a competitive list of properties, benchmarking data to see how they compare against the competition."

The enhanced functionality aggregates competitive intelligence data for benchmarking performance between four and 25 direct competitors. Subscribers can access high-level corporate reports and in-depth

property data to help drive strategic decisions and provide objective analysis of performance to all interested parties.

## NIC MAP's value

As a gauge of market activity, NIC MAP provides value in the knowledge it offers to subscribers, Blumer says.

"At a recent conference in New York, I heard someone say they wouldn't invest unless there was a history of performance through a couple of cycles," he says. "NIC MAP® has eight years of data, and many now consider the data service the industry standard. It's good, solid, reliable data."

As data provides increased transparency, it will attract more disciplined capital to the seniors housing sector, Harry adds.

"This data provides market dynamics that everyone can see, which should help to maintain a steady balance of supply and demand," he says. "That should keep the market from overheating." ■



Photo: Thinkstock

**Many operators turn to NIC MAP data to unearth new ways of meeting the needs of increasingly selective customers.**

**MAIN FEATURE**

# New capital is riding in

Although the numbers aren't as gaudy as 2011, investment in seniors housing is vigorous — and financing is readily available for operators with a proven track record



By John Andrews

**S**eniors housing operators looking for capital should have no problem finding it these days, as lenders galore are ready to cut checks for projects they deem worthy. Financing is available from various sources, from real estate investment trusts to private equity firms to banks as well as from public agencies HUD, Fannie Mae and Freddie Mac.

Based on the high level of investor interest in all sectors of seniors housing and long-term care, the industry is poised for a period of solid, steady growth, says Robert G. Kramer, president of the National Investment Center for the Seniors Housing and Care Industry.

"There is a very strong sense that seniors housing is on another run and with that there are more debt and equity sources getting involved and being more competitive," he says. "If you're an experienced operator with a good track record, you have options. But for an operator without a track record, it is difficult to get construction financing for a new project."

While it's true the industry hasn't experienced the huge portfolio transactions of 2011, which were worth a record \$27 billion, expectations for that level of sustained volume aren't realistic, either, Kramer says. Instead, he says a consistent flow of investment dollars, tempered with sound, reasonable judgment should be a hallmark for transactions going forward.

"There are more capital sources available and investors are far more educated," Kramer says. "They are demanding data and operating track records. They won't invest on a promise. We're heading to an age where accountability and transparency for investors and consumers will only continue to grow and the bar will keep being raised."

Jeff Binder, principal and managing director of Senior Living Investment Brokerage, believes that capital is being made available to a broader borrower base, which he sees as a positive development. Still, he reasons, "it is still a relationship world and a successful history with a lender should provide more options for deals that other lenders may not consider."

### Heavy competition

To be sure, investor diligence is much more thorough and increased scrutiny has become a customary procedure since the recession began in 2008. Despite the stringent standards, however, lenders are jockeying hard in an increasingly crowded field to work with seniors housing operators, says Donald Kelly, director of Healthcare Real Estate for CapitalSource.

"Heavy competition exists among debt sources providing capital to good operators at reasonable leverage points — 75% loan-to-value ratio or less," he says. "In addition, mezzanine debt is available typically



Photo: Thinkstock

**"There are more capital sources available, and investors are far more educated."**

**Robert G. Kramer**  
President  
NIC

up to 85% LTV in the 12% to 16% range based on a variety of factors."

While the rest of the economy remains somewhat fragile, it does not seem to be weighing on investors and lenders in seniors housing and long-term care, Kelly says.

"Many lenders and investors seem to be migrating in our sector to back stable, cash-flowing projects at solid returns," he says. "The weakness in other sectors appears to be pushing capital our way."

One sure sign of increased competition is the determination of lenders to complete transactions, Kramer says.

"People are looking for reasons to get a deal done instead of offering excuses why a deal can't get done," he says. "That is a plus."

The scramble should only intensify in the future as even more investors from the equity side become interested in seniors housing, says Dan Biron, senior vice president and co-head of the seniors housing group for Berkadia.

"The whole market will become very hot — even more so based on demand," he says.

