



# CAMBRIDGE

Realty Capital Companies

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## PRESS RELEASE

6/10/14

### NOT ALL SENIOR HOUSING/HEALTHCARE INVESTMENT OPPORTUNITIES ARE CREATED EQUAL; COOPERATIVE ARRANGEMENT MUST ALIGN MUTUAL INTERESTS, EXPERT SAYS

With the economy apparently on the mend, those climbing aboard the senior housing/healthcare investment bandwagon may need to remind themselves that not all deals in this dynamic industry are created equal or have the same chance for success.

Cambridge Realty Capital Companies Chairman Jeffrey A. Davis says the success of any senior housing/healthcare investment is inseparably linked to the operational and financial success of the owner/operator's clinical business, which accounts for about 50 percent of all operational expenses.

"To assure the desired outcome, investors and owners need to come together in a cooperative arrangement that effectively aligns their mutual interests," he believes.

Cambridge is one of the nation's leading FHA-approved HUD lenders and has acquired 16 facilities totaling more than \$60 million through its Cambridge Investment and Finance Co. subsidiary.

"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. Most typically, institutional investors attracted to the industry will work with an experienced ownership group that fully understands the nuances of the businesses.

"An active, hands-on asset management program is a prerequisite if investors hope to consistently outperform the market," he said.

According to Davis, 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, the deal should probably not progress beyond the talking stage," he believes.

Davis says interests can't be properly aligned if ownership doesn't have a clue regarding what management is up to. And the 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.

"Whatever is agreed upon, transparency is essential," he said.

Ideally, Davis believes the ownership group should provide a series of metrics that function as an early warning system for potential problems. Also, a plan should be in place to correct problems before they can escalate and to allow for swift operational changes if needed.

Davis thinks monitoring contract compliance, analyzing financials and reviewing clinical inspection reports are important functions for ownership staff. So is the need to routinely inspect the property's physical plant, review the licensure agreement, and address marketing and occupancy issues.

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](http://www.cambridgecap.com), and Cambridge can be reached at [\(312\) 357-1601](tel:3123571601) or via e-mail to [info@cambridgecap.com](mailto: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](http://www.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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