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THE SeniorCare Investor

Inside the World of Senior Care Mergers, Acquisitions and Finance Since 1948

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In This Issue

The seniors housing industry seems to be on two different recovery trajectories: the operations recovery and the capital markets recovery, with the former improving faster than the latter. The industry's lagging progress did not help the mood at ASHA's annual meeting, but at least the mood did not seem dampened by all of the unwanted attention from Washington, D.C.

See article at right

2023 Broker Rankings

It was a difficult year for the brokers, with many hurdles to overcome in each transaction. Plus, deals were smaller and lower-valued than in previous years. But a couple of firms stood above the rest, in terms of activity.

See article at right

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The Mood Of The Market(s)

A Tale of Two Markets, Again, at ASHA

The annual meeting of the **American Seniors Housing Association**, always held in January, is often a very good barometer for the sentiment of the major players in the market and what we can expect for the next 12 months, and beyond. On these pages 12 months ago, after the annual ASHA meeting, we wrote about the tale of two markets. We were referring to what was happening with values and the operating performance between the "A" communities in "A" markets, and everyone else. The former, of course, were the bright spot; the latter, not so much. The mood was not great.

At the 2024 annual meeting, it was also the tale of two markets, but it was the tale of the provider market versus the capital markets. Providers have been improving since the Spring of 2021, which was the bottom of the market from a census and operating perspective, but mostly census. The improvement in the past three years has not been consistent (it never

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2023 Senior Care Broker Rankings

The Brokers Gave 2023 the Second-Highest Annual M&A Total Ever

Most would be very happy to put 2023 far behind them, especially dealmakers in the seniors housing and care industry. The year came with countless challenges to closing deals: volatile swings in interest rates, fewer buyers, fewer lenders, more stringent financing terms, unrealistic seller expectations on price, spikes in insurance costs, an uneven operating recovery industry wide, looming regulatory hurdles, you name it. Talk to most brokers, and they will tell you that each deal took double or triple the time it normally took. There was no premature egg counting given the scores of last-minute negotiations and pull-outs they encountered.

Plus, for the brokers, there were just fewer properties and portfolios hitting the market, since sellers did not like the prices they would get and buyers could not get financing, especially for the portfolios. It was a bad combination, and at the same time, more brokers keep entering the

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space competing for a smaller crop of listings. A worse combination for them.

Yet, across the 16 brokerages that participated in the rankings this year, we counted 334 transactions, 614 properties and $7.8 billion in total transaction volume. That is a good two-thirds of all the deals we saw in the year. By comparison, across the 18 firms participating in 2022's rankings, there were 359 deals, 728 properties and $12.0 billion in volume. So, deal-wise, there was not much difference, even though dollars expectedly plummeted year over year.

To that, we have to say congratulations to all the brokers that worked hard, faced many headaches, overcame new and sudden hurdles, cajoled their clients and got so many deals across the finish line. And based on the Q1 pipelines, and the hundreds of reported BOVs completed in the last few months, 2024 seems to bode well for all that survived 2023. It would be well deserved.

2023 Broker Rankings
(by Number of Transactions)

Blueprint Healthcare Real Estate Adv.	88
Senior Living Investment Brokerage	70
Marcus & Millichap	28
Walker & Dunlop	22
Newmark	22
Cushman & Wakefield	21
Evans Senior Investments	17
Ziegler	17
Meridian Capital Group	15
JLL	12
Plains Commercial	5
CBRE	3
Montgomery Intermediary Group	3
Continuum Advisors	3
JCH Senior Housing Inv. Brokerage	3
Mesier Commercial Real Estate	3
H2C	2
Total	**334**

Blueprint had a big year. For the first time in its 10-year history, the firm topped the rankings in terms of both transactions and dollars, with 88 transactions and $1.53 billion in volume. Notably, that is also the first time since we've done the rankings (starting in 2015) that one company has been #1 in both. We also have to mention that 88 separate transactions are an annual record in our industry. Can you hear the champagne bottles popping in Chicago at the House of Blues?

Blueprint has come a long way from the 16 deals closed in 2014, its first full year in operation. They grew steadily to 85 transactions in 2018 and closed more than 70 transactions in each year afterwards, except one. This year was also the sixth year they have topped the

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transaction totals, out of the nine years we have done the rankings.

Dollar-wise, Blueprint had come in second place three times previously, with four $1.0+ billion years before 2023. In their 10-year history, we have tallied nearly $10.5 billion in closings (that satisfy our rankings criteria, of course) from them. The team has certainly grown over the years, new business lines have been added (like the capital markets practice, and the behavioral health and medical office investment sales teams), and we know they are diving head-first into analytics. And right before we went to print, they announced the addition of Ventas-alums John Cobb and Philip Kayden, with Cobb leading the capital markets platform and Kayden building on the advisory practice. More on them on page 27, but congratulations to Blueprint.

Senior Living Investment Brokerage finished another phenomenal year, with 70 closed transactions to take second place. Not only that, but SLIB closed over 40 transactions more than their next-closest competitor. That is impressive.

In the nine years of our rankings, SLIB has finished in first place once (with 83 transactions closed in 2021) and second place on six separate occasions. And they have not finished below second place in the last five years. Consistency and high volume is a good combination.

Marcus & Millichap finished 2023 with 28 transactions, good for third place. The firm has always been in the top-five for activity since we started tracking it, including a couple first-place finishes in 2015 and 2016.

Finishing tied for fourth (thus rounding out our top-five) were **Walker & Dunlop** and **Newmark**, each with 22 transactions in 2023. Going on properties, Blueprint came in first with 147 properties sold throughout the year, followed by SLIB (106), W&D (76), **Meridian Capital Group** (58), Marcus & Millichap (46) and Newmark (43).

It is always difficult, rankings-wise, when one team that does a substantial amount of volume at one firm leaves for another firm in the middle of the year, as the former **Cushman & Wakefield** team of Jay Wagner, Richard Swartz, Aaron Rosenzweig and Dan Baker did by switching to **JLL** in May. C&W had 21 transactions in 2023 (mostly closed by the same team), while JLL's year-end tally was 12 deals (helped by the new team).

Evans Senior Investments and **Ziegler** tied with 17 transactions, each, while Meridian Capital Group finished the year with 15 deals (on top of their prolific financing activity). **Plains Commercial** closed five transactions, while **CBRE**, **Montgomery Intermediary Group**, **Continuum Advisors**, **JCH Senior Housing Investment Brokerage** and **Meiser Commercial Real Estate** each closed three deals.

CBRE, it has to be noted, did around $950 million in financings across 19 distinct closings, and we hear an active Q1:24 on the investment sales side is in store. And **Continuum Advisors**, which was launched by **Grandbridge**

2023 Broker Rankings

(by Dollar Value, in Millions)

Blueprint Healthcare Real Estate Adv.	$1,533.8
Newmark	$1,512.9
Cushman & Wakefield	$878.4
Walker & Dunlop	$863.1
Senior Living Investment Brokerage	$667.9
Meridian Capital Group	$590.2
Evans Senior Investments	$425.6
CBRE	$355.2
Ziegler	$300.4
JLL	$286.9
Marcus & Millichap	$244.1
Continuum Advisors	$73.7
H2C	$46.5
Plains Commercial	$29.6
JCH Senior Housing Inv. Brokerage	$9.0
Meiser Commercial Real Estate	$8.5
Montgomery Intermediary Group	$5.1
Total	**$7,830.9**

2023 Broker Rankings
(by Number of Seniors Housing Transactions)

Senior Living Investment Brokerage	60
Blueprint Healthcare Real Estate Adv.	60
Marcus & Millichap	25
Newmark	21
Cushman & Wakefield	21
Ziegler	15
Walker & Dunlop	13
JLL	12
Evans Senior Investments	7
Meridian Capital Group	6

alums Dave Kliewer and Jay Jordan last Fall, closed four transactions in 2023 while still at Grandbridge, for $53.4 million in volume.

