

SENIOR LIVING INVESTMENT BROKERAGE, INC.



Winter Market Outlook 2013

Volume 2013, Issue 1

January 30, 2013

MAKING AN IMPACT IN THE SENIORS HOUSING MARKET

Senior Living Investment Brokerage has been delivering results in the seniors housing / long-term care market since 1997. Through our nationwide network of buyers and sellers, we are able to track the movement in the market and see trends in the industry as they develop. We are able to see the emerging opportunities on the horizon and are aware of potential pitfalls that may not be as visible to brokers who are not dedi-

cated solely to the senior housing market.

For sellers, Senior Living provides access to our nationwide network of qualified buyers currently in the market for seniors housing and long-term care facilities. Our relationships with many organizations across the country, allows us to find the right buyer for a given facility. Because of these relationships, we know what types of facilities

specific buyers are looking for.

For buyers, Senior Living provides access to an exclusive inventory of deliverable and well-researched long-term care facilities. At Senior Living Investment Brokerage, we are dedicated to staying informed of changes in the senior housing market, and knowing accurate property values based on facility type, size and location.

THE CORNERSTONE OF SUCCESS:

- OUR NATIONWIDE NETWORK OF OVER 48,500 FACILITIES & IDENTIFIED OWNERS; OVER 1,000 NATIONAL, REGIONAL, AND LOCAL BUYERS
- OUR GATHERING OF DATA & BUILDING OF RELATIONSHIPS HAS PROVIDED OUR CLIENTS UNPRECEDENTED ACCESS TO A LARGE POOL OF POTENTIAL SELLERS OR BUYERS, A STRUCTURED PLATFORM FOR NEGOTIATING THE SALE, AND AN UNMATCHED OVERALL EXPERIENCE
- OUR OFFERING MEMORANDUM PROVIDES IN-DEPTH MARKET INFORMATION, SALES COMPARABLES, DEMOGRAPHIC STUDIES, & INFORMATION ABOUT COMPETITIVE FINANCING
- WE CONTINUE TO STAY INFORMED OF CHANGES IN THE SENIOR HOUSING MARKET & ARE EQUIPPED TO ACCURATELY ASSESS PROPERTY VALUES BASED ON FACILITY TYPE, SIZE, & LOCATION



SAMPLE OF FACILITIES SOLD IN 4TH Q 2012:



- Illinois** - 822 Bed Skilled Nursing Portfolio
- Pennsylvania** - 65 Unit Personal Care Facility
- Texas** - 131 Unit Independent Living Facility
- Nevada** - 78 Unit Assisted Living & Memory Care Facility
- Kansas** - 62 Bed Skilled Nursing & Residential Care Facility
- Pennsylvania** - 35 Unit Personal Care Facility
- Florida** - 165 Unit Assisted Living Portfolio
- Oklahoma** - 60 Bed Skilled Nursing Facility
- Pennsylvania** - (2) 184 Unit Independent & Assisted Living Facilities

INSIDE THIS ISSUE:

DECEMBER TRANSACTIONS	2
INDUSTRY NOTES	3
WILSON-MORRIS.COM	4

SENIOR LIVING
INVESTMENT BROKERAGE, INC.

SELECT TRANSACTIONS

Skilled Nursing Portfolio—Illinois



Summary—

Property Type:

6 Skilled Nursing Buildings

Beds: 822

Age: 1963—1996

Facility Sq. Ft.: 224,000 (Total)

Occupancy: 74% (Overall)

Senior Living Investment Brokerage, Inc. was engaged to sell an 822-bed, six-facility Skilled Nursing portfolio owned and operated by a Midwest operator of long-term care properties. The six facilities, located in the Illinois cities of Marseilles, Morton, Peoria Heights, Princeton, and Springfield, total approximately 224,000 square feet and were constructed between 1963 and 1996. Situated within a 90 mile radius from the city of Peoria, Illinois, the facilities offer stable / financial operational histories, and good reputations in their respective markets. The Buyer is an Illinois-based owner/operator of seniors housing facilities who plans to focus on improving overall occupancy and specifically Medicare. Private Bank provided financing. Overall, the portfolio was operating at 74% occupancy in 2012, with a 14% private-pay mix and 15% Medicare mix.

Colonial Village—Longview, Texas



Summary—

Property Type:

Independent Living

Units: 131

Age: 1985 / 2010

Facility Sq. Ft.: 102,350

Occupancy: 98%

Senior Living Investment Brokerage, Inc. facilitated the sale of a 131-unit Independent Living facility located in Longview, Texas. Situated in the eastern region of the state in Gregg County, Longview is approximately 120 miles east of Dallas and 45 miles west of the Texas / Louisiana border. Constructed in 1985 with an addition in 2010, the three-story facility encompasses approximately 102,000 square feet and sits on 4.52 acres. The facility offered ample amenities, a nice mix of studio, and one-and two-bedroom apartments. Additional care services were provided by unaffiliated home health agencies. It should be noted that this transaction also included an adjacent 1.62-acre parcel which allocated \$250,000 of the purchase price. The Seller was looking to divest the facility to redeploy the capital to a more passive investment. The Buyer is a large, national operator looking to bolster their presence in Texas. At the time of the sale, occupancy was approximately 98%.

