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Brad Dubin

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Sunday, August 22, 2010

EXCLUSIVE

## Kandu Acquires Seniors Assets, Seeks More

Last Updated: August 12, 2010 05:45pm ET

By [Bob Howard](#)

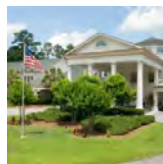
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Riverside at Belfair

SALEM, OR-Kandu Capital LLC of Birmingham, MI has acquired five seniors housing facilities totaling 306 units out of Salem-based Sunwest Management's bankruptcy as Kandu and its operating company, Bloomfield Senior Living, seek to build their portfolio of seniors housing facilities in the Midwest and the Southeast. Bradley Dubin, New York City-

based acquisitions director for Kandu, tells GlobeSt.com that the family-owned company has been in the seniors housing industry since 1965, primarily as a nursing home owner, but is now expanding into independent living, assisted living and Alzheimer's care. Although Kandu is focused primarily on properties in the Midwest and the Southeast, "We will really look at any deal that presents itself," Dubin says.

The five facilities that Kandu bought from the Sunwest bankruptcy included the 56-unit Autumn Glen and 55-unit Autumn Park assisted living communities in Indianapolis; the 81-unit Riverside at Belfair Retirement Community in Bluffton, SC, an adjacent 23-unit memory care wing at Riverside at Belfair that Kandu is scheduled to open in the fall; and the 91-unit Northwesterly Assisted Living Community in Lakewood, OH.

Kandu paid an aggregate of \$10.75 million for all of the properties, or about \$35,000 per unit, which is significantly below replacement cost, Dubin notes. He points out that all of the properties were cash-flowing at the time of acquisition.

Kandu paid all cash for the South Carolina and Ohio facilities. It placed debt of less than 50% loan-to-value on the Indiana properties, which cover the debt service "many, many times

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over," according to Dubin.

The all-cash deals reflect Kandu's investment approach. "We have a philosophy of not being over-levered," Dubin says. "It's important to us that we're stable as a company and that residents move into our properties knowing that we will be around both now and in the future." Kandu is a "100% long-term holder," he adds.

"Because we are a long-term holder and don't have to produce short-term returns for investors, we feel that we can really put money back into the properties and make it more about the care and less about making short-term returns," Dubin explains. The company also invests in upkeep and improvements on its properties. For example, Kandu plans to spend \$1.5 million on a list of improvements including significant upgrades to the Northwesterly facility in Ohio, the opening of the memory care wing in South Carolina and updates to the other properties.

Dubin tells GlobeSt.com that Kandu, in expanding into independent living, assisted living and Alzheimer's care, ideally would like to be able to provide a continuum of care at as many of its locations as possible. The company is looking for both stabilized and value-add properties of more than 60 and less than 200 units, with its sweet spot at about 70 to 140 units.

Kandu was one of a number of buyers who acquired some of the assets of Sunwest Management, later known as Stayton SW Assisted Living. Most of the former Sunwest properties—132 senior living facilities—were sold to a joint venture of Blackstone Real Estate Advisors VI LP, Emeritus Senior Living and Columbia Pacific Advisors for \$1.2 billion in a deal that closed last week. Twelve additional properties are expected to close in the near future as part of the same overall transaction.

Dubin tells GlobeSt.com that Kandu spent more than a year and a half on its acquisitions of the five former Sunwest facilities because buying them out of bankruptcy was "a very complicated process" that not all prospective buyers were willing or able to negotiate. The Autumn Glen and Autumn Park facilities in Indianapolis were 99% and 90% occupied at the time of acquisition, while the Riverside Belfair community in South Carolina was 80% occupied and the Northwesterly facility in Ohio was 65% occupied. Dubin says that Kandu expects to have both the 79-unit Riverside Belfair and its adjacent memory care facility stabilized by the end of the year. It expects stabilization of the Northwesterly facility in about nine to 12 months.

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