After Blueprint on the dollar rankings came Newmark with $1.51 billion in volume. Given the dearth of portfolio deals in general in 2023, hitting that volume is special, and we know they'll have bigger plans for 2024. C&W took third place, with $878 million, followed closely by W&D with 863 million and SLIB with $668 million in closings.

Senior Living Investment Brokerage and Blueprint shared first place for total seniors housing transactions closed in 2023, each with 60 separate deals. Those included 83 and 92 properties, respectively, representing independent living, assisted living/memory care, CCRCs and active adult communities. Marcus & Millichap announced 25 seniors housing closings, followed by Newmark and Cushman & Wakefield, which each closed 21 deals.

Not-for-profits were some of the more active sellers throughout the year, contributing to Ziegler's 15 closings in the seniors housing sector. Walker & Dunlop and JLL were close behind, with 13 and 12 transactions, respectively.

Newmark topped the dollars list for seniors housing deals

2023 Broker Rankings
(by Dollar Value of SH Transactions, in Millions)

Newmark	$1,498.1
Cushman & Wakefield	$878.4
Blueprint Healthcare Real Estate	$787.8
Senior Living Investment Brok.	$563.0
CBRE	$355.2
JLL	$286.9
Walker & Dunlop	$275.5
Ziegler	$255.7
Marcus & Millichap	$218.7
Meridian Capital Group	$126.3

with nearly $1.5 billion in closings across 21 deals. A busy December propelled the team to that strong finish. Cushman & Wakefield took second place with $878 million, and the JLL team reached $287 million in volume. Combining their activity puts the team above $1 billion in volume.

Blueprint and SLIB, our leaders in transaction activity, also hit impressive dollar volumes, with $788 million and $563 million in closings, respectively. Finally, CBRE's three deals totaled $355 million in volume, for $118.4 million per deal, easily the highest per-deal dollar volume.

2023 Broker Rankings
(by Number of Skilled Nursing Transactions)

Blueprint Healthcare Real Estate Adv.	28
Senior Living Investment Brokerage	10
Evans Senior Investments	10
Walker & Dunlop	9
Meridian Capital Group	9
Marcus & Millichap	3
Ziegler	2
Newmark	1
Plains Commercial	1

Newmark was next with $68.8 million per deal, followed by Cushman & Wakefield ($41.8 million per deal), Meridian Capital Group ($39.3 million) and Walker & Dunlop ($39.2 million). On a per-property basis, CBRE and Newmark took the top-two spots at $71 million and $35 million, respectively, followed by Continuum Advisors at $25 million.

Skilled nursing dealmaking fell back from its heights in 2021 and 2022. Back then, SNF owners were in a race to grow their portfolios, drawn to the positive Medicare reimbursement environment, the growing value of their ancillary businesses and the overall shrinking number of SNF beds, among other reasons. There was also plenty of cheap, high-leverage debt available to buyers, plus equity, that fueled the frenzy (and some irrationally high per-bed prices and low cap rates).

But rising capital costs finally caught up to the sector (leading to some issues in a number of those high-basis deals made in 2021/22), and values fell, although remaining above pre-pandemic levels. Activity dropped too, leading to a much smaller share of deals closed among the reporting brokers. Blueprint topped the list with 28 majority-SNF transactions closed in 2023. SLIB and Evans followed with 10 deals each, and W&D and Meridian after them with nine deals each.

Dollar-wise, Blueprint was on top again, with $746 million in SNF closings. W&D's nine transactions yielded $588

2023 Broker Rankings

(by Dollar Value of SNF Transactions, in Millions)

Blueprint Healthcare Real Estate Adv.	**$746.1**
Walker & Dunlop	**$587.6**
Meridian Capital Group	**$463.9**
Evans Senior Investments	**$304.3**
Senior Living Investment Brokerage	**$104.8**
Ziegler	**$44.6**
Marcus & Millichap	**$25.3**

million in dollar volume, and Meridian Capital Group, a perrenial top-finisher on the SNF list, closed $464 million in volume. Evans Senior Investments and SLIB also closed nine-figure totals, at $304 million and $105 million, respectively.

As far as top-five finishes for this year, Blueprint appeared in all six categories, topping (or co-topping) five of them. SLIB also appeared in the top-five for all categories, with one first place finish. W&D had four top-five showings, as did Newmark, which also topped one category.

All of the brokers deserve a huge congratulations for navigating 2023 and pushing the year's transaction total to the second-highest annual count, ever, despite all of the obstacles. We have to thank all who participated in this year's rankings. And a special thank you to all who aided in our research efforts throughout the year. That information has helped generate the most accurate M&A statistics and valuation metrics in the market, available at the end of February in the 29th Edition of *The Senior Care Acquisition Report*. With that, here's to 2024!

SKILLED NURSING ACQUISITIONS

In the closing months of 2023, skilled nursing M&A activity surged, after the capital markets quieted the market for much of the year. This momentum persisted into the first month of 2024, hinting at a potential positive shift in market dynamics.

Fresh off an active 2023, Ryan Saul of **Senior Living Investment Brokerage** kicked off 2024 with a large closing in Chicagoland. A private, family-run company was looking to exit the skilled nursing space, prompting the sale of its three SNFs with 491 total beds for $51.2 million, or $104,300 per licensed bed. On a functional bed basis, the per-bed price rises to $111,500. The portfolio consists of Wauconda Care (149 beds), Fairmont Care (186 beds) and Oak Brook Care (156 beds). They are the premier nursing homes in the area and hold five-star ratings from **CMS**, plus JCAHO (Joint Commission on Accreditation of Healthcare Organizations) accreditation.

Occupancy was healthy at 84%, with strong quality mixes. And each of the facilities, albeit built in the 1950s and 1970s, were renovated in the last 15 years. Wauconda Care was also recently expanded and will be issued another 11 licensed beds in 2025. It boasted an attractive 48% quality mix, too. Total revenues for the portfolio exceeded $54.5 million, with a 3.5% EBITDAR margin. That could be improved and presents a great opportunity for a buyer with scale. Alta Rehab, an Illinois-based provider with over 5,000 beds in the state, emerged from multiple other offers as the portfolio's buyer. Oxford Finance provided the acquisition financing.

Saul and Nick Cacciabando of SLIB crossed the border (into Iowa) to close another skilled nursing transaction. In it, a local, Masonic not-for-profit sold its senior care campus in Bettendorf to a Florida-based private owner. The buyer has additional communities in Iowa, so the deal is part of an effort to strategically grow in the eastern part of the state.

Iowa Masonic Health Facilities & Masonic Village is in the Quad Cities area, near the Illinois border on the Mississippi River. It consists of a 79-bed skilled nursing facility that was originally built in the early 1900s and 40 independent living villas. Built in the late-1980s, the villas come in one- or two-bedroom floorplans, with attached garages, patio/decks and small yards. They were fully occupied but acted more as a feeder for the SNF than as a profit center. Meanwhile, the SNF portion was 87% occupied. Overall, on an annual basis, the campus lost more than $900,000 on nearly $7.2 million of revenues.

The not-for-profit seller decided to turn the business over to an experienced operator that could ensure the long-term viability of the campus. It sold for $3.6 million, or $30,000 per bed/unit.

Confronted by numerous headwinds, encompassing interest rate challenges, labor costs and the impending CMS staffing mandate, it's not unusual for not-for-profits and small-scale owner/operators, like mom & pops, to encounter difficulties. For some, these challenges have led to divestment or a complete exit from the industry. **Blueprint** successfully navigated several transactions addressing these issues.

Connor Doherty and Ryan Kelly handled three Ohio transactions before the end of 2023, allowing their buyers to benefit from Medicaid rate increases and Ohio's Quality Incentive Program that passed earlier in the year. First, a mom & pop divested a 180-bed skilled nursing facility in Lancaster, Ohio. The facility has been in operation for almost five decades but faced challenges exacerbated by staffing and occupancy headwinds.

There were multiple offers for the large facility, resulting in the ultimate selection of an owner/operator. The buyer has plans to immediately turn around operations and start operating profitably soon. The better reimbursement environment will help.

