



SENIOR HOUSING UPDATE-WISCONSIN Spring 2010

The three major senior housing types (skilled, assisted and independent) have all been hurt by the national recession that began in very late 2007. With demographics working in our favor however, the long term outlook for senior housing is *positive*. Rents have been steady to slowly rising in most markets but occupancy fell during the fourth quarter of 2009 according to NIC (National Investment Center). According to Mike Hargrave, Vice President with the NIC Market Area Profiles Data and Analysis Service, “the worst of the occupancy declines are behind the industry.....throughout 2010 we’ll see choppiness, up one quarter and down one quarter. But it should level out and begin to increase in 2011.” The biggest concern for many investors at this time is the current credit freeze. The Congressional Oversight Panel says about **\$1.4 trillion** in commercial real estate loans will come due between now and 2014. It is feared that banks that suffer from continued losses or are discouraged by the economic future could become even more reluctant to lend, which could further constrict credit. This would accelerate and extend this negative economic cycle. For now, when we sell facilities that are stabilized and profitable, we have lenders available. If you are an experienced operator with the requisite 20-25% down payment, there are tremendous opportunities in the market NOW for the astute investor. If this sounds like you, don’t wait. You may never see better values again.

Profitable Properties For Sale

- 25 Beds: Huge lot with tremendous views ready for Phase II. Offered at a 12.7% Cap Rate (including excess land) and a ready lender in place for an experienced owner/operator. Usually full with a waiting list. 96% private pay census.
- 16 Units: Fox Valley location in growth corridor with all private rooms and private baths. Family care rates have increased almost \$500 per resident per month in 2010. Priced at only \$56,000 per unit and well below replacement cost.
- 15 Beds: Next to local Aspirus Medical Clinic in Northern Wisconsin with land and plans for expansion. Great value being offered below replacement cost and below appraised value.

Seller Beware

Many of our clients are being approached or have been approached recently with sales pitches ranging from the more common trial inquiries regarding a potential sale to some that are not so common. Many come from other brokers but some come from management firms. The inquiry begins with a request for information and offers a valuation. They even say that they may be willing to buy your facility or that they are working with a firm that wants to lease or manage your facility. *It sounds pretty good.* In fact they may say that if they do not want to buy your facility that they will be happy to list it for sale. *Here's the problem* when you've been approached like this. They seem like they are working for you when they offer an evaluation of this sort. But they are not representing your interests. How can they purport to represent you or your interests if they may purchase your facility? Think about what will determine whether they offer to purchase it or list it for sale. Obviously they will only buy it if they can acquire it on *their terms*. According to the Wisconsin Realtor Association (WRA), "under the law of agency, the agent is prohibited from competing with the principal (you). A licensee can be either a principal (buyer) or an agent in a transaction but **conflicts of interest occur** when a licensee *tries to be both*. When acting as a buyer of real estate, the licensee is a principal in the transaction and *not the agent for anyone* (else)."

We do not buy facilities at Grubb & Ellis | Apex Commercial and we never have. Our ethics trump any opportunism that may come our way.

If you are an active buyer or seller of Senior Living facilities in the Midwest, let me demonstrate our professional approach. Our *experience*, our *access to qualified buyers* and our *sensitivity to confidentiality* have been our hallmarks for nearly **20 years**. We would be delighted to work for you.

Ask us about our newest member of the Grubb & Ellis | Apex Commercial family. For all your Senior Housing and Healthcare consulting needs contact **Reg Hislop at 262-470-8427**. He is the Managing Partner of the Grubb & Ellis | Apex Healthcare Consultants LLC. He would be happy to hear from you.

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