Hearthstone Manor of MOUNT JOY & Lebanon—Pennsylvania



Summary—

Property Type:

Independent & Assisted Living

Units: 184

Age: 1996—2002

Acreage: 24.5 (Total)

Occupancy: 85%

Senior Living Investment Brokerage, Inc. was engaged to sell two independent and assisted living campuses in Pennsylvania. Hearthstone Manor of Mount Joy was built in 2000 and is situated on 9.5 acres. The site includes 63 personal care and memory care units and 16, privately owned, two bedroom cottages. The ownership group provides management services to the condominium units as well as the personal care units. Hearthstone Manor of Lebanon now consists of 81 personal care units and 40 independent living units as well as 14 condominium units that are owner occupied. The main personal care facility was built in 1996. The site was expanded in 2002 to include the Village at Hearthstone Manor, which is located adjacent to Hearthstone Manor of Lebanon and consists of 14 patio homes that were sold to individual owners, 40 independent living units, and a community center that also included an additional 20 studio and one bedroom personal care units. The Sellers, a local group, were seeking to sell their only senior housing assets in order to retire from the business. The buyer is a regional owner / operator that desired to increase their operating presence in Pennsylvania.

Jeff Binder Sells 14 Facilities in December

Jeff Binder, Principal and Managing Director of Senior Living Investment Brokerage, Inc. completed \$100 million in seniors housing sales in December, involving 14 facilities in five states. The sales included independent living, assisted living, memory care, and skilled nursing units/beds posting total annual revenues in excess of \$60.0 million. The Seller's were a mix of individuals, regional and national companies, while the buyers consisted of regional and national owner/operators, as well as a private equity group and a national healthcare REIT. The diversity of buyers and sellers is due to the extensive national database/network kept by Binder and the team at Senior Living Investment Brokerage, Inc.

"The ability to close this package of transactions in the final month of 2012 shows the commitment, experience, and knowledge of our team, making the closing of each transaction a necessity, and each client a priority. It is our goal to make each client feel they are our only client when we are fortunate enough to be engaged to represent them in a seniors housing sale," said Binder.



Survey Says.....

During the fourth quarter of 2012, we presented a survey to a number of our clients regarding the use of a list price in an Offering Memorandum and if it influences pricing. Questions included: 1) Is an Offering Memorandum with or without a list price preferred?; 2) Does the presence of a list price influence one's pricing, i.e. if one's initial valuation is significantly lower, will a list price cause one to revisit their underwriting or be more aggressive?; and 3) Is pricing based on Actual Financial Performance preferred or is pricing based on Pro Forma preferred?

The results are as follows:

Question 1: 100% of our responders preferred a list price. In fact, most respondents felt an Offering Memorandum without a list price limits the review due to lack of clear pricing guidance.

Question 2: 60% of our responders replied that a list price does influence their pricing; 40% replied that it does not.

Question 3: 100% of our responders preferred the pricing to be based on Actual Financial Performance. This is consistent with our findings while working on transactions in 2012 as the use of pro forma financials is widely rejected in favor of actual financial performance.

Conclusion: The use of a list price provides a clear target for prospective buyers. In many instances, a quick review of summarized financial information, physical characteristics, and market data can allow for a "yes/no" decision to pursue. If the pricing appears out of reach, the prospect can simply move on. The lack of a target can lead the same prospect to continue reviewing, often taking significantly more time and resources, often coming to the same conclusion. Our valuations have historically been at 96% of our end sales price. This provides our buyer confidence in our "target" number, often enabling them to save valuable time.



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

SENIOR LIVING
INVESTMENT BROKERAGE, INC.

How To Do It.....Financing

Jeff Binder was recently featured in the January 2013 publication of *McKnight's Long-Term Care News*. The article, "How To Do It....Financing", compares the present lending environment to that following the nation's 2008 economic collapse. 2013 brings a much more positive lending environment, and long-term care providers must be prepared to provide adequate loan documentation. Jeff's recommendation for owners and operators is "To strategically put themselves in an optimum position, owner/operators need to maintain an internal audit process that keeps their records, both financial and clinical, in a format that is thorough, consistent from period to period, and easy to understand." The coming year may also be more positive than in years past to finance facility improvements and additions. Jeff believes a great financing opportunity could be "the addition of an acuity level, most likely memory care, to an existing assisted living facility."



WILSON-MORRIS.COM

Visit Jeff's website—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 \$800,000,000 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.

Jeff Binder
Managing Director
337 West Lockwood Avenue
St. Louis, MO 63119

Phone: 314-961-0070
Fax: 314-961-0071
E-mail: binder@slibinc.com
www.seniorlivingbrokerage.com
www.wilson-morris.com



**YOUR FRIENDS AT SENIOR LIVING WISH YOU A SUCCESSFUL
2013**

