February 2022

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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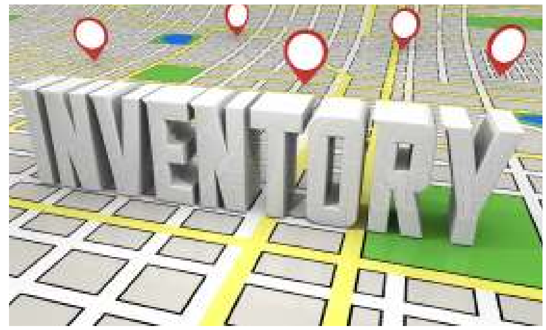
RCFE MARKET REPORT:

Rising Rates Vs. No Inventory



There are two opposing economic forces impacting the housing market right now, rising mortgage rates and a record low supply of well-priced, well-maintained RCFE homes available to purchase.

Opposing Forces

There simply are not enough great RCFE homes available for buyers and rising rates have not yet had an impact on the RCFE housing market.

The supply chain problems have been well documented across the United States and around the globe. One of the hardest hit industries is new cars. The supply of available new cars has dwindled down to record lows. As a result, dealers are adding a "market adjustment fee," a line-item cost above the MSRP. The fee adds anywhere from a few thousand dollars to as much as $20,000 more for a popular model. It has everything to do with supply and demand. Consumers looking for a new car are confronted with very few options and rising car prices. To get their hands on one, many are willing to pay the surcharge.

RCFE housing feels like it too is suffering from the supply chain problem with seemingly nothing available to purchase. Today, there are substantially fewer board-and-care homes on the market than last year at this time. Every price range has been impacted.

Comparing today to the 3-year average between 2017 to 2019, prior to the pandemic, is mind blowing. There were over two to four times as many RCFE homes on the market prior to COVID-19, depending where you live in California. Today, there are far fewer homes in every price range, especially below $750,000.

The inventory was already trending lower prior to the pandemic, but the pandemic accelerated the issue as fewer RCFE homes were placed on the market despite soaring demand.

Since ringing in the new year, mortgage rates have been steadily climbing, eroding home affordability. According to Freddie Mac's Primary Mortgage Market Survey®, rates have risen from 3.05% on December 23rd to 3.56% as of January 20th, up a half of a percent in just 4-weeks for traditional residential homes. For care homes, the mortgage rates are .5% - 2.0%+ more, depending what type of financing you have, This has many speculating that even higher rates are coming. Throw in a volatile stock market, and many are beginning to wonder if these changes are just the beginning of the end to the pandemic run on the housing market.

First, it is best to explain why mortgage rates have been moving higher. Investors and Wall Street had already digested the fact that the Federal Reserve was tapering their purchases of Mortgage-Backed Securities and were going to be raising the Short-Term Federal Funds Rate (tied to automobile loans and credit card debt and NOT to 30-year mortgages) starting this March. The Federal Reserve went from calling inflation transitory, or temporary, and doing nothing just a few months ago, to acknowledging that it was an issue and that they were going to do everything in their power to slow inflation's grip on the economy. It was as if the Fed acknowledged that they made a mistake and that they were behind the 8-ball, and now they are engaging in a "hurry up offense" style to try and make up for lost time. The markets reacted and rates rose by a half a percent in 4 weeks.

There is an impact to rising rates. For example, the current rise from 3.05% to 3.56% is an additional $252 per month for a $900,000 mortgage, or $3,027 per year. However, with such a limited supply of available RCFE homes, the impact is not being felt on the street. Today's rate may be the highest since the start of the pandemic, but it is still a really great rate.

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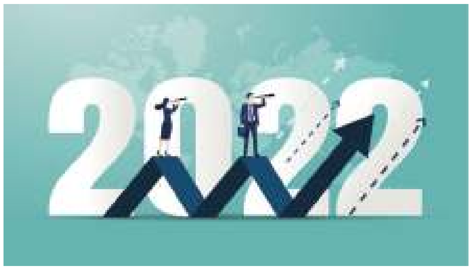
AS PANDEMIC CONTINUES, SOLVING LABOR CHALLENGES BECOMES EVEN MORE URGENT, LEADERS SAY

EXCERPTED FROM MCKNIGHT'S SENIOR LIVING – DAILY BRIEFING
BY LOIS A. BOWERS



Last year at this time, after 10 months of fighting the pandemic, senior living providers felt hope in the promise of the COVID-19 vaccines beginning to be administered to residents and staff members as well as in the expansion of a third round of aid from the federal Provider Relief Fund and the prospect of additional help to cover expenses and losses due to the coronavirus pandemic.

Indeed, COVID-19 and the labor issues it exacerbates will be a primary focus of senior living providers for much or all of 2022, with recovery extending into 2023 and beyond, industry leaders told McKnight's Senior Living.

"Without a doubt, the industry has been faced with the greatest workforce shortage in history, and these labor-related challenges have impacted virtually every provider in every market in the United States," American Seniors Housing Association (ASHA) President David Schless said.