Doherty and Kelly were also brought on in the divestment of a skilled nursing facility in Columbus, Ohio, which faced challenges with occupancy and escalating staffing headwinds, an all-to-familiar story for many SNFs across the country. The facility has been operational and well maintained since 2001, comprising 123 licensed SNF beds and 23 seniors housing units. Blueprint secured four offers from reputable groups. The emerging buyer was an owner/operator with an established Ohio healthcare enterprise that wished to expand its footprint in the Columbus MSA. The transaction closed less than 80 days from execution of the LOI.

Third, a regional owner/operator looking to shift its focus to other alternative classes brought on Doherty and Kelly in its divestment of a 118-bed skilled nursing facility in Dayton, Ohio. Opened in 1973, the facility recently faced challenges including survey issues resulting in financial disruption.

There was a competitive marketing environment with multiple offers, with the emerging buyer being an owner/operator that has an existing footprint in Ohio. This was their second acquisition in the Dayton MSA. Closing was achieved shortly after obtaining **HUD** approval.

Blueprint's Brooks Blackmon and Lauren Nagle were engaged by **CommCare**, a Louisiana-based not-for-profit organization, in its divestment of two skilled nursing facilities in Center Point and Jonesville, Louisiana. Together, the two SNFs comprise 244 licensed beds, and they were performing at stable levels. The facilities were cash-flowing and following Louisiana's rebasing of Medicaid rates that went into effect on July 1, 2023, consolidated EBITDAR across the two assets reached $3.0 million.

Blueprint procured offers from almost half of the reviewing groups before a joint venture between **Omega Healthcare Investors** (NYSE: OHI) and **Venza Care**, Omega's operating partner, bought the facilities for all cash, closing the deal within two months of LOI execution. No other details were disclosed.

Blueprint was also enlisted in the divestment of eight senior care campuses concentrated in and around Eau Claire, Wisconsin. Five of the eight campuses are within an 11-mile radius, and all are within one hour from one another. The seller was Wisconsin-based owner/operator **Dove Healthcare.**

Featuring mostly five-star communities, the portfolio comprises 304 licensed SNF beds, 104 RCAC units and 118 CBRF beds, for a total of 526 units/beds. The portfolio benefited from significant statewide Medicaid reimbursement rate enhancements in Wisconsin, which were effective July 1. Additionally, since October 1st, 2022, rate increases across all portfolio private pay RCAC/CBRF residents ranged from 8% to 15%, generating further revenue upside for the buyer which helped to attain attractive financing terms.

Blueprint targeted reputable buyers with a focus on the state of Wisconsin, ultimately securing five LOIs. The buyer was a Wisconsin-focused owner/operator. Steve Thomes, Brooks Blackmon, Michael Segal and Lauren Nagle handled the transaction.

Before the year closed out, we saw another large portfolio of facilities sell (a welcome sight after relatively few portfolios traded in 2023). Nick Stahler, Mike Mooney and Austin Diamond of The Knapp-Stahler Group at **Marcus & Millichap** closed a nine-facility, 1,000+ bed assisted living and skilled nursing portfolio in the greater Dallas, Texas MSA. Adding to the portfolio's appeal was its assumable, attractive, non-recourse HUD financing at below-market interest rates. That surely drummed up some buyer interest.

So, The Knapp-Stahler Group produced multiple offers for the seller, a national private equity owner/developer, which ultimately selected a New York-based skilled nursing investment firm as the buyer. The buyer was selected for its substantial financial liquidity and tenure in the seniors housing industry. The process hit some bumps along the way after an initial tranche of prospective operators declined to move forward. But an extensive search and vetting process successfully paired the buyer with a Texas-based operator.

A few other deals closed in the Lone Star State. **Plains Commercial** facilitated the sale of a skilled nursing facility on behalf of a not-for-profit seller looking to consolidate its operational footprint closer to its home office in Lubbock. The buyer is a Dallas-based owner/operator looking to grow its footprint.

Built in 1965, Senior Village Nursing Home comprises 60 licensed beds in the rural town of Perryton in the panhandle of Texas. At the time of sale, the facility was struggling from low census with around 20 occupied beds, and it was cash flow negative. The facility offers the buyer, **Capstone Healthcare**, significant upside through further lease-up and operational changes. Daniel Morris handled the transaction.

Forest Healthcare Properties, a boutique off-market brokerage firm, was enlisted by a large nursing home group in its divestment of a skilled nursing facility in Austin, Texas. The seller has an existing footprint in the state, however, this was its only facility in Austin. The buyer, an owner/operator based near Austin, has other properties in the area and wanted to further grow its footprint.

Built in 1985 with recent renovations, the facility comprises 120 licensed skilled nursing beds with occupancy over 82% at the time of closing. There are an additional 45 assisted living beds that the buyer intends to convert to licensed SNF beds. Jeffrey Vegh and Joe Schiff handled the transaction.

Vegh and Schiff also closed a separate transaction in November. A repeat client of Forest enlisted the duo to sell a 162-bed skilled nursing facility in Tennessee that was built in the 1980s and had strong occupancy levels. The buyer was a regional team with a footprint in Kentucky that wished to expand to Tennessee.

Evans Senior Investments facilitated the sale of a skilled nursing facility on behalf of a private owner/operator. The facility comprises 95 beds in Oklahoma and boasts a five-star rating, which attracted a competitive and qualified pool of potential buyers.

The selected buyer was a private, West Coast-based investor with a history of skilled nursing operations and property ownership. The facility will be managed by a local operator that is expanding their footprint in the state. No other details were disclosed.

Evans was also brought on by an independent owner selling their only senior care asset. Country Meadow Place is a 56-unit assisted living/memory care community located in Mason City, Iowa. It was originally built in 1985 as a 36-unit memory care community before it was acquired in 2013 and expanded five years later with 20 additional assisted living units. At the time of marketing, the community was 100% occupied (which has been maintained for the previous 13 months) with a 95% private pay census. NOI also exceeded $1.4 million, or $25,000 per unit.

Evans targeted a select group of potential buyers before the existing operator emerged as the winning bidder for $13 million, or $232,100 per unit, at a 10.8% cap rate. The buyer took the deal directly to HUD.

Senwell Advisors was engaged by a large CCRC in the transfer of skilled nursing beds across contiguous counties in southwest Ohio. The CCRC was divesting with the goal of reconfiguring its skilled nursing capacity in response to escalating demand for its other senior living options on campus.

The buyer, an established regional owner/operator, intends to repurpose its RCF beds to SNF beds, which aligns with its expansion plans to provide more enhanced skilled nursing care. Ben Bohland of Senwell handled the transaction. No additional details were disclosed.

Finally, **The Ensign Group** (NYSE: ENSG) acquired the operations of two separate skilled nursing facilities to kick off its year. First, Ensign acquired the operations of Hearthstone Health and Rehabilitation, a 125-bed skilled nursing facility in Sparks, Nevada. The acquisition is subject to a long-term, triple-net lease.

Ensign also announced that its affiliate acquired the operations of TriState Health and Rehabilitation Center, a 116-bed skilled nursing facility in Harrogate, Tennessee, subject to a long-term, triple-net lease. This is Ensign's first SNF in the Volunteer State, and its Tennessee-based subsidiary, **Rocky Top Healthcare LLC**, will take over operations.

These acquisitions bring Ensign's growing portfolio to

299 healthcare operations, 27 of which also include senior living operations, across fourteen states. Ensign subsidiaries own the real estate at 113 of its assets.

SENIORS HOUSING ACQUISITIONS

In recent months, there has been a discernible increase in stabilized, "Class-A" transactions involving, at times, cap rates. We also saw a few more portfolio deals, perhaps as the capital markets environment has improved, even slightly.

Senior Living Investment Brokerage's Brad Clousing and Dan Geraghty closed a couple of portfolio sales at the end of 2023 on behalf of a publicly traded REIT. The larger deal consisted of four assisted living communities and 173 total units in Florida. They are located in Spring Hill, Fort Myers, Niceville and Tallahassee. The portfolio generated interest from multiple parties, but **Opal Senior Living** ended up as the buyer, for an undisclosed price.

