



CAMBRIDGE

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PRESS RELEASE

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THE ADVANTAGES AND DISADVANTAGES OF LEASING OR OWNING SENIOR CARE REAL ESTATE ARE DESCRIBED BY CAMBRIDGE CHAIRMAN

It may not feel the same, but there's not a world of difference between owning or leasing the real estate that houses a senior housing/healthcare business.

In a webinar jointly sponsored by AHCA/NCAL and Cambridge Realty Capital Companies, Cambridge Chairman and program narrator Jeffrey A. Davis makes the point that there are more similarities than differences between the options.

"Whether the real estate is owned or leased, the business owner has the right to occupy the property and keep the profits earned. Either way, the license is in the business owner's name, the owner is responsible for property maintenance, and the physical appearance of the building will essentially look the same," Davis said.

He points out that the essential differences between the options is economical. Those leasing the buildings must pay the property owner a security deposit, while those buying the real estate must come up with a much larger down payment.

"There isn't a right or wrong way to go. But there are advantages and disadvantages with either option," he said.

When leasing the property, the money saved by not investing in the real estate can be put to work in other ways. For example, it might be used as working and operating capital or to finance growth. Capital improvements are another possibility, or the money saved might better be spent investing in people and home office expenses.

The obvious disadvantage for lessees is they cannot obtain 100 percent of appreciation on the property. Lease costs may be higher, but not always, and the lessee must pay for capital improvements that enhance the building's value.

The business owner who owns the real estate has a psychological edge - the pride of ownership, which counts for something. Also, capital used for improving buildings can enhance the value of the property's and the value of owner's investment as well,

At this time mortgage rates are low and real estate can be a great place to invest if the owner has capital to invest. However, on the flip side, purchasing requires 25 percent to 30 percent equity when borrowing from a bank or institutional lender, which is huge barrier for many.

Also among the disadvantages to purchasing is the fact that purchasers need a good credit score and solid bank or other types of financing relationships. And there is always the possibility that capital used for buying buildings may be better purposed in other corporate needs.

"It's important for the business not to be undercapitalized," Davis said.

In the webinar presentation, the Cambridge chairman also walked through common misconceptions business owners have when it comes to leasing or owning buildings.

"Lessees may be confused about various control issues, such as who owns the license, property modifications or expansion, and the length of the lease. Will I be in my building for a long time, they ask?"

Among owners who purchase senior care real estate, misconceptions related to passive investments and the terms and conditions of loan options are not uncommon. Also, borrowers should not delude themselves into believing credit ratings are not important or that HUD financing is easy.

"The idea that if the market changes there will always be somebody around to buy the building may not be applicable in specific markets," he said.

The webinar can be viewed as a sound-over slide presentation on the www.cambridgecap.com website.

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](tel:3123571601) 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, 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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