



CAMBRIDGE

Senior Housing & Healthcare Capital

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CAMBRIDGE CHAIRMAN SAYS SKILLED NURSING FACILITY OWNERS NEED TO IDENTIFY RISKS

Because it's not getting any easier, owners and operators of skilled nursing facilities need to thoughtfully identify as many risks to the business as they can, Cambridge Realty Capital Companies Chairman Jeffrey A. Davis advises.

"There are known risks that can easily be identified and others that cannot. Owner/operators must necessarily take whatever measures are needed to anticipate where challenges to the business could conceivably be coming from. And what steps they might take to mitigate risk," he said.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than \$5 billion in closed transactions. The company also acquires senior housing/healthcare properties through its Cambridge Investment and Finance Co. subsidiary.

The Cambridge Chairman points out that these challenges to SNF operating and ownership are everywhere. On the short list are Medicaid, reimbursement challenges, rising interest rates, new reimbursement models and mandated wage hikes. Also in the mix are the property's aging physical plant, competition from assisted living properties, and the home healthcare option.

"Some risks, like interest rates, can be controlled. But other risks, such as reimbursement, wages and competition, cannot.

"In a period of interest rate volatility and reimbursement challenges, HUD 232 fixed-rate mortgage loans provide major risk mitigation for skilled nursing facility owners," he noted.

Mr. Davis says HUD 232 loans mitigate risk by providing 25- to 40-year long-term, self-amortizing mortgage loans. These loans do not have a call or balloon or interest rate reset, so they fix the operator's capital expenses.

HUD loans are always non-recourse and offer a construction permanent loan, which means the long-term rate can be committed upfront.

"Challenges will always be there, but skilled nursing home owners can eliminate capital risk by taking advantage of the unique features offered by the HUD 232 program," he added.

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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