



CAMBRIDGE

Realty Capital Companies

125 SOUTH WACKER DRIVE | SUITE 1800 | CHICAGO, IL 60606 | M 312-357-1601 | F 312-357-1611
WWW.CAMBRIDGECAP.COM

FOR IMMEDIATE RELEASE

7/20/2010

CRC - 1650

HANDS-ON ASSET MANAGEMENT PROGRAM IS KEY TO SUCCESSFUL INVESTMENT IN SENIOR HOUSING/HEALTHCARE PROPERTIES, EXPERT SAYS

Availability of an active, hands-on asset management program is a prerequisite if senior housing/healthcare investors hope to consistently outperform the market in today's troubled economic waters.

So says funding and investment expert Jeffrey A. Davis, who notes that the success of any senior housing/healthcare investment is inseparably linked to the operational and financial success of the owner/operator's clinical business, which accounts for about 50 percent of all operational expenses.

Davis is chairman of Chicago-based Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders. The firm is one of the top FHA-insured healthcare lenders in the country, and is directly involved in property acquisitions and joint ventures through its Cambridge Investment & Finance Co. subsidiary.

In boom times, senior housing/healthcare owners seeking capital to build, acquire or refinance an existing mortgage loan hope the capital markets will perceive senior housing properties as commercial real estate. Conversely, when the commercial real estate markets are in the pits, the same owners like to remind the capital markets that senior housing is a recession-resistant, need-based business that is less vulnerable to -- or impacted by -- the ups and downs of cyclical economic activity, he explained.

"Oddly enough, the industry has been able to have it both ways because senior housing/healthcare properties have never been a pure real estate play," he said.

Unlike commercial real estate, where location and building quality are the primary considerations, investment risk and reward in a senior housing/healthcare transaction is more dependent on the owner/operator's management skills and business acumen. Most typically, institutional investors attracted to the industry will work with an experienced ownership group that fully understands the nuances of the business, he noted.

Davis makes the point that not all senior housing/healthcare opportunities have the same chance for success. To assure the desired outcome, investors and owners need to come together in a cooperative arrangement that effectively aligns mutual interests.

“Verbal affirmation that the parties are on the same page is never enough. And well-crafted leases or loan covenants will not get the job done, either what’s needed is a more all-encompassing asset management strategy that addresses common goals and expectations,” he said.

“Lacking this, the deal should probably not progress beyond the talking stage,” he believes.

Davis says interests can't properly be aligned if ownership hasn't a clue regarding what management is up to. Also, the operating company is not going to perform well if the financial results of its actions aren't clearly understood.

“The parties need to make certain that economic assumptions are compatible, with everyone pulling for the same thing. Usually, the goal is to achieve mutually-beneficial long-term rewards, but it can be whatever result the parties hope to produce.

“Whatever is agreed upon, transparency is essential,” he said.

Ideally, Davis says, the ownership group will provide a series of metrics that function as an early warning system for potential problems. A plan should also be in place to correct problems before they can escalate and to allow for swift operational changes if this becomes necessary.

“Monitoring contract compliance, analyzing financials and reviewing clinical inspection reports are important ownership group staff functions. So is the need to routinely inspect the property’s physical plant, review the licensure agreement, and address marketing and occupancy issues.

“The ownership group needs to schedule visits to the property on a routine basis,” he maintains.

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 has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly e-PULSE!(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients. Additional information is available on the Cambridge website, www.cambridgecap.com, and Cambridge can be reached at (312) 357-1601 or via e-mail to info@cambridgecap.com.

The firm also has embraced social media and networking via Twitter at <http://twitter.com/cambridgecap> , via Facebook at <http://www.facebook.com/cambridgecap>, and via LinkedIn at <http://www.linkedin.com/companies/454232> , where information on the firm and its employees can be found.

###

Contact:

Evan Washington

Phone: (312) 521-7603

Fax: (312) 357-1611

E-Mail: ew@cambridgecap.com

Twitter: <http://twitter.com/CambridgeCap>