

# SENIOR LIVING INVESTMENT BROKERAGE, INC.



Spring Market Outlook 2012

Volume 2012, Issue 2

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## 2011—ANOTHER RECORD YEAR

Given seniors housing is a niche industry, it is important to utilize a brokerage firm that understands and specializes in the sector. Senior Living Investment Brokerage, Inc. is one of the most active brokerage firms in the United States. During the past 15 years, Senior Living has sold more than 700 Seniors Housing facilities throughout the coun-

try for our clients. Our firm's entire marketing platform is built around maintaining confidentiality throughout the entire sale process. We sell seniors housing properties in a confidential manner that protects the valuable assets, staff, and residents. In these uncertain economic times, our experience, marketing structure, and vast network has al-

lowed Senior Living Investment Brokerage, Inc. to successfully complete more transactions than any other firm in the seniors housing sector. In fact, in 2011, Senior Living Investment Brokerage, Inc. surpassed their previous record year with approximately \$325 million in sales.



## SAMPLE OF FACILITIES SOLD IN 1ST Q 2012:



- Texas** - Skilled Nursing Portfolio
- Alabama** - 92 Unit Assisted Living & Memory Care Facility
- Oklahoma** - 29 Bed Skilled Nursing Facility
- Virginia** - 142 Unit Assisted Living Facility
- Wisconsin** - 59 Unit Independent Living & Assisted Living Facility
- Texas** - (2) Skilled Nursing & Memory Care Facilities

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**SENIOR LIVING**  
INVESTMENT BROKERAGE, INC.

## SELECT TRANSACTIONS

### North Roanoke Assisted Living—Roanoke, Virginia



#### Summary—

#### Property Type:

Assisted Living

Beds/Units: 225 Beds/136 Units

Age: 1960 / 1980

Facility Sq. Ft.: 73,772

Lot Size: 18 acres

Occupancy: 75%

In January 2012, Senior Living Investment Brokerage, Inc. facilitated the sale of an Assisted Living facility located in Roanoke, the commercial and cultural hub of much of the surrounding area in Virginia and southern West Virginia. As the sole asset of the Seller, this facility was known to be an “AG Home” (Auxiliary Grant) since roughly 80% of the revenue came from its acceptance of state reimbursement, while the remaining 20% was private pay. The Buyer is a local operator with multiple assisted living facilities throughout Virginia. While the Auxiliary Grant caps the reimbursement amount for each resident, the Buyer intends to increase profitability by offering additional services, specifically mental rehabilitation.

### The Terrace at Priceville—Priceville, Alabama



#### Summary—

#### Property Type:

Independent Living

Assisted Living

Memory Care

Units: 32 IL / 28 AL / 32 MC

Age: 2006 / 2008

Facility Sq. Ft.: 92,820

Lot Size: 20 acres

Occupancy: 90%

In February 2012, Senior Living Investment Brokerage, Inc. facilitated the sale of an Independent Living, Assisted Living, and Memory Care facility located in Priceville, the third largest municipality in Morgan County, Alabama. Senior Living was selected to assist the ownership group (“Seller”) with this disposition. The group, consisting of seasoned seniors housing veterans and local businessmen, sought to sell the property to redeploy assets and reduce partner exposure to the senior housing sector. The stable financial history, attractive physical plant, and quality location helped secure multiple offers. The selected Buyer is an institutional owner / operator. With the additional land surrounding the property, the new owner has the opportunity to expand and develop additional units.

### Golden Villa and Rose Haven Retreat—Atlanta, Texas



#### Summary—

#### Property Type:

Skilled Nursing

Beds: 228 Beds

Age: 1970 / 1994

Facility Sq. Ft.: Total 55,550

Average Occupancy: 54%

In March 2012, Senior Living Investment Brokerage, Inc. facilitated the sale of two Skilled Nursing facilities, both located in Atlanta, Texas. The two facilities were part of a larger portfolio owned by an independent owner / operator out of Mount Vernon, Texas. In addition to the sale of Golden Villa and Rose Haven Retreat, two other nursing homes were leased to the Buyer at the time of this transaction. The Buyer is an owner / operator located in New York who owns several facilities throughout Texas. While already profitable, Golden Villa should reap the benefits of a large regional operator; Rose Haven Retreat is a non-performing facility, but should also gain from an expansion on marketing and a decrease in expenses.

