

RCFE resource

A Report for Buyers, Sellers and Investors

July 2020

WHAT'S THE VALUE OF YOUR RCFE?

For a **FREE** No Obligation Consultation CALL us at (949) 397-4506



Michelle J. London MBA, CPA, MICP
Advisor | Investment Specialist
DRE #01971087
Phone: (949) 397-4506
michelle@commlre.com

Melvyn D. Richardson
Advisor | Investment Specialist
DRE #01318955
Phone: (949) 500-3630
melvyn@commlre.com

Call or text "RCFE" to
(949) 397-4506



Corporate DRE #01934115



COVID-19 HAS LOST ITS GRIP ON RCFE BUYER DEMAND!

But it is still preventing RCFE homeowners from listing their homes.

Lack of Supply: Many RCFE homeowners think now is not a good time to sell because of COVID-19, that "June gloom" has shrouded the Orange County RCFE market due to the virus. After all, Orange County RCFEs still have strict "No Visitor" policies in effect. With reports calling for prices to drop, many believe the market favors RCFE buyers and that it's exceedingly difficult to sell. After all, how can you sell an RCFE home in the midst of a pandemic? These RCFE homeowners have their wires crossed and couldn't be further from the truth.

Today's Orange County RCFE market is a Hot Seller's Market. RCFE homes new to the market are being met with a flood of showings, multiple offers are the norm once again, and RCFE sellers are fetching very close to, and often even more than, their asking prices. What is at issue is supply and demand. With an ultra-anemic supply and unbelievably strong demand, the overall RCFE housing market is hot.

COVID-19 is no longer affecting RCFE demand. Demand is pumping on all cylinders. But COVID-19 still has a grip on supply, preventing many RCFE owners from placing their homes on the market. Since the start of the virus pandemic in the United States through today, a large number of RCFE homeowners have opted to wait and place any selling plans on hold.

It makes sense that RCFE homeowners opted to not sell at the beginning of the virus lockdown. There was so much uncertainty and fear, which is why COVID-19 affected both supply and demand. But, as the lockdown wore on and Californians moved towards reopening the economy, RCFE demand



returned, instigated by record low rates. The real estate industry is fully operational again, except for the number of RCFE homes coming on the market.

Quite simply, there just aren't enough RCFE homes on the market to satiate the recent spike in demand. RCFE homeowners are reluctant to come on the market because of the false narrative that is playing out in the public right now. The economy is in a recession, so housing must go down just like it did during the Great Recession. Yet, that is not how the storyline is playing out. Housing was one of the strongest sectors of the economy prior to the COVID-19 lockdown. It was extremely healthy, not a bubble, not an area of concern for economists. Rates have been low and have remained low for a very long time, improving RCFE home affordability tremendously.

So, yes, the RCFE housing market can be strong in the midst of a recession. RCFE demand is flourishing under the current record low mortgage rate environment. It is time for RCFE sellers to enter the arena as well, and to seize the day.

A Monthly Report for Buyers, Sellers, and Investors

Current Listings



Laguna Hills, CA - SALE *Price Reduction!*
 • Lovely 1800 sf • Excellent Caregivers
 • Spacious rooms • Licensed for 6 Beds
 • \$850K residence - \$115K business

Luxury Newport Beach - Vacant RCFE
 • 3,200 sf
 • 7 bedrooms/6 Baths 3,200 sf
 • \$1,985,000 Residence

For SALE
RCFE for lease Orange
 • 5 bedrooms/2.5 baths • 1,820sf
 • \$1,995,000
 • \$3,700 Per MO - Business \$150,000

For SALE
RCFE for sale Orange
 • 5 bedrooms/3 baths • 2200sf
 • \$1,050,000 Residence
 • Business \$150,000

For SALE
Vacant RCFE Huntington Beach
 • 6 bedrooms/3 baths • 2,550sf
 • \$1,050,000 Residence
 • Business \$150,000



THE 20 QUESTIONS YOU MUST ASK WHEN BUYING AN RCFE



America is aging, with 4,000 people turning 85 every day. No wonder private owners and investment groups are buying existing RCFEs, expanding current facilities and converting traditional residential properties into RCFEs. If you know the right questions to ask, buying an existing RCFE can be a wise purchase. In this article, we'll discuss the questions that must be addressed in order to make the right investment decision.

Some of the questions may seem obvious, but surprisingly, many RCFE buyers fail to consider ALL of them in their eagerness to acquire the investment. Basically, you need to know exactly what you're looking for.

1. What size RCFE do you want to purchase?
2. Are BOTH the residence AND the business good investments?
3. Does the business have P&Ls for the last 2 years and current YTD?
4. Is the RCFE in mandatory compliance? Good reputation with D.S.S.?
5. RCFE in nice neighborhood, or is the area declining?
6. Long-term hold, or fix and flip?
7. Why is owner selling? RCFE profitable? Full census, long-term residents? Expenses controlled?
8. Does purchase agreement have a "clawback clause" in case you lose residents after sale?
9. Can needed repairs and renovations be financed out of cash flow?

10. Neighbors view RCFE favorably? Will they block attempts at improvements? Know in advance!

11. Structural design of resident rooms: shared or private? Ensuite amenities? Private rooms in higher demand.

12. All residents paying similar rates? Any "sweetheart" deals?

13. Residents pay cash "off the books?" Difficult to prove revenues to finance the purchase.

14. Who works? If owner/family, payroll costs may increase; may need to hire additional staff.

15. Know local rules and building codes if you plan to make significant upgrades or renovations.

16. Area competition? Is city over-saturated?

17. Larger, "glitzier," Assisted Living homes opening nearby, w/low introductory rates? Know what's coming on the market!

18. Is RCFE well-maintained?

19. Are residents properly cared for?

20. Want to convert existing home into an RCFE? Need more working capital. Need to hire, train, market, institute great compliance..

Embarking on the acquisition of a new RCFE is a journey that requires asking many essential questions. Please contact us TODAY at **949-397-4506** to schedule your complimentary consultation.

"All Information is deemed reliable but not guaranteed"