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PRESS RELEASE

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SENIOR LIVING EXECS CITE STAFFING SHORTAGES AS THE BIGGEST CHALLENGE FACING SENIOR LIVING QUALITY IN 2018

Discussions have been going on at the management and executive levels in the senior housing industry for years about future critical staff shortages. While there is no single cause or solution to the problem, everyone agrees that the issue needs to be addressed now rather than later. Brainstorming is one thing, but putting off aggressive action any longer may put the entire industry on a path to self-destruction.

Cambridge Realty Capital looks at multiple factors when determining the viability of a loan applicant's deal, and staffing is one of them. Staffing levels and turnover rates affect the overall quality of care available in a particular senior facility, which falls under the umbrella of "operations," an aspect of senior care that weighs heavily on the decision made by Cambridge whether or not to work with a particular client.

Cambridge Chairman Jeffrey Davis is well known for his mantra, "Operator, operator, operator," when it comes to making deals. For many types of properties, viability is about "location, location, location." According to Davis, when it comes to a senior facility, "location is far less important than operations: Who is the operator? How much industry experience do they have? How many facilities are in their portfolio? What are their past successes? Have they had any failures? What are their business practices? Do they have a history of staffing problems?" These are all crucial questions that Cambridge asks when evaluating a loan applicant.

At the Sen*ior Housing News* Summit held last summer in Chicago, four senior living CEO's participated in a panel discussion on the biggest issues facing senior housing in the future. MorningStar Senior Living founder and CEO Ken Jaeger says if anything keeps him up at night, it's worrying about staffing levels in MorningStar's 20 operating communities. Jaeger knows that the problem isn't about not having a large enough pool of employable workers to hire from. Rather, he points out, it's due to factors that go beyond local worker availability and even wages, like the ability to offer a defined career path for current and future employees. With nothing for employees to aspire to in the future, they lack the motivation and the passion to stay, leading to constant turnover.

Fellow panel member Keven J. Bennema, president and CEO of Charter Senior Living, agreed with Jaeger that offering employees at all levels, including entry level, the opportunity to advance within the industry in general as well as within their specific company, is one of the keys to solving the industry-wide problem of projected staffing shortages. Currently, this shortage is predicted to be at epidemic, crisis level by the year 2025 unless the current trajectory is improved.

"The lifeblood of your community is the $8 to $12-an-hour employee. First and foremost, if you can reduce your turnover by 5%, I think it impacts your NOI by 1% in the positive," Bennema asserts. "It's your hiring practices, it's how you treat your people, it's putting things like career paths in place. The only way we're going to solve the leadership problem is believing in the potential leaders that are already in your community. And we have those. Just because you're a caregiver doesn't mean that person doesn't have desires and goals to sit up here and be one of us."

As 2017 winds down and talk heats up of impending interest rate hikes, possibly even before the year is over, Davis concurs that staffing shortages in the senior care industry may have an impact on whether or not a future applicant will qualify for a loan. "Even if everything else is in place within a particular operator's facility, if they can't attract and retain staff or have a history of staffing shortages, obtaining financing may be difficult, if not impossible. A facility simply cannot operate successfully without adequate staffing at ground level."

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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