Regional and local banks have steadily upped their activity in seniors housing and have offered very com-

**MAIN FEATURE**

**“The whole market will become very hot — even more so based on demand.”**

**Dan Biron**  
SVP  
Berkadia

petitive interest rates. But Kramer cautions that banks do have limitations.

“They need to be investing capital, but there are stricter requirements about how much they can have on their books,” he says. “That has meant more participation deals, which encourage more banks to come into the sector. They need to partner with other banks in order to learn the industry.”

### Favored projects

Refinancing, renovations and mergers have been the most common seniors housing transactions since the stock market collapse, but new construction may be gradually regaining favor, financial specialists say.

“Across all levels of seniors housing, a newer performing property in a strong market will garner plenty of attention from lenders and buyers,” Binder says. “As the lending environment improves, we are also seeing activity increase in the turnaround area, but there appears to be a need for a tangible, short-term solution to attract considerable interest. Long-term capital-intensive turnaround projects are still difficult to finance.”

While credit structure requirements seem to be holding firm, spreads are dropping, “which is a good sign for operators,” Capital Source’s Kelly says. “In addition, more lenders and investors are pursuing construction projects given the limited M&A activity in the market and the rather low seniors housing cap rates on recent transactions.”

Dan Hermann, senior managing director and head of investment banking for Ziegler, says expansions have been going strong and that independent living units “are selling in six to nine months.”

Properties with need-driven high acuity services — particularly in the assisted living sector — continue to be in greatest demand, though skilled nursing remains strong and interest in independent living seems to be picking up.

“More and more customers are looking for state-of-the-art memory care, from the design to staffing to actual programs, which really reflects the latest thinking,” Kramer says. “Whether it is CCRCs with memory care or an assisted living memory care addition, investors understand there is a definite demand for it.”

Yet even though “memory care” has become a buzzword, the investor community has gotten more sophisticated and is looking for substance beyond mere marketing, Kramer says. “They want more than just a shingle that says ‘memory care.’”

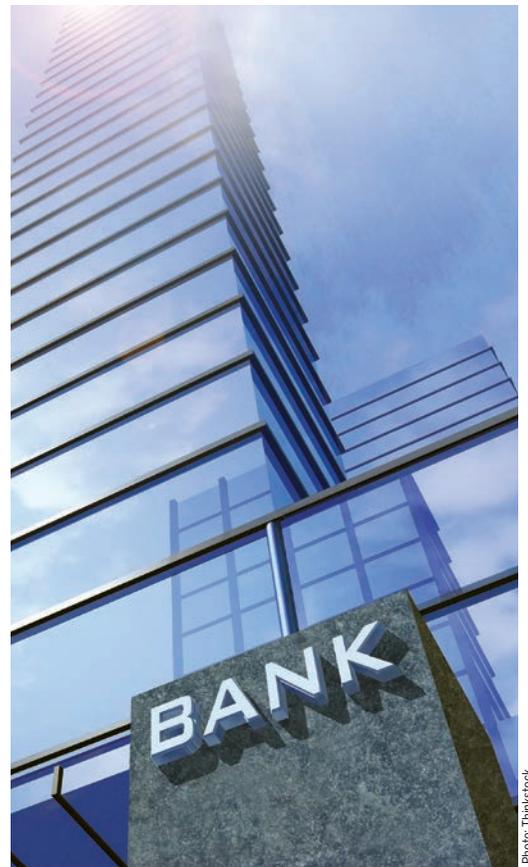


Photo: Thinkstock

Perhaps the most important revelation in assessing investors’ motives is how they are viewing the industry, says John Blumer, NIC national sales director.

“They are investing in operators, not solely the real estate,” he says. “It hasn’t always been that way.”

### Eyeing interest rates

After a prolonged period of record low interest rates, the Federal Reserve has let interest rates rise over the past three months and the trend is expected to continue. While most seniors housing market observers don’t expect the move to have a dramatic impact on investment activity, “it doesn’t take much movement to create a disruption,” Hermann maintains.

In late July, treasury bonds moved up 100 basis points while municipal bonds were up by 150. But while rates are creeping up, conditions are still attractive for borrowers, Hermann says.