Clousing and Geraghty also sold a portfolio of three assisted living communities with 128 total units in South Carolina to **Mainstay Senior Living.** According to an announcement from Mainstay, the acquired communities have been renamed to Ansley Glen at Greenwood in Greenwood, Sumter Terrace in Sumter and Vickery Park in Central. SLIB again procured multiple offers for the portfolio, as well as for individual assets. But no other details were disclosed.

Maintaining its blistering pace at the start of 2024, SLIB completed several more transactions for senior care clients across the country. First, Jason Punzel, Brad Goodsell, Vince Viverito and Jake Anderson represented a family owner looking to exit the seniors housing industry with the sale of their 77-unit assisted living/memory care community in San Bernardino, California. Built in 2003, the community has 97 licensed beds and 88 operational beds. It was 85% occupied.

CareTrust REIT (NASDAQ: CTRE) announced that it and a third-party regional healthcare real estate investor entered into a joint venture arrangement to acquire the

community, under which CTRE provided a combined common equity and preferred equity investment amount totaling $10.7 million, or $139,000 per unit. CTRE is the managing member of the JV, and its initial contractual yield on its combined preferred and common equity investments in the JV is about 9.3%. That puts an estimated cap rate at around 10.4%. Going forward, the community will be operated by **Oxford Health Group**, a new operator relationship for CareTrust.

Punzel, Anderson and Clousing next closed the sale of two senior care facilities in Sleepy Eye and Maplewood, Minnesota. The campuses were previously owned by **Volunteers of America National Services**, a national not-for-profit looking to condense its portfolio to just its core communities. Built in 1972 and 1986, respectively, the Sleepy Eye campus includes the former Sleepy Eye Care Center SNF (61 beds) and Countryside Retirement Community independent/assisted living community (67 beds/53 units). Meanwhile, the Maplewood campus, which was built in 1970 and 1995, respectively, includes Maplewood Care Center (149 SNF beds) and The Homestead at Maplewood (61 AL/MC units). Occupancy was 80% across the two locations.

Monarch Healthcare Management, an experienced, in-state owner/operator looking to grow its footprint in Minnesota, announced that it bought the campuses for an undisclosed price.

Finally, it appears that several SLIB teams arranged leases for different portfolios owned by **LTC Properties** (NYSE: LTC). Clousing, Geraghty and Patrick Burke first sourced a new leasehold tenant for five assisted living communities previously operated by **Brookdale Senior Living** (NYSE: BKD) in North Carolina, in the towns of New Bern, Shelby, Goldsboro, Greenville and Rocky Mount. Totaling 210 units, the communities were leased to **Navion Senior Solutions**. The six-year lease starts with an annual rent of $3.3 million, according to a recent LTC announcement.

Analyzing LTC Properties' announcement, almost all of the buildings are relatively small, and the quality, at least based on the rent, is very different among them. The five communities going to Navion average about 42 units, but the annual rent comes to $15,714 per unit.

Clousing, Geraghty, Punzel and Viverito also worked to find a tenant for six assisted living/memory care communities in Colorado. Totaling 328 units in Fort Collins, Greeley, Longmont, Loveland and Arvada, these communities were also operated by Brookdale. After analyzing potential tenant options presented by SLIB, LTC ultimately decided it did not make sense to disrupt the operations and replace Brookdale. So, they renewed, with the new lease commencing January 1, 2024. Across the 17 communities with 738 units that Brookdale renewed its leases for six years, the first-year lease rate is $9.325 million, or $12,635 per unit, as disclosed in the same LTC announcement.

Finally, Clousing and Geraghty also were engaged to find a tenant for two assisted living/memory care communities in the Southeast. The properties have a combined 159 units and are located in Watkinsville, Georgia, and Murrells Inlet, South Carolina. The new tenant is a Tennessee-based seniors housing operator with a large presence throughout the Southeast. The new lease commenced January 1, 2024.

Separately, Toby Siefert and Dave Balow of SLIB pulled out all the stops to close the sale of a seniors housing community in Denton, Maryland, on the Eastern Shore. Built in the mid-1980s, Homestead Manor Assisted Living and Heritage Community are a combined assisted living and independent living community on a shared campus, with 24 IL patio homes and 62 AL units. The patio homes have been continually at or near full occupancy with healthy cash flow, while the assisted living portion was still recovering from the pandemic, at 55%. Combined, the campus generated around $3.47 million of revenues, at an 11% margin.

Representing a private owner looking to divest their seniors housing portfolio and exit the industry, SLIB marketed the potential to improve the physical plant of the AL community to help it stabilize. Additionally, the existing lender was willing to stay in and lend to the buyer at market terms. That helped the eventual buyer, a newly formed partnership between two industry veterans, close the deal at $4.5 million, or $52,300 per unit. This was their first acquisition. That price puts the cap rate at around 8.5%, based on 2022 figures.

Lastly for SLIB (you can see how they finished with 70 transactions last year) was a deal in Mankato, Minnesota. Wanting to fund continued investments in the seniors housing space, the owner of a 118-unit seniors housing community there sold the property to a private equity group, for an undisclosed price. Punzel, Anderson, Goodsell and Viverito handled the transaction.

Built in 2019, The Pillars of Mankato consists of 98 independent living/assisted living units and 20 memory care units, approximately 75 miles southwest of Minneapolis. The IL/AL units were all interchangeable. Occupancy was close to full, and the community was stabilized, but no financial details were disclosed. The out-of-state private equity group partnered with the in-place operator to run the community.

Newly launched **Continuum Advisors**, founded by David Kliewer and Jay Jordan, sprinted to the end of the year with several closings in the last week of December. First, Continuum arranged the sale of the largest senior living campus in Illinois. Friendship Village of Schaumburg was built in phases from the late-1970s to 2007 and features 512 independent living apartments, 28 IL garden homes, 85 assisted living units, 24 memory care units and 169 skilled nursing beds, or 818 units and beds, total. It sits on over 60 acres in the affluent Chicago suburb of Schaumburg, about 30 miles northwest of downtown.

In 2017, Friendship Village refinanced its debt and funded campus renovations through a bond issuance. However, beginning in January 2021, the not-for-profit borrower defaulted on its bond payments. Issues stemming from the pandemic were blamed.

So, Continuum Advisors initiated a marketing process which highlighted the ability for a buyer to restore the financial stability of Friendship Village and potentially reposition the property. With Polsinelli also acting as counsel for the seller, Kliewer and Jordan led a sale process through the bankruptcy court, which resulted in three parties submitting binding contracts for the stalking horse position. After the selection of the stalking horse and an overbid marketing process, a multi-round auction was completed in late October 2023, with **Encore Healthcare Services** emerging as the winning bidder at auction. From the time of launching the offering materials to closing, the transaction was completed in approximately 6.5 months.

Encore paid $35.6 million, or $43,500 per unit/bed, in cash and is planning to make significant capital investments in addition to transitioning Friendship Village from a majority-entrance fee CCRC to a rental community. Existing residents with entrance fee contracts will be refunded part or all of their entrance fees in accordance with a length-of-stay schedule, and Encore has committed to provide $750,000 per year in benevolence care, among other benefits to legacy residents.

Separately, the Continuum team sold The Weils, a 120-unit senior care campus in Chagrin Falls, Ohio, an eastern suburb of Cleveland. They represented the Cleveland-based not-for-profit seller, Menorah Park, which took over ownership of The Weils following its 2020 affiliation with another Cleveland-based not-for-profit (and the campus's original developer and operator), Montefiore. Continuum also represented Menorah Park's financial advisor, **SOLIC Capital Advisors**, in the sale.

Built in phases between 2002 and 2015, the campus consists of 75 assisted living units, 18 memory care units and 29 skilled nursing beds (in 27 units). The 45-acre property also comes with excess land for future development. Occupancy was in the mid-80s, and there was positive momentum with strong in-place rates at the time of marketing. Another Cleveland-area-based not-for-profit organization, **Eliza Jennings**, took over the campus.

