



CAMBRIDGE

Senior Housing & Healthcare Capital

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PRESS RELEASE

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INTEREST RATE VOLATILITY RETURNS TO REAL ESTATE CAPITAL MARKETS

Interest rate volatility is back in the picture for borrowers looking to finance real estate projects of all kinds, including senior housing/healthcare properties.

Cambridge Realty Capital Companies Chairman Jeffrey A. Davis says long-term, 10-year U.S. Treasuries have increased more than 120 basis points since November 9, 2016, when Donald J. Trump emerged as the surprise winner in an election campaign that exposed deep divisions in the nation's body politic. (A basis point is 1/100th of one percent).

"Rate volatility had been a non-factor since the Great Recession of 2008, but is now front and center for all types of real estate. This especially applies to skilled nursing homes and post-acute facilities, as these businesses routinely are given a wide berth in traditional real estate capital markets," he said.

Cambridge is one of the nation's leading senior housing/healthcare lenders. Mr. Davis says popular HUD loans address the needs of senior housing/healthcare industry borrowers for whom conventional financing is not an option.

"HUD will become even more popular in the current rising interest rate climate, perhaps more so than at any time over the past 25 years," he predicts. This is due to many factors and benefits from the HUD program; most important a competitive, long-term interest rate and 30-year term and amortization and 80% LTV.

A number of related factors are conspiring to push interest rates higher, he observes.

For one thing, the new President campaigned for major infrastructure spending to further stimulate the economy.

Another concern involves the tax cuts President Trump is touting, which will significantly reduce the government's revenue and ability to pay its bills, Mr. Davis said.

The Cambridge Chairman further notes that the new President's ideas for stimulating the economy are diametrically opposed to the more measured approach favored by the Federal Reserve Board. Conceivably, the push-back on these conflicting approaches could result in even more upside pressure on interest rates.

"With a Republican majority in control of the House, Senate and Executive branch, the elimination of gridlock in Washington may take place. This development could contribute to rising rates as well," he added.

But Mr. Davis says higher borrowing costs may not turn out to be the senior housing/healthcare industry's biggest concern in the New Year. President Trump and other Republicans have campaigned vigorously for the repeal and replacement of Obamacare, which may mean that significant changes to Medicaid are in the offing.

"Over the past eight years, the Obama administration has been extremely accommodative to Medicaid," Davis said.

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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