“People just have to realize that interest rates are no longer at record lows and that they are heading toward a more average level,” he says.

Indeed, the cost of capital “is still a very good deal,” Kramer says. “Even if they’ve got a HUD loan at 5.5%, it is still a good time to refinance.”

#### HUD still hot

Despite being hit with a sequestration cut mandating Friday furloughs for employees, HUD underwriting is continuing unabated, just as it has since the recession bottomed out. Fannie Mae and Freddie Mac are also conducting business as usual, but Berkadia's Biron says there is concern that both agencies may have already reached their set volume for the year.

“They are being overseen by receivership and have been told to reduce their volume this year,” he says. “They have done as they were told, but there is still a question about whether they would hit their limits before the end of the year. We are paying close attention to that.”

HUD is also expressing reservations about new construction, telling people to wait a year before they get a commitment, Biron says.

“They are very cautious about those deals.” ■



Photo: Thinkstock

**“The weakness in other sectors appears to be pushing capital our way.”**

**Donald Kelly**  
Director of  
Healthcare Real  
Estate  
CapitalSource

## THE PREMIER MIDDLE-MARKET LENDER TO THE HEALTHCARE INDUSTRY.

Senior Debt Financings, Including  
Term Loans & Revolving Lines of Credit

**HFG**  
HEALTHCARE FINANCE GROUP

A FIFTHSTREET® Portfolio Company

www.hfgusa.com

# MDI Achieve

## Company History

MDI Achieve solutions have powered the long-term care continuum for over 30 years. MatrixCare is the fastest growing, certified, cloud-based EHR solution designed to help long-term care and senior living communities deliver superior care, resulting in better outcomes for their residents.



In today's fee-for-service model, MatrixCare helps to improve revenue and cash flow performance by maximizing reimbursements and shortening payment cycles. In the outcome-based model of tomorrow, MatrixCare will deliver the elements necessary for success: enterprise-wide clinical decision support, interoperability to support participation in ACOs and HIEs, functionality that spans the continuum of care, and highly scalable technology to service thousands of facilities with a low total cost of ownership. MatrixCare supports executive decision-making by providing visibility to costs and purchases across the enterprise to facilitate the lowest cost per unit resulting in improved profit margins. MDI Achieve delivers superior service to its clients resulting in better business outcomes for their organizations. Visit [www.MatrixCare.com](http://www.MatrixCare.com) for more information.

## Our Philosophy

MDI Achieve's philosophy is to deliver solutions that will help our clients be the most valuable provider in the healthcare networks strategic to their success. In the rapidly changing healthcare landscape, high-growth provider organizations require HIT solutions that not only meet their needs today but position them to meet the regulatory, interoperability, and scalability requirements of tomorrow. MDI Achieve works with the largest providers under mutually agreeable, unique and creative licensing agreements that cater to their organizations' need to scale.

## What We Offer

Fully integrated product suites include:

### Clinical and Resident Management

MatrixCare clinical and resident management functions give you the power to ensure maximum reimbursements, quality of care and organizational efficiency. Features include MDS, care plans, service plans, user-defined assessments, physician and nursing orders, eMAR & eTAR, and point of care.

## FastFacts

**Website:** [www.MatrixCare.com](http://www.MatrixCare.com)

**Sales/Marketing contact:** Dennis Jakubowicz

**Title:** Senior Vice President of Sales

**Phone:** (314) 439-6489

**E-mail:** [dennis.jakubowicz@MDIAchieve.com](mailto:dennis.jakubowicz@MDIAchieve.com)

**Fax:** (952) 995-9735

**Address:** 10900 Hampshire Avenue S,  
Bloomington, MN 55438

**Eligible properties:** ■ CCRC ■ Skilled nursing  
■ Assisted living ■ Congregate care

## Financial

MatrixCare Financials leverages superior technology and integrated resident data to manage the complex business operations. Features include accounts receivable, claims management, resident trust, collections, accounts payable and general ledger.

## Marketing

MatrixCare Marketing manages sales leads and maximizes marketing strategies. Features include lead and referral source tracking, managing and tracking lead follow-up activities and contact history, analysis of cost per lead and conversion rates, and a mobile application so sales and marketing staff can manage their activities and access information on the go.