"Labor is the "No. 1, No. 2 and No. 3 top issue right now," National Investment Center for Seniors Housing & Care President and CEO Brian Jurutka said. "While it was certainly an area of concern before the pandemic, the pandemic added fuel to the fire."

Nearly every assisted living community is asking staff to work overtime or extra shifts, and 61% of assisted living communities are concerned workforce challenges might force them to close

The American Health Care Association / NCAL recently asked the Federal Trade Commission to use its authority to protect assisted living and skilled nursing operators, as well as consumers, from direct care staffing agencies "charging supercompetitive prices to desperate LTC centers that simply need workers."
"We cannot resolve this issue on our own. We need immediate assistance from public health officials, but we also need a more long-term solution from policymakers" said NCAL Executive Director LaShuan Bethea.

Help required from government

Until that time, several organization leaders said that more financial and other help from federal and state governments is a key to the industry's survival – although the industry may have to continue to fight to get it.

Although ASHA is "pleased" that the Biden administration "at long last" announced the release of Phase 4 funds, the association "will continue our advocacy efforts to try and secure additional financial relief."
"Polling data shows that Americans over whelmingly back measures to fund services and care for older adults." Federal support for the sector in general would be a "game changer," LeadingAge President and CEO Katie Smith Sloan said.
One solution is immigration reform. "We have also made it a legislative priority to seek policy solutions that will make it easier for operators to hire workers from other countries who want to legally enter the U.S. to work (and pay taxes) while caring for our aging population," he said.

Future remains 'very bright'

From a financial perspective, most believe the significant impact of the nation's labor crisis is not likely to abate any time soon. Senior living operators will also likely be contending with a host of other increased expenses, including insurance, utilities and food, that will also impact the bottom line." But regardless of labor and other challenges, the future of the industry remains "very bright," Balda said.

"Demographics," Jurutka said, "highlight the need for senior living not just from a resident standpoint but also from a caregiver standpoint."
Coming out of the pandemic, the industry will need to ensure that it is in a position to better compete for labor talent, Schless said. "Over the past year, I have come to believe that the more labor-intense, service-enriched seniors housing product is going to become more expensive in the aftermath of the COVID pandemic, but this will not negatively impact the value proposition for well-conceived and well-executed offerings," he said.

Ask The Broker

APPLYING FOR ASSISTED LIVING WAIVER

Q: I've heard there's an assisted living waiver program available. What is it, and how do I apply?

A: In March 2006, Medi-Cal began paying for assisted living care for qualified low-income Medi-Cal eligible seniors and disabled individuals to remain or relocate to a community setting in a Residential Care Facility for the Elderly.

The program is currently operating in Alameda, Contra Costa, Fresno, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardo, San Diego, San Francisco, San Joaquin, San Diego, San Francisco, San Mateo, Santa Clara and Sonoma counties.

Using a standardized assessment tool, care coordination agencies determine the level of care and services necessary for each participant. Care coordinators will establish individualized service plans for each participant, including services that are covered by Medi-Cal and services funded by other sources. Participating RCFEs must develop a care plan to implement the service plan for each resident.

Medi-Cal pays RCFEs for 5 levels of care and services, with daily rates ranging from $78 per day for tier 1 to $200 per day for tier 5. RCFEs cannot negotiate the services to be delivered or the payment rate.

Participants select the facility or provider of their choice. However, once a facility admits someone, it must provide necessary services and adapt services as the person's needs change.

Applying for the program is a lengthy process, and many counties have waitlists of a year or more.

For more information about the ALW program, contact:
ALW Hotline 916-552-9322

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

Current Listings

To view our current listings visit out website at
www.rcferesource.com

CURRENT LISTINGS

Rancho Mirage - RCFE HOME & BUSINESS
- 5 BDR/4 BA, 2,560 s.f.
- Beautiful gated community
- Serene and comfortable
- $980K Home; $240K Business

Beaumont - RCFE HOME & BUSINESS
- 5 BDR/4 BA, 2,653 s.f.
- High-end furnishings
- Close to hospitals, medical centers
- Fully paid solar installation
- $640K Home; $120K Business

COMING SOON

(Call For Prices)

Orange - RCFE FOR SALE
- ORANGE COUNTY
- Home & Business For Sale
- 8 BDR/4 BA, 2,754 s.f.
- 2 Story Home, Wonderful Neighborhood

Mission Viejo - 2 RCFES FOR SALE
- ORANGE COUNTY
- 2 Side-by-Side RCFEs
- Good Condition, Spacious
- Homes and Businesses for Sale

Rancho Mirage - 2 RCFES FOR SALE
- RIVERSIDE COUNTY
- Located with 2 miles of one another
- Chic desert vibe
- Homes and Businesses for Sale

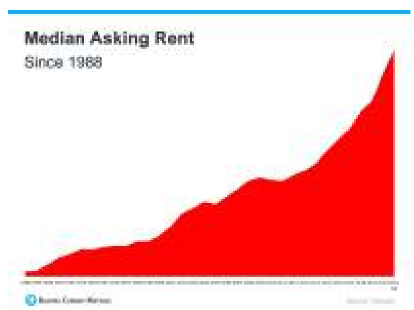
Sacramento - RCFE FOR SALE
- SACRAMENTO COUNTY
- Home and Business for Sale
- Nice neighborhood

Fairfield - RCFE FOR SALE
- SOLANO COUNTY
- Home and Business for sale
- Quiet residential area

AVOID THE RENTAL TRAP IN 2022

Are you one of the many RCFE operators thinking about whether you'd like to lease or purchase an RCFE home? Before you decide whether to buy or lease, it's important to understand the true costs of renting in 2022.