In another not-for-profit sale, **Ziegler** was enlisted by **Benevolent Corporation Cedar Community**, a Wisconsin-based, not-for-profit organization, in its divestment of

Cedar Community Elkhart Lake. Cedar Community is a 67-unit independent living and assisted living center in Elkhart Lake, Wisconsin. It was developed by Benevolent in 2008 on 13.3 acres.

Matter Development purchased the property, and its operating affiliate, **Koru Health**, will operate the community. Together, Matter and Koru operate 12 senior living communities in Wisconsin and Minnesota. This acquisition enabled the company to expand its footprint into Sheboygan County, with plans to continue expansion in the surrounding area.

Nick Glaisner, Jake Sexton and Melanie Shaffer of Ziegler conducted a focused marketing process and negotiated pricing that represented a 7% cap rate based on historical cash flow (as marketed).

Meiser Commercial Real Estate closed two separate seniors housing transactions. First, in a transaction that closed before year-end, an owner/operator engaged Meiser in its divestment of an assisted living community in Clinton County, Michigan. Built in the 1980s and remodeled since then, Serene Gardens of DeWitt comprises 58 beds, and occupancy was 98% at closing. The purchase price was $4.0 million, or around $69,000 per bed. The buyer financed 70% of the acquisition cost through a local bank.

Next, **DeShano Companies Inc.** brought on Meiser in its divestment of two assisted living communities in Michigan: Close to Home Saginaw in Saginaw and Bay City in Bay City. DeShano, a development company that specializes in apartments and entered the AL industry in 2016, is exiting the industry with the sale. Meiser has sold 14 of DeShano's assisted living communities over the last three and a half years. Close to Home Saginaw was originally built in the 1950s as a skilled nursing facility. It was renovated in 2018 and has 54 AL units. Bay City was originally built in the 1960s as an elementary school and was also renovated in 2018. It comprises 36 AL units.

The purchase price for these two communities was $5.8 million, or $64,400 per unit. This was an all-cash, seller carryback transaction with 65% cash and 35% from a seller note. Closing was pushed back by three weeks due to an insurance issue in which there would be an increase of $200,000 per year. Meiser did its due diligence and secured the buyer with an increase in the premium of just between $20,000 and $30,000 per year.

Bill Meiser and Madison Meiser handled both of the transactions. Meiser has closed 14 transactions in the last three years, for $41.16 million in volume.

United Properties, a Minnesota-based commercial real estate investor, sold its trophy asset in Littleton, Colorado, in a bidding process that yielded 11 offers over the course of a three-week marketing campaign conducted by **Evans Senior Investments.** An investment group based in Ohio emerged as the buyer, paying $31.5 million, or $366,300 per unit. The transaction closed within weeks of the bid deadline.

Built in 2018, Balfour at Littleton features 86 units of assisted living and memory care. It was 97% occupied, consistently maintaining an average occupancy rate of 95% over the past 12 months, despite new supply coming into the market.

Not all properties have been as successful as Balfour at Littleton in the years following the pandemic. In fact, the industry has grown increasingly bifurcated between higher-end, performing properties and lower-end, struggling ones. And we know there are plenty of struggling ones out there, despite the positive national trends in census highlighted by NIC MAP.

One community that was facing severe operational challenges was the massive Menorah Park in Beachwood, Ohio, which **Blueprint** sold on behalf of the not-for-profit seller. The CCRC totals 594 licensed skilled nursing beds, 288 assisted living and memory care units, and 193 independent living units. It was founded in 1906, moved to its current location in 1968, and has expanded since then.

The 355-bed Menorah Park Nursing Home was built in stages between 1968 and 2015, which was followed by a 193-unit independent living community called R.H. Myers Apartments added in 1978. Stone Gardens & Helen's Place (118 assisted living/memory care units) and Wiggins Place (145 AL units) were added in later years. The Montefiore Nursing Home, with 239 beds, and the adjacent 25-unit MC community called The Willensky were also included in the deal. Menorah Park had affiliated with the not-for-profit **Montefiore** in July 2020 after a two-and-a-half-year discussion period.

It had been struggling operationally in the wake of the pandemic, higher staffing costs, changes in government funding and the competitive environment. That prompted the board to review its strategic options and a potential sale, and Connor Doherty, Ryan Kelly, Michael Segal, Ben Firestone and Kory Buzin of Blueprint were brought in to handle the transaction. The competitive process, coupled with the previously announced Ohio skilled nursing Medicaid rate increase, resulted in six acquisition proposals from qualified regional and national owner/operators, as well as several private equity investors.

The board favored **Outcome Healthcare**, a New Jersey-based owner/operator, over six finalists as the selected buyer, for an undisclosed price. Outcome's terms and conditions were attractive to the seller, in addition to the price. The company, which is run by an Orthodox Jewish family of owners and operators in the industry, will continue to maintain the campus's Jewish traditions and customs, including observance of Jewish holidays and Shabbat, serving kosher food and maintaining a full-time rabbinical staff. Outcome has nine SNFs and one assisted living community in its portfolio, which spans across New Jersey, Maryland, South Carolina and Georgia. This was the company's first purchase in Ohio.

Earlier this year, Menorah Park also announced the sale of The Weils, its 122-unit assisted living community in Bainbridge Township, Ohio, to Eliza Jennings. That deal closed at the end of 2023, handled by Jay Jordan and Dave Kliewer of Continuum Advisors.

Blueprint was engaged by a national developer/investor in the sale of a seniors housing asset in Dallas, Texas. Built in the early-1990s, this assisted living/memory care community comprises 93 units. The incumbent operator, **Juniper Communities**, had an interest in the community

and was selected as the ultimate buyer.

This community was purchased by the seller pre-COVID as part of a sizable, value-add portfolio transaction with over 12 scattered, older-vintage communities, with the potential for operator transitions to create regional groupings coupled with the intent to meaningfully invest in renovations and repositioning.

COVID, combined with the rise in interest rates, created a few headwinds to the original value-add thesis and drove a portfolio re-prioritization, rationalization and de-levering effort, resulting in the divestment of this community. Alex Florea, Giancarlo Riso and Amy Sitzman of Blueprint handled the transaction.

Additionally, Riso, Sitzman and Kyle Hallion facilitated the sale of a seniors housing asset in the Charlotte, North Carolina MSA. The community was constructed in the late-1990s and comprises 54 assisted living and memory care units. While it was performing and set in a prominent location, the community was not stable at the time of sale.

Both national and regional buyers were approached, and the seller received four credible offers within 30 days of launch. The winning bidder ended up being a newly formed joint venture between a Midwest-based investment group and a Carolinas-based operator.

Fresh off its third-place finish in the broker rankings this year, **Marcus & Millichap** assisted **Goldman Sachs Asset Management** in its divestment of a tranche of seniors housing properties, including Atria at River Trail, an A-quality asset in Chicagoland. Justin Knapp and Nick Stahler of IPA-Marcus & Millichap handled the sale of River Trail. Located in Bolingbrook, the community features 128 units of independent living, assisted living and memory care. It was recently built (in 2018), stabilized and operated by **Atria Senior Living**.

After receiving several offers in the best and final round of bidding and selecting the buyer in December, the property was tied to the portfolio sale of eight assets in total located in Michigan, Pennsylvania and Virginia. That appears to be the deal that **Newmark** handled in December for seven assets and 931 total units. Also newly-constructed Class-A assets in desirable locations, these communities experienced positive leasing and operating margin trends, with strong rental rate increases. But they were marketed as a value-add opportunity. No other details were disclosed, but word on the street was that the portfolio was pricing in the $225 million range, or approximately $240,000 per unit. Considering the value-add nature and the quality of the assets, that pricing would seem right.

Pricing for Atria at River Trail was not disclosed. When the Newmark deal was announced, we guessed that by the size of the transaction, it must be a large, institutional investor.

