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RCFE Resource

FOR ACCURATE RCFE HOME AND BUSINESS VALUATIONS

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RCFE MARKET REPORT:

No Crash in Sight

Housing data illustrates that there is not a housing crash on the horizon despite the current slowdown and home values falling.

NOT THE GREAT RECESSION

With a very limited inventory of available homes coupled with over a decade of tight lending standards, housing values will not nosedive like they did during the Great Recession.

An astonishing 41% of Americans think that the housing market is going to crash in the next 12 months, according to a survey conducted by LendingTree. Even more revealing is that 74% of those who believe there will be a crash think it will be as bad or worse than the "2008 housing market collapse." With so many convinced that a crash is inevitable, does that mean that housing will once again collapse?

Everyone across the nation recalls watching the housing market take a brutal pounding during the Great Recession. So many homeowners were burned as values toppled and their equity vanished seemingly overnight. It either happened to everybody personally or they knew somebody who felt the severe impact of the downturn. It is understandable that whenever there is an economic slump, the general public immediately recalls the Great Recession and expects the housing market to tumble once again.

Everyone expected a housing crash in 2018 when rates rose from 4% to 5%, but it did not materialize. It did not crash after the initial lockdowns of COVID, yet so many were convinced otherwise. Once again, with mortgage rates rocketing higher, home values already on the decline, and a recession on the horizon, many Americans believe that the housing market is on the edge of a precipice and home values are about to plummet. Even though so many feel a housing crash is imminent, and that it could be worse than the Great Recession, according to all the economic data, current trends, lending standards, and the health and strength of homeowners across the United States, there is no crash in sight, not now, not in the next 6 months, and not in the foreseeable future.

The number one reason why a crash will not occur is that there simply are not enough available homes to purchase. In sharp contrast to today's inventory crisis with a lack of available homes, there was an inventory glut that led up to the Great Recession.

Care home values are dropping today due to mortgage rates doubling from the start of the year. Yet, home values are not tumbling at the accelerated pace of 2007 and 2008 when home values sank by nearly 40%. That will not happen today because of a very limited inventory where care home owners are choosing not to list their care homes.

Even with sky-high mortgage rates and home values on the decline, housing is insulated from a housing crash. Today's housing stock is built on an extremely strong foundation with years of tight lending standards due to financing laws enacted after the Great Recession, strong credit scores, large down payments, fixed rate mortgages, plenty of nested equity, and limited cash-out refinances. There is no crash in sight because of the strength of the homeowner coupled with a very limited inventory of available homes to purchase today.

Ask The Broker

LOOKING AHEAD FOR 2023

Q: What is the outlook for residential assisted living facilities (homes and businesses) for 2023?

A: When the Federal Reserve met in August 2022 at Jackson Hole, they came out with an entirely new perspective. Previously, they indicated that inflation was just a temporary phenomenon, and decided to adopt a "wait and see" attitude.

But that August meeting made it clear that the only way to get a handle on the 9% inflation rate was to raise interest rates. Thus began the saga of skyrocketing interest rates, almost doubling by yearend. Purchasing real estate has become more expensive as appreciation has driven prices up, and rising interest rates have decreased affordability.

Inflation is now in the 7% range, so raising interest rates has proven somewhat effective in gaining control over the rapidly-changing economy.

In the wake of the last 6 recessions, going back to the 1990s, interest rates initially increased at the beginning of the recession. In each case, as the economy improved, interest rates went down. The higher the initial interest rate, in general, the more the decrease.

The following chart reveals the experts' prognostications for 2023 interest rates:

Mortgage Rate Projections for 2023

As of December 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2023 Q1	6.60%	6.50%	6.20%	6.10%	**6.35%**
2023 Q2	6.50%	6.40%	5.60%	5.70%	**6.05%**
2023 Q3	6.40%	6.20%	5.40%	5.60%	**5.90%**
2023 Q4	6.20%	6.00%	5.20%	5.50%	**5.73%**

Experts predict that the anticipated brief recession should occur in the 2nd or 3rd quarter of 2023, and subsequently, we believe interest rates will settle down in 2024 to the 5% range, increasing affordability to purchase real estate.