## Business Intelligence

MatrixCare Business Intelligence offers powerful, easy-to-use tools for mining the vast amounts of data contained in MatrixCare Business Intelligence extracts data from MatrixCare and enables you to develop valuable dashboards, reports, charts, and graphs that capture the pulse of your business, helping you to make better business decisions and improve your bottom line.

## Connections

MatrixCare Connections is an innovative program that formally certifies the interoperability between MatrixCare and third-party systems and service organizations that support long-term care and senior living providers.

## A Successful Partnership

MDI Achieve strives to be a trusted advisor that helps our clients meet the demands of a rapidly changing long-term care and senior living environment and leverage technology to gain a competitive advantage. We work with our clients to understand their growth strategies and determine how healthcare information technology solutions can support and accelerate their growth.

# Philips

## Company History

Philips is a diversified health and well-being company, focused on improving people's lives through meaningful innovation in the areas of Healthcare, Consumer Lifestyle, and Lighting. The \$34 billion global leader manufactures a broad range of products ranging from consumer electronics to health and wellness and lighting solutions.

## PHILIPS

## Philips Senior Living

At Philips, we combine our deep understanding of the senior living market with our cutting-edge technology to improve the health and wellness of seniors. Our technology solutions for owners and residents of independent living, assisted living and continuing care retirement communities help bring better care to more seniors in more places. Today we serve about 700,000 seniors and over 4,500 hospitals and senior living communities.

## Types of Properties Served

Assisted Living, Independent Living, CCRC, Skilled Nursing, Communities Without Walls, Home Health, Home Care Services

## Notable Achievements

### Advanced fall detection technology:

AutoAlert is the first pendant style button that can automatically call for help if it detects a fall and the wearer is unable to push the button.

## What Attracts Customers to Our Company

With over 100 years of leadership in healthcare, and strategic insight into the trends and needs of senior living operators, Philips is a go-to solutions provider that attracts a broad and varied customer base.

## Our Philosophy

Philips serves as a strategic partner to the aging services industry. We work closely with our customers to develop technology solutions that meet the needs of today and anticipate needs of the future.

## What We Offer

### CarePoint with AutoAlert

CarePoint is a state-of-the-art resident safety system built upon a proven wireless infrastructure. It offers a broad-ranging suite of modular and fully integrated com-

## FastFacts

**Website:** www.PhilipsSeniorLiving.com

**Sales/Marketing contact:** Nick Padula

**Title:** Vice President, Home Healthcare Monitoring Sales — North America

**Phone:** (800) 451-0525 ext. 3100

**E-mail:** nick.padula@philips.com

**Fax:** (508) 988-1363

**Address:** 111 Lawrence Street  
Framingham, Massachusetts 01702

**Eligible properties:** ■ CCRC ■ Skilled nursing

■ Assisted living ■ Retirement communities

■ Congregate care ■ Hospital ■ Rehab hospital

■ Medical office ■ Other medical property

**Products offered:** ■ CarePoint with AutoAlert

■ TeleHealth Solutions ■ Medical Dispensing Service

■ Lighting

ponents. Only CarePoint provides the added coverage of Lifeline's renowned monitoring center and AutoAlert for superior fall detection. In these and in many other ways, CarePoint will enhance your community as never before possible.

### Telehealth Solutions

Comprehensive Telehealth Solutions for effective remote patient monitoring and home care visits. With Philips Telehealth Solutions, clinicians can remotely monitor patients' vital signs and send them short surveys about their health status. This combination of objective data and subjective responses enables clinicians to make more timely care decisions, helping prevent unnecessary hospitalizations.

### Medical Dispensing Service

Enable residents to remain independent longer, in the community where they live today. The Philips Medication Dispensing Service is a comprehensive program that enables your staff to work more efficiently and achieve better adherence to medication regimens. The system boasts a 98.6% dispensing adherence level among monitored residents.

### Lighting

Forecast Organic Modern combines clean, contemporary designs with natural textures, colors, and materials. The combination makes for inspired, appealing lighting that works with a wide range of interior themes.