Daniel Morris of **Plains Commercial Real Estate** was engaged by an investor in its divestment of a seniors housing asset. Pine Bluff Assisted Living is a 30-unit/60-bed assisted living community in Pine Bluff, Arkansas, which used to be a part of the former Davis Life Care Campus. Occupancy was hovering around 65% at closing.

The campus was leased by a regional not-for-profit operator, and Plains was engaged to sell or lease the campus to a new operator before the expiration of the not-for-profit's lease. The other portion of the campus was leased in 2023 to a new tenant. Pine Bluff was the last building in the campus to be reallocated.

The buyer, **APEX Senior Care & Consulting**, is a regional owner/operator of assisted living communities with other properties in the area. The community offered APEX strong upside through further lease-up and operational changes through their local reach.

Chicago Pacific Founders and its subsidiaries, **CPF Living Communities** and **Grace Management, Inc.**, acquired The Summit of Lakewood Ranch, in Lakewood Ranch, Florida (Sarasota MSA). Grace Management will take over operations and oversee investments made on the campus. The community currently offers assisted living and memory care services.

It was previously known as The Sheridan at Lakewood

Ranch and was operated by **Senior Lifestyle Corp.** It opened in 2016 with 121 units, at a cost of approximately $17 million, or $140,000 per unit. Additional terms of the deal were not disclosed.

A senior living operator led by a couple of industry veterans, Scott Burman and Lorne Schecter, purchased an assisted living community in West Orange, New Jersey. The former Canterbury Village features 44 units and 53 beds but closed its doors in mid-2023. It had been previously operated by an affiliate of the not-for-profit Heath Village of Hackettstown, New Jersey, but ownership had transferred to **Provident Bank** by the time of the sale. George Bingham of **Sherman & Roylance** represented Provident in the deal and played a key role in facilitating the deed-in-lieu transfer to the bank.

The buyer plans to invest in significant renovations, modernizing the space while continuing to operate it as a senior living community. No other details were disclosed.

Sherman & Roylance were also brought on by **CareTrust REIT** (NYSE: CTRE) in its divestment of a seniors housing asset in northwestern Florida. Built in 1997, the assisted living/memory care community comprises 64 beds in 42 units and had an occupancy rate of 87%. The buyer was a local owner/operator looking to expand their regional footprint. Jack Osteen, Shep Roylance and John Sherman handled the transaction.

Finally, a joint venture seller engaged **CBRE** in the divestment of its affordable seniors housing community in Santa Cruz, California. The buyer was also a joint venture, between **Jonathan Rose Cos.** and **First Community Housing.**

Built in 1981, Mission Gardens Apartments comprises seven buildings with 50 units reserved for households that earn up to 50% and 60% of AMI. All units are under a project-based Section 8 contract that was extended by Jonathan Rose for another 20 years. The buyer also intends to conduct renovations.

Walker & Dunlop provided financing through **HUD**. Other entities involved in the transaction include the City of Santa Cruz, HUD, **CalHFA** and the California Tax Credit Allocation Committee.

AGENCY LOANS

The **HUD** queue is chugging along, and **Capital Funding Group** recently closed a $9.5 million HUD loan to refinance an existing bridge loan also executed by CFG. The refinancing supported a 173-bed skilled nursing facility in Pennsylvania owned by a nationally recognized borrower. CFG's Craig Casagrande and Andrew Jones originated the transaction.

The financing follows the company's recent closing of a $7.2 million HUD loan, which supported the refinancing of a 162-bed skilled nursing facility in Kentucky.

BWE announced the closing of four financings totaling over $26 million to refinance, build and preserve four seniors and affordable housing properties in California, Massachusetts, Ohio and Florida. First, Max Sauerman originated a loan on behalf of **Goldrich and Kest**, two privately owned, family-run real estate companies, for Palm Court Senior Independent Living. The community was built in 1991 and is in Culver City, California.

Next, Taylor Mokris and Ryan Stoll originated a five-year, $13.15 million fixed-rate, non-recourse **Freddie Mac** loan on behalf of an institutional owner for acquisition financing. The loan has a five-year term. Operated by **Benchmark Senior Living**, Branches of North Attleboro in North Attleboro, Massachusetts, is a 104-unit assisted living and memory care community.

Then, Bob Morton originated a $1.089 million **USDA** RHS 538 GRRHP loan to provide permanent financing for the construction of a 40-unit affordable seniors housing development. The loan has a 40-year fixed-rate term and a 40-year amortization period. The development is HOPE Senior Village in East Canton, Ohio, and consists of eight buildings, each containing one- and two-bedroom units. Of the 40 total units, seven are designated for residents earning up to 30% of the area median income, 17 units are designated for residents earning up to 50% of AMI, and 16 units are designated for residents earning up to 60% AMI. The project received additional financing through the use of 9% Low-Income Housing Tax Credits.

Lastly, Bob Morton and Jon Killough originated a $1.7 million USDA RHS 538 GRRHP loan to provide permanent financing for the preservation of a 50-unit existing rural development, Section 515 seniors housing property. The loan has a 40-year fixed-rate term and a 40-year amortization period. The community, Amelia Village in Vero Beach, Florida, features 20 one-bedroom and 30 two-bedroom units.

Conifer Realty, LLC, a national, full-service real estate company specializing in the development, construction, management, and ownership of high-quality, affordable housing communities, and **Community Preservation Partners** (CPP), a mission-driven affordable housing preservation developer, announced the planned renovation of Andrews Terrace in New York. The 526-apartment building complex is located on Rochester's waterfront and exclusively caters to seniors and disabled residents (and their families). This is the second joint community investment for Conifer and CPP in Rochester, following Keeler Park, which was purchased in October 2022.

Built in 1975, Andrews Terrace consists of two 19- and 22-story elevator-served residential buildings containing 526 studio, one-, and two-bedroom apartments. The buildings are connected fully on the first floor, with elevated outdoor walkways. In recent years, the development has faced capital repair and maintenance challenges beyond what the operating budget could cover. So, the community will receive extensive renovations estimated at $101 million, with a total project investment of approximately $335 million.

To help fund that, **KeyBank Community Development Lending and Investment** (CDLI) in partnership with the **Urban Investment Group** (UIG) within **Goldman Sachs Asset Management**, invested $135.6 million of 4% Federal LIHTC Equity and provided a $200 million construction loan. Additionally, **KeyBank Commercial Mortgage Group** closed $73.1 million **Fannie Mae** MTEB and **KeyBanc Capital Markets** underwrote $163 million of tax-exempt bonds for this project. Federal and State Historic Tax Credit equity of $37.2 million will be provided by **Chase Community Equity**. Renovations are scheduled to take 32 months to complete. And finally, the transaction includes a 20-year renewal to the Project-Based Section-8 contract from HUD.

CONVENTIONAL LOANS

On behalf of **Harrison Street** and **Belmont Village Senior Living, CBRE** arranged a refinancing for two Class-A, well-located and irreplaceable senior housing communities: Belmont Village Senior Living Albany and Belmont Village Senior Living Calabasas. Aron Will, Vice Chairman of CBRE National Senior Housing, and Matt Kuronen, Vice President, arranged the financing through a syndication between national and regional banks.

Belmont Village Albany is minutes from the center of UC Berkeley and was built in affiliation with the university as part of a 6.2-acre mixed-use development on university land. That community consists of 175 fully licensed independent living, assisted living and memory care units in four stories. Belmont Village Calabasas is in the northwest Santa Monica Mountains between Woodland Hills, Agoura Hills, West Hills, Hidden Hills and Malibu, California. It consists of 140 fully licensed assisted living and memory care units across three stories.

Next, **Bravo Property Trust**, an affiliate of **Bravo Capital**, provided a $10.0 million bridge loan to **Birchwood Health Care Partners** for the acquisition of a skilled nursing facility in Des Moines, Iowa. The building was constructed in 2016 as a senior care campus with 70 skilled nursing beds and 30 assisted living beds. The previous owner converted the AL units to SNF beds in October 2022, and the building was re-licensed as a 100-bed SNF in December 2022. With occupancy based on 100 SNF beds beginning in October 2022, the facility leased up over the next nine months and stabilized in August 2023 at 91%.

