

# RCFE Resource

**MOST ACCURATE RCFE HOME AND BUSINESS VALUATIONS**

## WHAT'S THE VALUE OF YOUR RCFE?

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



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## RCFE MARKET REPORT:

# The Autumn Calm

The Autumn Market is officially here and with it typically comes a drop in the supply of available RCFEs to purchase, falling demand, and the overall speed of the market remains the same.

**Expect less activity with fewer RCFEs coming on the market and fewer buyers looking to find an RCFE.**

The kids have made their way back to their classrooms ready to resume another year of academic learning. Pumpkin Spice Lattes have returned to Starbucks®, and this year they added a new twist on the season, Apple Crisp Macchiatos. Leaves are starting to fall from high branches and blanket well-manicured yards. Autumn has arrived.

These changes also indicate the start to the Autumn Market. It begins around the end of August when the kids head back to their classrooms and ends a week before Thanksgiving, the start of the Holiday Market. It is no longer the "prime time" season for real estate. The Spring and Summer Markets are in the rearview mirror. Housing will now shift gears and transition to a slower time of the year. Despite how hot the market has been, this year will be no different. The inventory, demand, and closed sales will all fall. Nevertheless, this is expected to be the hottest Autumn Market



since the early 2000s.

During the Autumn Market demand decreases slightly. Similarly, there are slightly fewer RCFE owners who opt to sell during the Autumn Market.

Many buyers mistaken the end of the year as THE best time to purchase. They know that it is no longer the hottest time of the year for real estate, so they believe they can get a "deal" during the slower months. That is not the case. Instead, the market will remain the same until ringing in 2022. With both the inventory and demand dropping at similar rates, the overall feel of the market, will not change. This results in a Days-On-Market that remains almost unchanged.

For sellers, the only perceivable change will be slightly fewer showings and slightly fewer offers due to a smaller number of buyers in the marketplace. But well-priced RCFEs, which are bright, cheerful and in great condition, will still obtain multiple offers and sales prices above their asking prices.

# BUYING VS CONVERTING:

The case for buying an already-existing RCFE vs converting a single family home into an RCFE.



I'd like to share something with you. I'm a CPA and performed a cost-benefit analysis of buying a vacant single-family home and converting it into an RCFE versus purchasing an operational RCFE home with full census. There are many pros and cons. But one path is a clear winner. And it's not the one you may think.

One alternative will be undertaken with a lot of stress; one is a simple turnkey solution which will get you to your goal at least 6 months sooner. Time is money. And one path provides you with a markedly better chance of success.

If you purchase a home and make modifications, it will take at least a month or two – or more. Modifications run the gamut, depending upon what is needed, but often \$50-125K range or more, as reported to us by care home owners who converted a single family residence into an RCFE.

During that time, you will be carrying a mortgage and forgoing residents' rent. It will take at least another 4-7 months to pass inspections and get licensed. All while sacrificing monthly income from operations and carrying a mortgage.

Add recruiting staff and obtaining residents. Since the pandemic began, it has been very challenging for owners to fill their RCFEs. Referral agencies have SUBSTANTIALLY fewer clients, as more families are working from home and elect to keep Grandma with the family and not expose her to a group home and possible COVID.

You have no idea how hard it is to get residents when a home has NO track record and the community doesn't know anything about it. They won't get the benefits of word-of-mouth referrals. I'm not trying to paint a gloomy picture, just letting you know the current reality.

We specialize exclusively in selling care homes and I can't tell you how many clients we have all over California that were licensed in 2019 or 2020 and are selling after a year or two in business because they can't fill their care homes, have difficulty obtaining reliable caregivers, and the mortgage and other expenses are bleeding them dry. Now is not the time to fill a home with residents! Or to obtain caregivers. This is a huge problem. In the past, yes, pre-COVID, it was easier, but now it is too daunting a challenge. It actually minimizes your odds of success.

Continued on page 3...

## Ask The Broker

### BUYER TRAINING BEFORE CLOSE OF ESCROW

**Q:** I am in escrow for the sale of my 6-bed RCFE. The buyer wants to begin training prior to close of escrow. Should I let him?



**A:** It is inadvisable to do so, for many reasons. During the escrow period, there are a variety of buyer contingencies in the contract. A contingency in real estate means that some additional criteria need to be met for the circumstance to occur. Once all contingencies have been met, the buyer can no longer get out of the contract. Prior to that time, a buyer can back out of the deal, albeit with some penalty, in many cases.

Our biggest concern is that you really don't want to tip off your residents and caregivers that the RCFE is for sale until it is a "sure" thing. And that's when all contingencies have been met (removed).

Before then? Why cause your residents and caregivers needless anxiety when it's still possible for the RCFE to fall out of escrow? We are all for transparency, but why worry these kind souls for a few more months should you need to sell the RCFE all over again?

Let's say you manage to conduct training discreetly, and your residents and caregivers are none the wiser. What if the buyer sees something they don't like about your business?

Perhaps they learn a bit more about your residents, and realize that they require a higher level of care than previously anticipated.

Maybe the buyer notices more deferred maintenance than they had budgeted for. Home inspections don't mention everything. Such updates will need to be financed out of future cash flows, which your buyer will see rapidly dwindling. And consider this: Do you really want your buyer, when they could still back out of the contract, to receive proprietary information about your business, which you have honed and perfected over years, sometimes MANY years?

