



CAMBRIDGE

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CAMBRIDGE REALTY CAPITAL COMPANIES CHAIRMAN IS BULLISH ON LONG-TERM OUTLOOK FOR SENIOR HOUSING/HEALTHCARE BORROWERS

Is it time to start becoming more optimistic about an economic turnaround?

Financing expert Jeffrey A. Davis points out that all economic slowdowns have a beginning, middle and end and do not last forever. Governments around the world have been aggressively working to find solutions and, presumably, all the planned stimulus spending will help.

"But this country's ace in the hole has always been the fact that Americans believe in America. This sentiment is always just below the surface even in the worst of times," he maintains.

Davis is Chairman of Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders with more than \$2.75 billion in closed transactions since the mid-1990s. The company has consistently ranked among the most productive HUD Section 232 healthcare lenders in the country.

He points out that if National Economic Council Director Larry Summers is correct in his assessment, a full economic recovery will be slow to materialize, with unemployment expected to go still higher over the next few months. However, on the bright side, the economy has stabilized and we have, as Summers puts it, "walked some substantial distance back from the abyss."

The administration's top economist reminds critics that only a small part of the total stimulus package is expected to impact job creation in 2009. Given lags in spending and hiring, the peak impact of the stimulus on jobs will not be realized until the end of 2010, he says.

For quite some time, the United States will be living with the consequences of an over-leveraged economy. The common desire of households, businesses and financial institutions to reduce their borrowing and improve their balance sheets will act as a drag on spending and growth, he acknowledges.

While painful, Summers claims these adjustments are essential to laying a sound foundation for future growth.

Davis points out the America that Americans believe in will emerge from the current crisis looking substantially different than before. Like it or not, government's role in business is growing bigger by the day.

For example, during the Bush years, the nation witnessed the largest expansion of the welfare state in 30 years, with Congress approving a prescription drug program for the elderly. To stave off economic Armageddon, the same Republican administration effectively nationalized the banking and mortgage industries and initiated a massive bailout plan designed to remove so-called toxic assets from banking ledgers.

Today, politicians on both sides of the aisle appear to have congealed behind the notion that the government needs to invest in alternative energy sources in order to break the nation's addiction to foreign oil. President Obama is pressing the largest fiscal bill in American history, with massive spending on the nation's infrastructure in the offing. And healthcare reform is out there somewhere on the horizon as well.

"Some say the American democracy is beginning to look more like the European model, with increased spending for social services," Davis noted.

Here's what the numbers look like: Ten years ago, government spending was 34.3 percent of GDP compared with 48.2 percent in the euro zone, a gap of roughly 14 percent. But this gap is closing. By 2010, government spending in the U.S. is expected to be 39.9 percent of GDP compared with 47.1 percent for the euro zone, a gap of less than 8 percent.

Davis believes this trend could have a positive, long-term impact on the long-term care industry, which has a lengthy history with government programs of one kind or another.

At this time, about 70 percent of nursing home occupancy is paid for by Medicaid, with another five to 10 percent paid by Medicare. The Medicare program also is a significant source of payment for assisted living residents.

State governments control industry development through Certificate of Need and licensure programs, which have been a stabilizing factor for nursing homes. And the federal government has been a major player through FHA-insured HUD loans and other supported lending programs through Fannie Mae and Freddie Mac.

"HUD funding programs were created almost 40 years ago to help in troubled economic times like these, and have become a mainstream product in the current era. The conservatively prudent underwriting practices established for these insured loans have made the product popular with investors," Davis noted.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge today has three distinctive business units: FHA-insured HUD loans, conventional financing, and investments and acquisitions. The company is one of the nation's leading senior housing and healthcare debt and equity capital providers, with more than 300 closed transactions totaling more than \$2.75 billion since the mid-1990s.

Cambridge has consistently ranked among the country's top FHA-insured HUD lenders and offers conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's growing debt / equity financing strategy includes direct property acquisitions, joint ventures, distressed debt acquisitions and sale/leasebacks.

Cambridge is the creator of *The Signature Experience*[™], a four-step process designed to transform the traditional lender / borrower relationship and identify "ideal" capital solutions for worthy projects. The company also has created four separate processes for customer groups that are designed to build and enhance long-term relationship potential and speed the way loans are processed and closed. Programs include *The Key To Capital*[™] for senior housing owners, *The Navigator Experience*[™] for senior housing brokers and mortgage bankers, *The Principal Lender Network*[™] for lenders who refer loans to

Cambridge, and *The Relationship Building Experience™* for various industry-related consultants, including lawyers and accountants.

The company has an affiliate office in Los Angeles, and correspondent relationships nationwide. The firm also has established key origination relationships and numerous Internet-based strategies.

Cambridge's award-winning Web site, www.cambridgecap.com, provides current updates for its debt and equity capital programs. The company also publishes the bi-monthly e-Pulse! ® electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients. For additional information, contact Cambridge at (312) 357-1601 or via e-mail to info@cambridgecap.com.

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