Additionally, JD Stettin, Managing Partner of **Carnegie Capital**, helped finance the acquisition of a nonperforming senior care campus in Dallas, Texas. The debt will also help cover around $9 million in planned renovations at the 119-bed campus. Built in 2001 with a recent 2018 renovation, Crystal Creek at Preston Hollow features a range of care levels including skilled nursing, assisted living and memory care.

At the time of marketing, occupancy in both the seniors housing and skilled nursing was rapidly declining. Due to the skilled nursing component not being licensed to accept Medicaid, the campus consistently struggled to lease up the beds with Medicare & private pay residents, which resulted in negative operating margins.

As mentioned in the last issue of *The SeniorCare Investor*, **Evans Senior Investments** ran a confidential marketing process, targeting a small group of seniors housing buyers. The process yielded several offers, with **Marcus Investments** ultimately being selected as the buyer, which retained **Vitality Senior Living** as the operator. The buyer plans to spend over $9.0 million renovating the community to replace 60 SNF beds with 30 additional assisted living and memory care units. Renovations are set to begin following the close.

Carnegie Capital secured an $8.0 million bank loan, with a five-year term and two years of interest only. That covers more than 110% of the purchase price and 70% of the purchase price plus the planned capex. The interest rate was floating over Prime, and the borrower can prepay without penalty after year 3. The bank also accepted a corporate guarantee in lieu of personal guarantees.

Capital Funding Group helped finance a nationally recognized borrower's in-the-money purchase option for a 120-bed skilled nursing facility in Virginia. CFG Vice President Andrew Jones originated the transaction. The $19.8 million bridge-to-**HUD** loan covered 100% of the acquisition and closing costs.

The financing follows the company's recent closing of a $9.5 million HUD loan, which supported the refinancing of an existing bridge loan also executed by CFG for a 173-bed skilled nursing facility in Pennsylvania.

Oxford Finance announced that its Healthcare Real Estate and ABL Group provided over $430 million of capital commitments in 2023. The group closed a total of 11 transactions ranging in size from $2.0 million to $89.0 million. Heading into 2024, with a more favorable interest rate environment, Oxford intends to continue its current expansion trend.

First, Oxford provided a $14.25 million revolving line of credit to finance working capital needs at 29 skilled nursing facilities for an expanding Texas-based operator. The credit facility also includes an accordion feature that would allow the borrower to increase the line limit to $27.25 million. Next, Oxford provided a $34.1 million term loan, or around $203,000 per bed, a $2.5 million mezzanine loan and a $2.0 million revolving line of credit to recapitalize two skilled nursing facilities and one personal care home containing 168 beds for an experienced Pennsylvania-based operator.

Oxford also closed a $56.5 million term loan and $6.0 million revolving line of credit to support the acquisition of two behavioral health facilities consisting of 335 licensed beds in southern California for an experienced California-based operator. In a separate transaction, Oxford provided the same operator with a $16.6 million term loan and $3.0 million revolving line of credit to finance the acquisition of two skilled nursing facilities in northern California consisting of 227 licensed beds.

Separately, Oxford provided a $50.0 million term loan and a $10.0 million revolving line of credit to finance the acquisition of two skilled nursing facilities comprised of 165 licensed beds for an expanding regional operator.

Then, in its largest deal of the year, Oxford provided a $75.0 million term loan, a $4.0 million capex line and a $10.0 million revolving line of credit to finance the acquisition of five skilled nursing facilities and refinance existing debt at five additional skilled nursing facilities comprised of 1,113 licensed beds for an experienced Alabama operator.

Lastly, Oxford provided a $67.4 million term loan and a $15.0 million revolving line of credit to finance the acquisition of three skilled nursing facilities and three assisted living communities comprising 733 licensed beds for an established multi-region owner in partnership with a local operator.

In what was an especially difficult year for the lending environment, **VIUM Capital** made 2023 its second-most productive year in the firm's history, with over $915 million in closings across 39 transactions. The financings consisted of bridge and permanent debt (both taxable and tax-exempt) that funded 106 separate properties in 19 states. VIUM also completed a $1.1 billion securitization of its bridge healthcare book, and the firm plans to complete another securitization.

Its HUD business should lay the foundation of a successful 2024, as well. VIUM has a large book of bridge loans that become eligible for a HUD or **Ginnie Mae** exit. Those closings, combined with its usual bridge loan activity, could net VIUM a record-year in 2024. We will see.

Mood of the Market(s)*....cont. from pg. 1*

is), but has been more prevalent with the higher quality communities and markets, not to mention the providers themselves. The Bs and Cs, however, have improved considerably, just not as much. But high-end companies had the largest swing and most dramatic comeback, plunging from 90% occupancy down to 70% and lower, and then surging back up to pre-COVID levels.

Unfortunately, the capital markets have not seen the same level of improvement, and everyone is waiting. The consensus was that we will have to wait longer for the capital markets to improve, and for several reasons. Obviously, there is still a lot of pain to come from soured loans, whether it is more write-downs, forced sales, handing the keys over - take your pick. But the main reason we heard was that there is still more than $4 billion of assets that have not "cleared" the market (Shankh, where are you?). This can be interpreted in a few ways, but to us it means that buyers and sellers are still far enough apart on valuations that the momentum has dried up to get any large transactions done.

The second problem is simply the matter of high interest rates. Most of you are too young to remember the early

1980s when your typical home mortgage came with a 12% and higher interest rate, and we didn't think anything about it. But we have all been suckered into thinking that low rates will be here forever, despite how unrealistic it was to have a Fed discount rate below 1.0%. While it helped with the cost of servicing the federal debt, extremely low rates are usually symptomatic of a problem (the need for higher growth rates, a pandemic, a depression, etc.), and these are not necessarily good things. And when interest rates get that low, it almost doesn't matter what you pay for a property or portfolio, as long as the next buyer has that same opportunity. Oops.

The "market" was looking for (hoping for) a rate cut in March since the inflation rate has slowed considerably, and then two or three more rate cuts over the course of the year. With the recent jobs report showing unusual strength, a March rate cut is out the window for now. The U.S. economy has been resilient, sort of like how assisted living was resilient during the Great Financial Crisis of 2008-2009. But the fact that Wall Street economists were so off the mark on the January jobs report leads us to wonder what they were looking at. And it does not help that there is such strong demand for labor in other sectors, potentially taking away workers from senior care.

There is a significant desire by providers to expand, and even with some dysfunction in the debt markets, we still had one the most active M&A markets ever, at least measured by total number of transactions. The total dollar amount was one of the lowest in recent years, primarily because the market has been dominated by onesie-twosie deals, with only one over the $500 million mark. A decade ago, there could be several over the billion-dollar mark.

Then there were the *Washington Post* articles about elopements, and subsequent deaths of nearly 100 residents over a several-year period. We asked one CEO if his company had ever experienced elopements and he said twice, one time when a door alarm malfunctioned (there's technology for you), but no deaths. While this should never happen, unfortunately it does, but the general consensus was that if you look at enough communities over a long enough period of time, you will find errors and problems. But does this represent a "crisis," as Richard Mollet of the Long Term Care Community Coalition (who?) claimed at the Senate hearings? An emphatic no.

When assisted living burst on the scene more than 30 years ago, it was said to be part of the solution to the problem of not providing families with choice. Abe Gosman, one of the pioneers of the industry and an owner of nursing homes and a developer and operator of assisted living, always quipped that there are two places that are always full but that no one wants to be there – nursing homes and prisons. While a bit cruel to the nursing homes (which are no longer full), his point was that the elderly needed a better option than nursing homes, and that option was assisted living.

The other negative press was about the cost of assisted living, the lack of transparency and that costs were doing nothing but going up. While these criticisms are valid, when listening to the Senate hearings about the need for more training, more staffing, comprehensive federal regulations and so on, no one seemed to pick up on the irony that all of this would increase costs, certainly not Mr. Mollet and the senators in attendance. But then, they never had to run a business taking care of the vulnerable elderly and make enough cash flow to pay salaries.

