



CAMBRIDGE

Senior Housing & Healthcare Capital

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PRESS RELEASE

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WHERE TO BUILD SENIOR HOUSING/HEALTHCARE PROPERTIES CONSIDERED

What metric(s) should senior housing/healthcare providers consider when deciding to build a new facility?

“Many use demographics, population statistics, income analysis and penetration rates to help them decide where to build a new facility. But this may not be enough,” advises Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

Cambridge is one of the nation’s leading senior housing/healthcare lenders, with more than \$5 billion in closed transactions. Through its Cambridge Investment and Finance Co. acquisition arm, the company is active in direct property acquisitions, joint ventures, sale leasebacks, mezzanine financing and the acquisition of distressed debt.

Rather than focusing on penetration rates to gauge demand in a given area, developers may want to focus on occupancy levels of communities they are targeting instead, he says.

“Penetration rates are supposed to help providers determine if a particular area is oversaturated or underserved with senior housing properties. But experts reviewing this data sometimes find there is little correlation between penetration rates and occupancy rates in the area.

“One might expect an underserved market to maintain a low penetration rate and high occupancy levels. In fact, this often is not the case,” he observes.

Mr. Davis says a market might maintain low penetration rates and low occupancy levels as well. The penetration rate is indicating that the market is underserved and could use another community, but this may not be the case.

“If this were so, communities in the area would maintain higher occupancy rates,” he noted.

“Instead of using penetration rates as the deciding factor on where to build, occupancy rates should be considered instead. If the communities in a particular region all maintain high occupancy rates, the likelihood that demand for senior services is strong and could support additional housing properties increases,” he added.

In addition to looking at occupancy rates when deciding if or where to build, providers should also look at areas where there are opportunities to form relationships that can benefit the community as well, Mr. Davis believes.

“A skilled nursing home provider should investigate the hospitals in the area and their readmission rates to see if a partnership is possible. And to gauge the type of demand that already exists for services they might provide,” he said, adding:

“When deciding where to build, providers are well advised to consider smaller markets outside the nation’s top markets. But decisions should await a thorough analysis of competition in these areas.”

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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