

# SENIOR LIVING INVESTMENT BROKERAGE, INC.



Winter Market Outlook 2012

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## WE ARE THE NATIONWIDE LEADER

Senior Living Investment Brokerage, Inc. is one of the most active brokerage firms in the United States. Our expertise and experience has accounted for our ability to locate, market, and close senior housing transactions throughout the country. Senior Living was founded over a decade ago to achieve our clients' objectives.

In 2008 and 2009, Senior Living handled more transactions than any other firm in the country (*publicly announced transactions as compiled by **The Senior Care Investor***). Despite the economic climate of 2010, Senior Living Investment Brokerage still surpassed their previous

record year of 2009 with over \$300 million in sales. While other brokerage and investment banking firms may operate across all sectors of real estate, we specialize only in seniors housing. Given seniors housing is a niche industry, it is important to utilize a brokerage firm that understands and specializes in seniors housing.

### REPEAT BUSINESS & SUCCESS DUE TO:

- COMMITMENT TO MARKETING OUR EXCLUSIVE INVENTORY IN A CONFIDENTIAL MANNER
- ACCESS TO THE GREATEST NUMBER OF QUALIFIED BUYERS, SELLERS, LESSORS, & OPERATORS
- COMMITMENT & CAPABILITY TO PROMOTE THE FACILITY & OPERATION AS OPPOSED TO PRESENTING THE PROPERTY
- KNOWLEDGE THAT THE LISTING PRICE IS NOT THE STARTING POINT OF THE NEGOTIATION
- MANAGING ALL ASPECTS OF THE TRANSACTION-NEGOTIATIONS, DUE DILIGENCE, FINANCING, & PROCESSING



## SAMPLE OF FACILITIES SOLD IN 4TH Q 2011:



- Arkansas** - 97 Bed Skilled Nursing Facility  
32 Bed Residential Care Facility
- Missouri** - 40 Bed Assisted Living Facility
- Texas** - (2) 120 Bed Skilled Nursing Facilities
- Florida** - 101 Bed Skilled Nursing Facility
- Illinois** - 183 Unit Independent Living & Assisted Living Portfolio
- Alabama** - 117 Bed Skilled Nursing Facility  
25 Bed Inpatient Rehab Facility
- Arizona** - 82 Unit Assisted Living & Memory Care Facility

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## SELECT TRANSACTIONS

### Saint Ann Assisted Living—Saint Ann, Missouri



#### Summary—

Property Type: Assisted Living

Beds/Units: 40 / 28

Age: 1984

Facility Sq. Ft.: 17,864

Lot Size: 1.73 acres

In October 2011, Senior Living Investment Brokerage, Inc. facilitated the sale of an Assisted Living facility located in Saint Ann, Missouri. Situated in the east-central region of the state, Saint Ann is a suburban community in northwest St. Louis County. The facility was originally constructed as a short-term rehabilitation facility but was converted in the late '90s to an assisted living facility. The Owner is a St. Louis based non-profit organization funded by the Archdiocese of St. Louis. In recent years, funding diminished, and the Owner was forced to close Saint Ann Assisted Living facility in June. Senior Living was tasked with repositioning a vacant building that had lost value upon its closure. After a month of marketing, three bidders had established a value near the sale price. The Buyer, a local operator, plans to freshen up the interior and focus on a private pay market.

### Stone County—Mountain View, Arkansas



#### Summary—

Property Type:

Skilled Nursing

Residential Care

Beds/Units: 97 SNF / 32 RCF

Age: 1960's / 1995

Facility Sq. Ft.: 30,092 / 12,089

Lot Size: 3.4 acres

Occupancy: 92%

In November 2011, Senior Living Investment Brokerage, Inc. facilitated the sale of a Skilled Nursing facility and a Residential Care facility located in Mountain View, the largest city and county seat of Stone County, Arkansas. The Seller, White River Health System, is the primary health system for the area and was divesting these two assets to focus on its core businesses. The Buyer is using this transaction to bolster its growing presence in the state of Arkansas. In addition, the Buyer anticipates both short- and long-term improvements in financial performance primarily building on the efficiencies and economies of scale to a national provider. In particular, the facilities appear to have inflated administrative, dietary, and benefits costs that will provide immediate savings without jeopardizing patient care.