What they don't seem to understand is that the only way to accomplish their goals (lower costs, increased staffing and making it more affordable for the masses) will result in a future that no one really wants. Our guess is that the only way to get there would be to change the physical plant of assisted living, decrease the amenities and dining options, make the unit sizes smaller and double-up the residents into semi-private units. And then what do you have? A nursing home model, but at least it would be more affordable to the government as it expands its presence in assisted living. And don't forget, the geniuses in our nation's capital thought that to fight the pandemic (or prevent the spread of another one) it would make sense to turn nursing homes into private rooms only, having no understanding as to what that would do to costs, and their own Medicaid budget. Oh well.

Compared to the scorching the major technology company CEOs received at their Senate hearing at about the same time, the assisted living sector got off pretty easy, which seemed fair to us. And the AL hearings did not make the national news. All of this helps explain why the Post articles were not a big topic of discussion at the ASHA meeting.

So, here we are, at the beginning of 2024, with providers continuing to make a census comeback while capital is stuck in the quicksand of defaulting loans and stubbornly high interest rates. And with billions of dollars of senior care loans maturing in the next 24 months, if interest rates don't start to move downward rapidly by the end of the year, it will be tough to dig out of the sand. There is a feeling of déjà vu for us, because 34 years ago the original mission of NIC was to bring capital providers together with those who need capital (operators). They succeeded beyond their wildest dreams. But 34 years later, we seem to have a similar problem.

Everyone wants to survive until 2025, and then thrive. That is great, and we believe most will survive until next year, but the "thrive in '25" part is questionable for some. That is just 11 months away, and operating costs still have to get under control, margins still need to be improved without double-digit rate increases, capital has to loosen up and interest rates need to drop. That is a tall order, and we did not even mention staffing.

In October 2020, we did some serious analysis of the NIC MAP occupancy data over a 12-year period, and concluded that we would not get back to pre-COVID occupancy levels until 2024 or 2025. Well, here we are, and unfortunately our prediction was accurate. We just hope that enough things continue to improve that our only mistake was being too conservative.

PEOPLE ON THE MOVE

David Young has joined **Greystone** as a Managing Director for healthcare finance. He will be focusing on originating and structuring senior loans for the company's FHA lending platform, as well as other financing options such as bridge, **Fannie Mae** and **Freddie Mac**. Based in the New York area, Young reports to Christopher Clare, Managing Director for healthcare finance.

Prior to joining Greystone, Young was a Managing Director at **Locust Point Capital**, where he originated and structured over $2 billion in seniors housing and skilled nursing debt and equity, including preferred and joint venture capital. Earlier in his career, he served as CFO for **Radiant Senior Living**. While at Radiant, Young repositioned the 20-community regional operator through triple-net lease restructuring, identified divestitures and accretive acquisitions, and oversaw sales and marketing efforts.

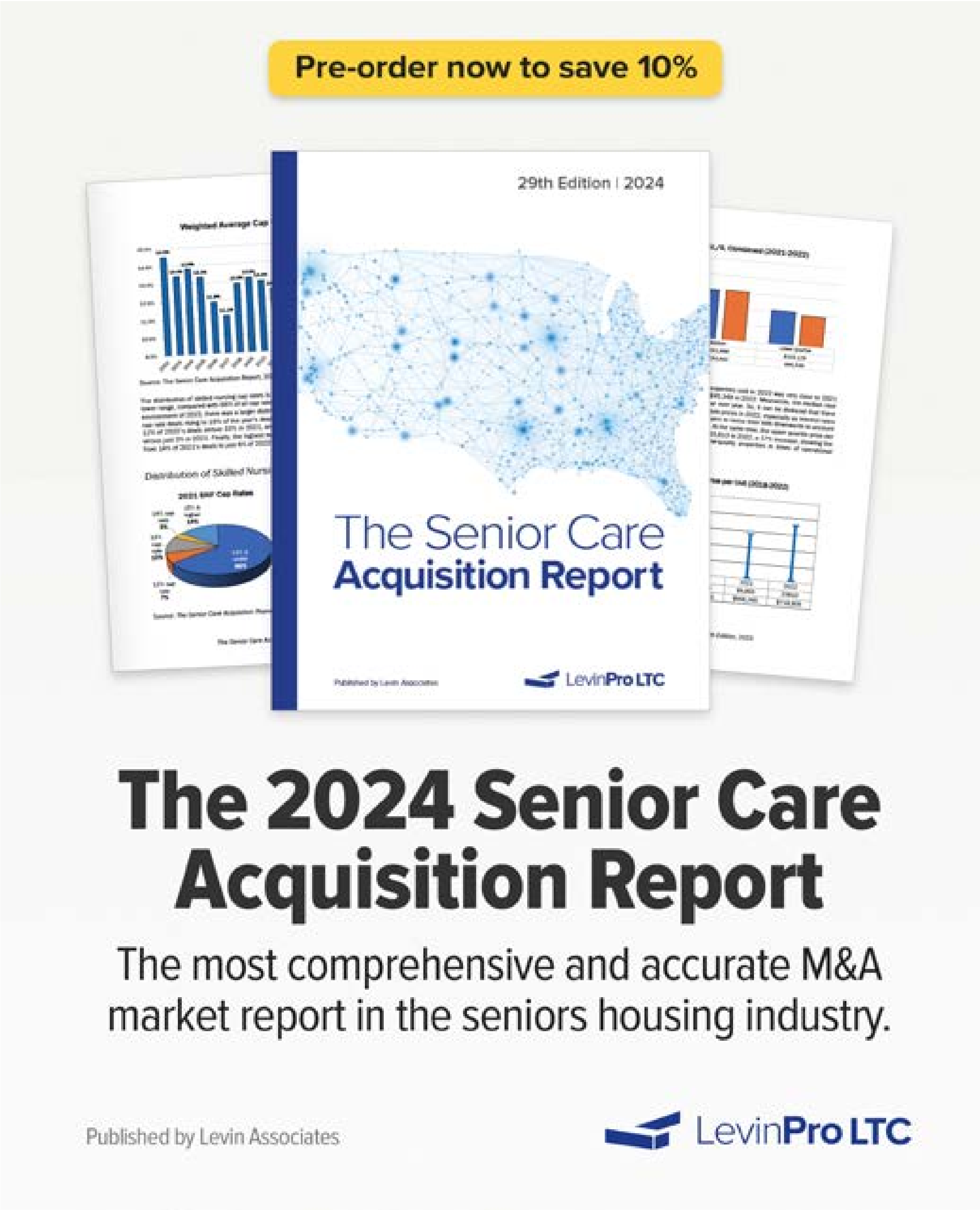
He has also previously served as a Vice President of Finance for **Aegis Living**, focusing on sourcing and negotiating $300 million in loans, bonds, mezzanine debt and equity.

Apart from its broker rankings achievement, **Blueprint** made more news last month by announcing the addition of **Ventas**-alums John Cobb and Philip Kayden to its team. Cobb will lead Blueprint's Capital Markets platform, while Kayden will serve as Executive Managing Director to continue to elevate Blueprint's existing and powerful seniors housing advisory practice.

Cobb most recently served as Ventas' Executive Vice President and Chief Investment Officer. Before joining Ventas, he served as President and Chief Executive Officer at **Senior Lifestyle Corporation** and Senior Managing Director at **GE Capital**.

Kayden brings nearly 20 years of experience in the seniors housing and care industry, from **Welltower** to Ventas. Most recently, he served as CIO of single-family, built-to-rent, and hospitality platforms for a vertically integrated real estate investment manager.

M&T Realty announced that Michael Edelman, currently serving as President, is taking over from Michael Berman as the company's new CEO. Berman, meanwhile, will transition to the role of Executive Advisor. Both executives will continue to report to Tim Gallagher, **M&T Bank** Head of Commercial Real Estate.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