As a lessee, you should know that rents have been rising since 1988 (see graph below):
In 2021, rents grew dramatically.



According to ApartmentList.com, since January 2021:

". . . the national median rent has increased by a staggering 17.8 percent. To put that in context, rent growth from January to November averaged just 2.6 percent in the pre-pandemic years from 2017-2019." Another factor to consider: senior care homes are modified homes. They rent for more than traditional single-family homes. The rent increase experienced in 2021 was far greater than the typical rent increases we've seen in recent years. In other words – rents are rising fast.

"In 2022, we expect this trend will continue and fuel rent growth. At a national level, we forecast rent growth of 7.1% in the next 12 months, somewhat ahead of home price growth . . ."

That means, if you're planning on leasing instead of buying an RCFE this year, you'll likely pay far more than you would have in years past.

RCFE Homeownership Provides an Alternative to Rising Rents
One of the many benefits of RCFE homeownership is it provides a stable monthly cost you can lock in for the duration of your loan.

As Lawrence Yun, Chief Economist at the National Association of Realtors (NAR), says:

". . . fast-rising rents and increasing consumer prices, may have some prospective buyers seeking the protection of a fixed, consistent mortgage payment."

If you're planning to buy an RCFE home this year, locking in your monthly housing costs for 15-30 years can be a major benefit. You'll avoid wondering if you'll need to adjust your budget to account for future rent increases.

RCFE homeowners also enjoy the added benefit of home equity, which has grown substantially right now. In fact, the latest Homeowner Equity Insight report from CoreLogic shows the average California homeowner gained $121K in equity over the last 12 months. When you pay your mortgage, you grow your wealth through the forced savings that is your home equity.

Bottom Line
And consider this: it generally takes a lower amount of cash down payment to finance a care home using SBA financing than to purchase the business for cash and lease the premises. That's because you will typically have to pay all cash for the business if you lease the premises, as lenders require some form of real estate as collateral. With SBA financing, very popular among care home buyers, you only need to make a down payment of 10% on the home and 20% on the business.

If you're thinking of leasing or buying an RCFE this year, it's important to keep in mind the true costs you'll face. Call us today at 949-397-4506 to begin your journey to RCFE home ownership.

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The extra $252 per month (or more, depending on your financing) is more of a "market adjustment fee" for housing that is easily absorbed due to the extremely limited number of RCFE homes available. Great RCFEs are selling relatively quickly. Demand is high in most areas of California. Multiple offers are still the norm.

Why has the rise in rates not yet affected the housing market? The answer is simple: rates have not climbed high enough to materially slow demand. Mortgage rates climbed considerably in both 2013 and 2018, which caused a shift in the market. Demand cooled, the inventory increased, market times grew, and the market slowed from a Hot Seller's Market to a much more balanced market. If interest rates continue to climb, then the market could cool. But, for now, Wall Street and investors have digested future Federal Reserve moves and interest rates most likely will not rise much more from here during 2022. Rates would need to climb another .5% or higher to significantly slow housing.

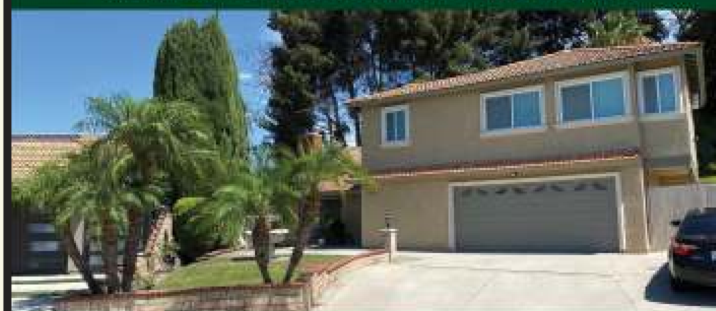
The recent rise in mortgage rates had no real impact on the current pace of RCFE housing. It will be important to watch how mortgage rates unfold in the weeks and months to come. Until rates rise substantially from here, it is business as usual, with demand remaining high for nice RCFE homes that are priced right and in good condition.

OUR FEATURED LISTING

COMING SOON

Orange: Lovely RCFE - 8 BDR - 4 BA - 2,754 SF

GREAT NEIGHBORHOOD RCFE HOME AND BUSINESS



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THINKING OF BUYING OR SELLING?

Let our RCFE Resource team of professionals bring proven expertise to help you get the highest sales price for your RCFE or ARF!

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