



CAMBRIDGE

Senior Housing & Healthcare Capital

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PRESS RELEASE

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NOT ALL SENIOR CARE INVESTMENT OPPORTUNITIES ARE CREATED EQUAL

Here's a word of caution for investors considering a foray into the bustling senior housing/healthcare investment marketplace: "Business is booming, but not all deals in this dynamic industry are created equal or have the same chance for success," says Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

"Invariably, the success of any investment in this industry is inseparably linked to the operational and financial success of the owner's clinical business, which accounts for about half of all operational expenses. To assure a desired outcome, investors and owners need to come together in a cooperative arrangement that effectively aligns mutual interests," he believes.

Cambridge is one of the nation's leading FHA-approved HUD lenders, with \$5 billion in closed senior care transactions. The company acquires properties through its Cambridge Investment and Finance Company subsidiary and has acquired 16 senior care properties to date, with several acquisition deals in process.

"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 operator's management skills and business acumen. Typically, institutional investors attracted to this industry will want to work with an experienced ownership group that fully understands the nuances of the business.

"An active, hands-on asset management program is a prerequisite for the investor who hopes to consistently outperform the market," he said.

Mr. Davis says verbal affirmation that the parties are on the same page is never enough, and well-crafted lease or loan covenants will not get the job done, either. Needed is an all-encompassing asset management strategy that addresses common goals and expectations.

"Lacking this, a deal should probably not progress beyond the talking stage," he said.

Mr. Davis believes the interests of all parties involved in a transaction can't be aligned if ownership doesn't have a clue regarding what management is up to. Also, an 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 things. Usually, the goal is to achieve mutually-beneficial long-term rewards, but the goals can be whatever the parties agree on, he observes.

“But whatever is agreed upon, transparency is essential,” he stresses.

Mr. Davis believes the ownership group should provide a series of metrics that function as an early warning system for potential problems. There should also be a plan in place to correct problems before they can escalate.

Monitoring contract compliance, analyzing financials, and reviewing clinical inspection reports are important ownership staff functions. And so is the need to routinely inspect the property’s physical plant, review the licensure agreement and address marketing and occupancy issues, 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 400 closed senior housing transactions totaling more than \$4.5 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country's top five FHA-insured HUD lenders (now HUD Lean) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's principal investment strategy includes direct property acquisitions, joint ventures and sale/leasebacks. The company has acquired 16 facilities totaling approximately \$60 million.

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 Capital Wisdom(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients as well as monthly updates of other relevant news and breaking trends. 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>, via blog at www.cambridgecap.com/blog and via LinkedIn at <http://www.linkedin.com/companies/454232>, where information on the firm and its employees can be found.

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