



THE SeniorCare Investor

Inside the World of Senior Care Mergers, Acquisitions and Finance Since 1948

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There has always been a debate in the seniors housing industry as to whether 100% occupancy with a wait list should be a goal, or whether you should push rates even if that results in census dropping to 95% or even lower. The rationale is that if you can produce more cash flow with lower occupancy, why not? It may all come down to what your long-term plans are. See article at right

Capital Senior Living

Just as its share price was hitting a new low of \$3.48 per share, news broke that private equity firm TPG had been talking to management about an acquisition of the company. The board had publicly asked investors to come forward late last year with their ideas, but TPG must have decided to hang around. See article at right

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Occupancy: The Holy Grail, Or Not

As Census Levels Stagnate, Is 100% Occupancy A Worthy Goal?

Occupancy levels in seniors housing have acted as a financial barometer for quite a while now. Everyone wants to know what happened to census year over year, and then whether it improved sequentially from the previous quarter. We are guilty as charged on this one. And then there is the why. Was it new developments opening up on your markets? Was it the flu season? Was it too many moveouts? Or were you killing it on the move-ins? Did you hire a new marketing director? Did you change your whole approach to sales (hopefully)?

The problem with any statistics is that they are often too general and may not be at all applicable to your specific circumstances, or community. Take the NIC MAP data, which for now is the only national data set. For the first quarter of 2019, the average occupancy for seniors housing (assisted and independent living combined), stabilized and not, was 88.0%. All things considered, that's not too bad. But the median was 91.6%, which means

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Is Capital Senior Living Back In Play?

The Current Low Value Prompts TPG To Push For A Deal

Just when we thought Capital Senior Living (NYSE: CSU) was hitting the skids again as its share price hit a new low of \$3.48 per share in late May, someone leaked the "news" that private equity firm TPG has been trying to buy the company. And why not? The market value had plunged to \$110 million and it looked cheap for a company that still owns the majority of its senior living communities. And, TPG is no stranger to opportunistic acquisitions in the seniors housing space, especially involving turnarounds. In 2013, they purchased the beleaguered Assisted Living Concepts (ALC, and now Enlivant) for about \$458 million, which included \$180 million of assumed debt.

Back then, when the rumors that a sale of the company was being discussed, ALC's share price was in the high teens. People were saying shareholders had to have a decent premium, so a \$20 to \$23 range was talked about as a takeover value. What those people and many analysts

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The story boils down to a resident with pretty advanced dementia living in a community not licensed for memory care. In the end, the resident was hit by a car and died. These stories unfortunately appear from time to time, but it's not every day the owner of the facility is sentenced to actual jail time for it.

Operations at the community slid a bit amid the turmoil, with occupancy falling to 75% (still with a 100% private pay census) and cash flow turning red. A California-based owner/operator with a successful history of turnaround projects will step in to hopefully work their magic. They paid \$12.775 million, or \$146,800 per unit.

Controversy also led to the sale of a 60-unit assisted living/memory care community in Chicagoland. **Blueprint Healthcare Real Estate Advisors'** legal mind, Joshua Salzman, and Alex Florea were engaged by the court-appointed trustee of the property to conduct the marketing process, auction and sale. This was one of the few properties developed by **Bright Oaks Group** to obtain its license and open, which it did in 2016. However, that seemed to be the property's peak, as it has not achieved profitability and was in receivership for one year prior to being marketed by Blueprint. The winning bidder paid \$12.7 million, or about \$211,000 per unit, for the pristine community.

Capital Senior Living Corporation (NYSE: CSU) may not have been interested in selling itself to **TPG (allegedly)**, but the company did sell one of its assisted living communities in Kokomo, Indiana to **Kandu Capital**. Featuring 138 beds in 96 units, the community was considered to be value-add, selling for \$5 million, or \$52,100 per unit. **Tim Cobb** of **Berkadia** represented both the buyer and seller in the transaction.

Occupancy was just over 80% and we have estimated that current annualized revenues may be close to \$3.3 million, but it did not contribute much to CSU's bottom line. Obviously, the first thing the buyer will focus on is increasing the census. The seller kept the building well-maintained, which was important, so the reputation will not have to be tweaked much. But when census increases, staffing may not have to be adjusted much, so much of

the increased revenues may flow to the bottom line. Within two years, we would not be surprised to see EBITDA grow to about \$750,000. But these turnarounds need hands-on management, and we have seen Kandu Capital do it before.]

United Church Homes acquired a **Brookdale Senior Living (NYSE: BKD)**-operated independent living community in Dayton, Ohio, for an undisclosed price. Built in 1987, the 108-unit community will be the fourth Dayton-area senior living community owned by United Church Homes.

New Jersey-based **Juniper Communities** added another Pennsylvania senior living property to its portfolio with the management of a 103-unit assisted living/memory care community in Chestnut Hill (Philadelphia MSA). With the deal, Juniper now owns or operates 12 properties in the Keystone State. The campus is centered around a stone mansion built in 1865 set alongside sprawling grounds and walking paths. There was an addition in 1986 that added common areas plus AL units, and another addition in 1998 that added memory care units, AL units and even more common areas. **Carlyle Senior Living** acquired the community in 2006 for \$8 million, or \$77,700 per unit. How times have changed.

Avamere Family of Companies entered the Arizona market this month with its purchase of a 164-unit assisted living/memory care community located in the north central Phoenix area. Built in the early 2000s, the community includes on-site services like occupational, physical and speech therapy.

A boutique memory care community in Kingwood, Texas (Houston MSA) with 16 units sold to **Capital Square 1031**, a national real estate investment and management company. **Verdad Real Estate** is the seller, having opened the community this March. **Village Green Alzheimer's Care Home** will operate the community under an absolute net lease. There is no mortgage debt on the property. **Bill Pyle** of **Edge Realty Capital Markets** represented the seller, while **Matt Bear** of **Bear Real Estate Advisors** represented the buyer in the transaction.