



THE SeniorCare Investor

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

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In This Issue

As the seniors housing industry copes with issue after issue, from the pandemic to staffing shortages to inflation, performance should continue to bifurcate, rising for the best-quality communities and stagnating for the lesser-quality communities.

See article at right

2022 Broker Rankings

Many brokers made hay while the sun was shining in the first half of 2022, contributing to a record-pace of M&A activity. However, soaring interest rates killed a multitude of deals, and most transactions that did get over the finish line came with a host of headaches. Nevertheless, it was a year worth celebrating.

See article at right

Seniors Housing Acquisitions.....Page 6

Skilled Nursing Acquisitions.....Page 18

Construction Financings.....Page 20

Refinancings.....Page 22

Agency Loans.....Page 23

Acquisition Loans.....Page 24

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The Future of Census, Margins & Cash Flow

A Tale of Two Markets, Two Opinions and Muted Optimism at ASHA

In private conversations at last month's annual meeting of the **American Seniors Housing Association**, where public comments made at sessions are off the record, perhaps the most common refrain from the industry elders we talked with was that "this is the worst market environment they had ever seen in more than 30 years." This includes the 1990 recession, the bursting of the dot-com bubble in 2000-2001, the Great Recession (now called the 2008-2009 financial crisis), and the post-COVID environment we find ourselves in today. Listening to them, while COVID may be in the rearview mirror in many respects, the impact is not. Call it long-COVID for the industry.

Even though these conversations were in the majority, there were others who were quietly optimistic, having seen census gains that far surpassed the average, with improvements in labor costs and availability, and a near-return to normalcy of inquiries and move-ins. Some of the near-term

continued on page 24

2022 Senior Care Broker Rankings

It Was the Best of Times and The Worst of Times

For brokers, 2022 was the best of times and the worst of times. Deal activity hit an all-time high in the middle of the year, with trailing-12-month transaction totals surpassing 550, which would have broken our previous annual deal record by nearly 100. Even as interest rates started rising in early 2022, borrowing costs were still relatively low enough to spur unprecedented activity across the seniors housing and skilled nursing sectors. It was a good time to be a broker.

Then, after the Fall NIC Conference, the mood changed as SOFR and the federal funds rate surpassed 3.0% and higher borrowing costs really began to sink in for buyers and lenders. That is when prices were renegotiated, deals were postponed, or buyers and lenders pulled out altogether. Billions of dollars of deals under contract or LOI fell through, and phenomenal years became solid years for many firms. But, better not to worry about "what-ifs." Few were spared, but we hope most deals

continued on page 2

Blue Ridge Mountains of Virginia were sold by **CareTrust REIT** (NYSE: CTRE). Three of the assets were built between 1997 and 2002, one was built in the early 1980s, and the last is a historic landmark dating back to 1916. Each of the five communities struggled during the pandemic and were underperforming, which presented an opportunity for an operator to acquire and grow the census back to previously stabilized levels. In a competitive sale process which yielded multiple offers, the ultimate buyer was a family office with experience in turnarounds.

The portfolio sold for \$13 million, or \$54,000 per bed. Kory Buzin, Michael Segal and Steve Thomes of Blueprint handled the transaction. Following the completion of the transaction, the communities were removed from CareTrust's applicable master lease with affiliates of **Noble Senior Services**.

In the waning days of 2022, the **Newmark Seniors Housing** team sold a large assisted living portfolio in Pennsylvania and Michigan. Dubbed "Project Freedom," the portfolio consists of eight communities and 744

private pay units, featuring a mix of assisted living and memory care. These communities are located in smaller submarkets and have an average age of approximately 20 years, which leaves room for some capital improvement projects for the new owner.

Persimmon Ventures, LLC began acquiring the communities in 2016 after having built and sold a 10-facility skilled nursing portfolio over the previous eight years. Persimmon and its joint venture partner on the portfolio, **Big Bay Ventures**, brought in **Cardinal Senior Management** to operate the communities, which had varying degrees of performance issues at the time of acquisition. The team also completed physical plant upgrades and additions to serve both memory care and more affordable entry-level services.

Persimmon and its partners navigated through the pandemic and positioned the portfolio for sale in early 2022, engaging with the Newmark team at the time. Newmark marketed the portfolio to a limited group of buyers with the intention of potentially selling the portfolio

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to two buyers, given that all but one of the properties were located in Pennsylvania. However, the best choice ended up being a northeast-based investor and operator that decided to purchase the entire portfolio at essentially the asking price, paying \$136 million, or \$182,800 per unit. To the seller, this represented the pre pandemic value of the portfolio.

The buyer was a large Northeast-based owner with over 50 locations, mostly concentrated around the Philadelphia, New York and Boston markets. It has experience operating both skilled nursing and seniors housing buildings, but the buyer decided to retain Cardinal Senior Management as operator of all but one of the eight communities in a go-forward agreement.

The LOI was signed in December 2021, and despite the upheaval of the capital markets last year, there was no re-trade on price or terms, which is impressive. During that time, occupancy remained in the upper 80s and low 90s. Having a solid, if not improving, operation helps. The buyer financed the purchase through the assumption of

existing HUD mortgages, 1031 exchange proceeds and some senior debt.

1031 Crowdfunding acquired its first seniors housing communities in the state of Utah. The two assets combine for a total of 178 units of assisted living and memory care. Built in 2011 and 2016 respectively by the same developer, Spring Gardens St. George and Spring Gardens Lindon both are on seven-year leases with **Avista Senior Living**, and are within a four-mile radius of local hospitals.

Occupancy remained strong throughout the pandemic, and the assets were at or above 97% occupancy with a combined EBITDAR exceeding \$2.25 million. Avista will continue to operate under new ownership. Jacob Gehl, Amy Sitzman, Humair Sabir and Giancarlo Riso of Blueprint handled the transaction.

The brokers at Blueprint continued their busy month of January as they represented Pacifica Senior Living in the sale of two seniors housing communities to a new entrant joining the seniors housing industry. Located in

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