### Take a Number

In a SNF transaction, it is commonplace for the buyer to assume the seller's Medicare Provider Agreement. Of course there are exceptions but they are rare as each of our 25 SNF transactions in 2011 saw the Provider Agreement passed to the buyer. In fact, the assumption of the Medicare Provider Agreement is also assumed by CMS, as the Medicare Provider Enrollment application (CMS-855A Form) states: "A CHOW typically occurs when a Medicare provider has been purchased (or leased) by another organization. The CHOW results in the transfer of the old owner's Medicare Identification Number and Provider Agreement (including any outstanding Medi-

care debt of the old owner) to the new owner." If the purchaser (or lessee) elects not to accept a transfer of the provider agreement, then the old agreement would be terminated, and the purchaser or lessee is considered a new applicant. Given the inherent successor liability issues associated with such an assumption, it begs the question "why don't more buyers terminate the agreement and apply for a new provider number?" Well, CMS has made this very difficult from an operational perspective; these types of initial surveys have been given less priority over the standard annual survey and routinely take more than six months to occur. In fact, we have heard of instances

of this taking over one year to complete. Until an operator obtains Medicare certification, it will not be able to charge for Medicare residents. So, the impact, or risk, of going through the recertification process is directly related to the facility's Medicare exposure (mix – revenue dependence) - those with a significant portion of their census/revenues tied to Medicare would be more averse to terminating the existing agreement. It is paramount for each buyer of a SNF to receive appropriate consultation and direction when considering whether or not to assume the seller's Medicare Provider Agreement.

### Random Thoughts in April 2012

There are a myriad of interesting tidbits that cross our desk on a daily basis. Of course, most of these are directly related to seniors housing and long-term care, but some are only indirectly related at best:

- Those of us working in the sector when CMS implemented the Prospective Payment System in 1998 have been around for a while.
- Politicians pushing for reduced SNF reimbursement while at the same time calling for increased capital expenditures and staffing requirements – there is a good analogy here somewhere.
- ASHA (American Seniors Housing Association) puts out some really, really good information through their newsletters, briefs, and updates.
- I think RAC Audits, and their potential impact on a SNF transaction, are going to become a larger player in the transaction arena in 2012.
- Cigarette taxes in Missouri are \$.17 per package which ranks 50<sup>th</sup> in the nation; so we are cutting education and healthcare expenditures but . . .

**“IN UNION THERE IS STRENGTH” AESOP –**

Experience is the best educator when it comes to long-term care brokerage. No matter how much research you perform, how many financial statements you underwrite, the greatest lesson evolves from the deal. We are fortunate to have an experienced team at Senior Living Investment Brokerage, Inc. with three team members having in excess of 10 years experience in the sector . . . two with 20 years of experience.

While other companies may have multiple brokers in the seniors housing sector, none can offer the true team effort provided by Senior Living Investment Brokerage, Inc. Our team works together – not against one another. In union, there is strength, but also exceptional results for our clients.



**2012 Trip—Company Principles**

Brad Clousing, Matt Alley, Grant Kief, Jeff Binder, and Ryan Saul take a minute for a picture while on a company trip with spouses in January 2012.



**THE NATIONWIDE LEADER FOR SELLING AND BUYING LONG-TERM CARE FACILITIES**

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Visit Jeff’s new website—[www.wilson-morris.com](http://www.wilson-morris.com). Join his blog for updates on the seniors housing industry and the latest market trends. Since joining Senior Living Investment Brokerage, Inc. in 2003, Jeff has over \$750,000,000 in seniors housing transactional experience, which includes the successful completion of over 100 different seniors housing transactions. Given the complexities of these transactions, Jeff is actively involved with nearly every phase of the transactions: coordinating 3rd party reports and vendors, working through the contract and asset purchasing negotiations, coordinating the CHOW process, as well as working with the clients to coordinate with their debt and equity providers.

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