There are many other possible reasons why allowing your buyer to gain a bird's-eye view of your operation is a very bad idea when it's still possible to withdraw from the contract. One more: California is a litigious state. What if the buyer becomes injured on the premises? While insurance will generally cover most claims, do you really need the headache?

Please email your RCFE/ARF questions to broker **Michelle J. London** (MBA, CPA, MiPA), at [michelle@commlre.com](mailto:michelle@commlre.com), subject line "Ask the Broker" for possible inclusion in a future newsletter.

## Current Listings



To view our current listings visit our website at [www.rcferesource.com](http://www.rcferesource.com)

### CURRENT LISTINGS

#### Riverside County - 5 RCFEs FOR LEASE & SALE

- Masterpiece Collection of 5 almost-identical homes
- 6 BDR/3 BA, 3,000 s.f. each
- RCFE Businesses gross \$1.4M annually
- All within 2 minutes of one another
- Gorgeous homes; highly desirable area
- Lease approximately \$4,000/month per home,
- Some for Sale.
- Astounding returns! Economies of scale!
- Must be sold as a package
- Serious investors only

#### Orange - RCFE FOR SALE

- 8 BDR/4 BA, 3,400 s.f.
- Home \$1.15M; Business \$180K
- Wonderful neighborhood!

#### Mission Viejo - RCFE FOR SALE

- 4 BDR/3 BA, 2,420 s.f.
- Home \$1.0 M/Business \$180K
- Immaculate and pristine
- Light-filled and cheerful

#### Anaheim - RCFE FOR SALE

- 5 BDR/3 BA, 2,750 s.f.
- Home \$925K/Business \$165K
- Comfortable and welcoming

### COMING SOON

#### Rancho Mirage - RCFE FOR SALE

- 3 BDR/3 BA, 2,300 s.f.
- Light and bright, desert charm
- \$950K home and business

#### Riverside - RCFE FOR LEASE

- 5 BDR/3 BA, 2,450 s.f.
- \$160K business; \$3,850/mo lease
- Pristine and immaculate

#### Costa Mesa - RCFE FOR SALE

- 6 BDR/3 BA, 2,650 s.f.
- Beach vibe; great charm

#### Sacramento - RCFE FOR SALE

- 8 BDR/4 BA, 3,250 s.f.
- Spacious



### Continued from Page 2...

Buying an already-existing home and business makes sense from a business perspective nowadays because it is already operating and as soon as escrow closes, the buyer will be entitled to all revenues, even prior to getting licensed, and the turnkey solution gets you to your goal at least 6 months faster.

BTW, if referral agencies DID have clients to refer, they would cost roughly 50%-125% of the first month's rent in referral fees. That's anywhere from about \$3,000+ per resident or \$18-30K or more to fill the home.

Also figure in furniture, appliances, home goods. We've heard that can run from a low of \$20k or more.

Add putting into place an accounting system, payroll systems, creating a website, etc.

And finally, if a buyer purchases a home and fails after a year because they just can't fill the RCFE, they will be in the horrible position of needing to get a cash buyer. Almost no lender will lend on a business without at least 2 full years of financial statements.

Think about it.

## \$25 BILLION IN ADDITIONAL PANDEMIC FUNDING BEING RELEASED TO ASSISTED LIVING

The Biden-Harris Administration announced today that the U.S. Department of Health and Human Services (HHS), through the Health Resources and Services Administration (HRSA), is making \$25.5 billion in new funding available for health care providers affected by the COVID-19 pandemic. This funding is for a broad range of providers who can document revenue loss and expenses associated with the pandemic.

"This funding critically helps health care providers who have endured demanding workloads and significant financial strains amidst the pandemic," said HHS Secretary Xavier Becerra. "The funding will be distributed with an eye towards equity, to ensure providers who serve our most vulnerable communities will receive the support they need."

Consistent with the requirements included in the Coronavirus Response and Relief Supplemental Appropriations Act of 2020, PRF Phase 4 payments will be based on providers' lost revenues and expenditures between July 1, 2020, and March 31,

2021. As part of the Biden-Harris Administration's ongoing commitment to equity, and to support providers with the most need, PRF Phase 4 will reimburse smaller providers—who tend to operate on thin margins and often serve vulnerable or isolated communities—for their lost revenues and COVID-19 expenses at a higher rate compared to larger providers.

"We know that this funding is critical for health care providers across the country, especially as they confront new coronavirus-related challenges and respond to natural disasters," said Acting HRSA Administrator Diana Espinosa. "We are committed to distributing this funding as equitably and transparently as possible to help providers respond to and ultimately defeat this pandemic."

For more information about eligibility requirements, the documents and information providers will need to complete their application, and the application process for PRF Phase 4 and ARP Rural payments, visit: <https://www.hrsa.gov/provider-relief/future-payments>.

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## OUR FEATURED LISTINGS

### COMING SOON

Orange: Lovely RCFE - 8 BDR - 4 BA - 2,754 SF  
GREAT NEIGHBORHOOD RCFE HOME AND BUSINESS



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**M&M GROUP** **KW**  
PERSONALIZED WEALTH BUILDING IN REAL ESTATE COMMERCIAL  
DRE# 01971087, #01318955, #01934115

### COMING SOON

Rancho Mirage: Lovely RCFE - 3 BDR - 3 BA - 2,300 SF  
DESERT CHARM RCFE HOME AND BUSINESS



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## THINKING OF BUYING OR SELLING?

We will develop a comprehensive strategy, tailored to help you achieve your RCFE goals.

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