CAMBRIDGE
Realty Capital Companies

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

PRESS RELEASE

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SENIOR HOUSING/HEALTHCARE INDUSTRY LOOKING BRIGHT IN 2014, CAMBRIDGE CHAIRMAN JEFFREY DAVIS BELIEVES

If you liked the way 2013 unfolded, you'll probably love the way 2014 moves the senior housing/healthcare industry further along the path of growth and expansion.

Senior housing funding expert Jeffrey A. Davis says 2013 saw a spike in new construction activity that is expected to sustain momentum as the 2014 calendar year advances.

"In 2013, owners and senior housing investors were spurred on by the lack of new product in the market and by the aging of existing senior housing stock. With limited opportunities in other commercial sectors, real estate development companies also found the demand demographics for senior housing to be especially appealing," he said.

But Davis points out that the senior housing market is strongly bifurcated between skilled nursing facilities on one hand and assisted living, independent living and memory care properties on the other.

"Many investors are not comfortable with the continuing threats of cutting Medicaid and Medicare funding and have distanced themselves from skilled nursing home transactions for this reason. In contrast, assisted living, independent living and memory care facilities are being viewed more like other commercial real estate types, a viewpoint that has significantly shaped the outlook for senior housing investment over the past 24 months," he noted.

Davis is Chairman of Cambridge Realty Capital Companies, one of the nation's leading senior housing/healthcare lenders with more than $4.6 billion in closed transactions over the past two decades. "What we're looking at today is a much more competitive landscape with both large and small investment groups and private equity funds getting in on the action," he said.

Historically, private REITS funded by individual investors looking for a 5 percent to 7 percent yield have not had skilled nursing facilities in their sights. These investors have little interest in skilled nursing facilities but are actively bidding on cash-flowing assisted living and memory care projects.

Public REITS have created a new structure that enables them to participate as joint venture partners in a transaction, but also have focused on assisted living, independent living and memory care properties.

Davis provides the following overview for the various funding options that will be available to senior housing/healthcare borrowers in the year ahead.

COMMERCIAL BANKS. This group rages from smaller neighborhood banks with $50 to $100 million capitalizations to major money center banks, like Wells Fargo, J.P. Morgan Chase and Citibank. They typically provide five-year term loans, either fixed or variable, and 25-year amortizations. The majority of commercial banks focus on personal recourse loans but the larger banks can discuss non-recourse loans. Historically, these institutions have been a primary source for construction financing.

CREDIT COMPANIES are also active in senior housing, providing loans from $5 million and up with floating interest rates. These lenders have been excellent advocates of senior housing financing for some time. Examples of credit companies active in this space include GE Capital and MidCap Financial.

INSURANCE COMPANIES have mostly been a non-factor in the industry but we keep expecting this situation to change. Either these companies have yet to discover senior housing or they do not seem to understand how to fit these properties within their lending criteria.

COMMERCIAL MORTGAGE BACKED SECURITIES (CMBS) were once a major source of funding for nursing homes and assisted living facilities but have not been actively involved in the senior housing market since their exit from the scene at the turn of the current century.

HUD funds all types of licensed facilities, including skilled nursing, assisted living and memory care properties, but about 85 percent of HUD?s funding activity is focused on skilled nursing facilities. The agency has remained on a roll since efforts to modify and centralize origination and underwriting activities were initiated in 2008.

HUD's lending volume has increased from approximately $800 million a year in 2007 to about $5.8 billion in the most recently completed 2013 fiscal year.

FANNIE MAY AND FREDDIE MAC are both conservatorships of the Federal government and have a similar approach to senior housing. Neither fund skilled nursing as a dedicated product but assign a small component of their lending (about 25 percent) to independent living, assisted living and memory care products. Both have significantly reduced their activities, from combined volume highs of around $12 billion in 2006 and 2007 to about $1.5 billion for each agency today.

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 nursing home, assisted living and healthcare debt and equity capital providers, with more than 400 closed 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 and joint ventures, sale/leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt.

Cambridge is the creator of *The Signature Experience(TM)*, 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, 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 atwww.cambridgecap.com/blog, via YouTube at http://www.youtube.com/user/ePulseLive,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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Contact:
Evan Washington
Phone: (312) 521-7610
Fax: (312) 357-1611
E-Mail: ew@cambridgecap.com