### The Grand Victorian Portfolio—Illinois



#### Summary—

Property Type:

Independent Living

Assisted Living

Beds/Units: 183 Units

Age: 2007 / 2009

Facility Sq. Ft.: Each 50,347

Average Occupancy: 98%

In December 2011, Senior Living Investment Brokerage, Inc. facilitated the sale of an Independent and Assisted Living portfolio. The three facilities, located in the Illinois cities of Washington, Pekin, and Sterling, total approximately 151,000 square feet. Each building contains 61 units, featuring 46 studio and 15 one-bedroom apartments. One building was developed in 2007, and the remaining two were developed in 2009. All three buildings were stabilized, and the portfolio occupancy exceeded 95% at the time of the sale. The Buyer, a REIT, entered into a management agreement with the existing operator.

## So We Need A Bill For This?

Perhaps it is the government feeling sorry for the way they have treated the long term care sector of late, or at least a couple of Representatives from California. In a move that clearly substantiates the belief that government is too big, it appears Representatives Bilbray and Eshoo from California have introduced the Fair Pay to Medicaid Providers Act, which would adjust current laws that only require prompt payment of Medicaid reimbursements to physicians. The legislation would basically require

Medicaid to reimburse other providers within 30 days. The unfortunate thing about this bill is that it is necessary. Almost monthly, we are seeing nursing homes shutter in Illinois due to tardy payments of up to six months. Obviously this is due to many factors, including the poor reimbursement environment. However, most of the homes that are closing could make it if they were reimbursed by Medicaid within 30 days, not up to six months as had historically been the trend. Most of these owner/operators

are not able to get extensions on their working capital lines to allow them to pay their bills, including payroll.

*"Any delay of payment for care provided to patients can jeopardize facility operations and make it difficult to pay employees," stated Bilbray. "This legislation guarantees that healthcare providers are paid in a timely manner so that they can focus on helping those in need without worrying about how they are going to meet their financial obligations."*

## REITs Continue Buying Binge, With Smaller Deals On The Rise

McKnight's Long Term Care interviewed Managing Director, Jeff Binder, for an article (title above) featured in the December 2011 issue. As we close 2011 - a year the sector has achieved unprecedented transaction activity - we will look back at the REITs as the primary generator for the activity. As mentioned in the article, we have had the pleasure to work with most of the REITs in the

sector and can wholeheartedly confirm their aggressive ways in 2011. However, it would be inaccurate to assume the aggressiveness comes with recklessness. We have found the REITs follow traditional due diligence paths, if not paths with increased scrutiny, but are benefiting from low cost of capital, plentiful opportunities, and the benefits of solid relationships built over time due to

their long-term commitment to the sector.

The REIT market is not for everyone, or even available to all owner/operators. "The have-nots are the properties that are too small, too old, or too distressed," Binder pointed out. "The more checkmarks there are, the less likely the operator can sell or finance in today's market."



## Survey Says.....

Over the past month we have spoken with a number of industry participants regarding their thoughts on underwriting skilled nursing facilities given the volatility with Medicare the past 12 months. With the introduction of RUGs IV last October, and the subsequent CMS decision to reduce Medicare reimbursement by 11.1% effective October 1, 2011, the roller coaster revenue ride with Medicare has led to great uncertainty regarding the true financial picture of SNF's carrying at least moderate exposure to Medicare.

It appears there are multiple approaches people are using to quantify the impact of the cuts to Medicare. Perhaps the most prominent methodology is to underwrite the 2011 Medicare run-rate with an 11-13% reduction, with the more aggressive 13% utilized by those groups confident there will be additional cuts in FY 2012. Another prominent path is to focus on the FY 2010 Medicare revenue and apply a 2-4% inflation factor\*. Of course, this approach will need to be adjusted for variances in Medicare census/utilization,

wage index changes, etc. between the two periods.

It should be noted, and forgive me for stating the obvious, that the higher the Medicare exposure the greater the likely impact of the CMS retraction, and the more scrutiny the facility/financials will receive by the market.

*\*Per FitchRatings, fiscal year 2012 Medicare reimbursements will be 3.2% higher than fiscal year 2010 reimbursements.*





**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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**HAPPY NEW YEAR FROM YOUR FRIENDS AT SENIOR LIVING**

