



# CAMBRIDGE

Realty Capital Companies

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## MORE OPTIMISTIC ASSESSMENT FOR HOME SALES HAS IMPORTANT IMPLICATIONS FOR SENIOR HOUSING INDUSTRY, EXPERT BELIEVES

Because a direct correlation between independent living occupancy levels and existing home sales has been demonstrated time and again, senior housing executives have to like what they see in current reports that show October home sales rose to their highest level in 2 ½ years.

And they should be further encouraged by the fact that economists at the National Association of Realtors (NRA) believe the gains should be sustainable into next year, now that Congress has voted to extend the first-time buyer tax credit, senior housing/healthcare funding expert Jeffrey A. Davis believes.

“Given the overall state of the economy, the surprising 37 percent jump in October home sales caught most experts by surprise. While it doesn’t make a lot of sense, what the numbers tell us is that market psychology has shifted dramatically when least expected,” he noted.

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. He says further evidence that an abrupt about-face has occurred in the housing industry comes from economists Robert J. Shiller and Karl Case, who prepare an annual home buyers survey under the auspices of the Yale School of Management.

The economists report that their 2009 survey “coincides nicely” with the upturn in home prices observed earlier in the year. During the April through July period, the latest period for which data is available, a 10-city composite home price index was up 3.6 percent, which is not particularly eye-popping. But this gain followed a 4.8 percent decline during the previous period between January and April, and was the sharpest directional shift the economists say they’ve ever seen.

In an article published in the New York Times, Shiller wondered if the sudden turn could signal a new housing boom or a period of higher short-run price volatility. While it’s still too early for a final assessment, Davis suggests that the latest NRA housing data, coupled with modest improvement in other areas of the economy, gives rise to the hope that the newly found momentum in housing will not be short-lived.

NRA economists speculate that October's extraordinary sales totals reflect home purchases by many buyers who were sitting on the sidelines of the housing market, and waiting out the economic downturn, as well as home sellers coming to terms with accurate pricing given the market conditions. Economists Shiller and Case say the survey data they've collected strongly indicates that, like other investors, home buyers attempt to "time the market."

The economists surveyed a small but representative sample of 311 home buyers in four major housing markets. Specifically, home owners were asked how they thought the value of their homes would fare over the next 10 years and over the next 12 months. Throughout the current downturn, buyers have consistently expressed surprising confidence in the long-term outlook for their housing investments, but have recently been less bullish about short-term price gains. However, this abruptly changed during the April through July 2009 period, with survey participants, on average, anticipating a 2.3 percent price rise versus a negative 0.4 percent decline for the same period a year earlier.

This, Shiller says, is a dramatic change. When coupled with other survey findings, it supports the idea that people believe the price slide for housing is over and that there no longer is a good reason to wait to buy.

Beyond the obvious economic implications, Davis thinks recent developments in the housing market have important implications for senior housing/healthcare owner/operators.

"For one thing, the sudden shift serves as an important reminder of how swiftly and unexpectedly momentum in the marketplace can change. Also, if the housing recovery is what it appears to be, it's reasonable to anticipate that, at some point, interest rates will be impacted across the board.

"Our advice to clients is to take advantage of today's bargain basement interest rates while they last," he said.

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*<sup>™</sup>, 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*<sup>™</sup> for senior housing owners, *The Navigator Experience*<sup>™</sup> for senior housing brokers and mortgage bankers, *The Principal Lender Network*<sup>™</sup> for lenders who refer loans to Cambridge, and *The Relationship Building Experience*<sup>™</sup> 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](http://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](mailto:info@cambridgecap.com).

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