It's not unusual that a recession is currently predicted. The cost of consumer goods has increased dramatically. The cost of food, energy, gas, apparel, shelter, and medical care have all increased. The Federal Reserve is doing its best to control inflation now, although admittedly, they took corrective action only after the situation became dire.

The prices of consumer goods have shown sharp increases. While wages have also gone up, the increase has not been substantial enough to make up for rising prices.

Real estate prices have dropped, in general, since their highs of September 2022, but they are still higher year-over-year from 2021. An examination of various Multiple Listing Services throughout California indicates that approximately 40% of all listings have lowered their prices by as much as 1-5%.

Looking back, we have had much higher interest rates than the current 7% interest rate. It's all relative. Is care home real estate still a good investment with such high interest rates? We believe so.

Historically, investing in California real estate has been profitable over the long term. While we don't project 16-23% home price appreciation, as witnessed in 2021, the more modest 8-12% home appreciation experienced for 2022 is probably more realistic for 2023 and future years.

When it comes to care home businesses, unemployment and a caregiver crisis is a major issue. In addition to the estimated 100,000 caregivers who have left the workforce since the inception of COVID, (providers say this is a gross understatement) large shortages have uniformly affected many areas of the labor force. You can be a barista at Starbucks for $23/hour versus being a caregiver for $17/hour. Being a caregiver is much harder work!

The providers of residential assisted living facilities, in order to survive, must be scrupulous about controlling expenses in order to weather the inflation storm.
The highest expense is payroll, and providers need to obtain caregivers as cost effectively as possible, taking care not to use high-priced caregiver placement agencies, if at all feasible. One possibility is to forge relationships with the nearby providers of CNA (Certified Nursing Assistant) education programs to snag recent graduates. You must think outside of the box!

Referral fees to obtain residents for RCFEs are also an area of possible cost savings. Such fees can range from about 50% - 125% of the 1st month's rent, and can drastically cut into your bottom line. Reach out to the care coordinators of local skilled nursing facilities, hospitals, convalescent homes. When one of their patients requires a lower level of care, they can refer them for placement to your RCFE.

Develop a wonderful website for marketing purposes, one that has a video and pictures of the home and activities. A website that "sells" your home.

Is investing in residential assisted living facilities a wise decision? We believe you have to consider the investment in the home and business separately. The profitability of the real estate will be apparent when you sell the home, finally realizing the home price appreciation accruing throughout the years. The profitability of the business depends upon the ability to garner new caregivers and residents as inexpensively as possible and to control expenses.

The ideal investment? A care home in an appreciating neighborhood, with an operator who has the ability to obtain caregivers and residents relatively cheaply and the business acumen to have a handle on expenses.

We predict that the future of residential assisted living facilities is bright for those providers who can "tough it out" during the upcoming recession of 2023. They just have to run the gauntlet through the current inflationary storm.

Please email your questions to: Michelle J. London at info@RCFEresource.com.
Your inquiry may be featured in an upcoming edition of this newsletter.

Current Listings

To view our current listings visit our website at

www.rcferesource.com

CURRENT LISTINGS

MISSION VIEJO – RCFE FOR SALE
- Home and Business
- 6 BDR/3 BA, 2,439 s.f.
- Lovely home
- $1.20M Home; $150K Business

HEMET – RCFE FOR SALE
- Home and Business
- 4 BDR/2 BA
- Nicely Decorated
- Home $525K; Business $125K

COMING SOON

SANTA CLARA COUNTY
- RCFE For Sale
- Licensed for 22
- 12 BDR/11 BA, 6,000 s.f.
- Generates great income!
- Call for details

RIVERSIDE COUNTY
- 3 6-bed RCFEs For Lease
- Businesses for Sale
- Located In close proximity
- 6 BDR/3 BA each home
- Approximately 3,000 s.f. each
- Call for details

RIVERSIDE COUNTY
- RCFE For Sale
- Licensed for 8 beds
- 9 BDR/4 BA, 4,500 s.f.
- Call for details

LOS ANGELES COUNTY
- S.F.V. area
- RCFE For Sale
- Licensed for 6 beds
- 6 BDR/3 BA, 3,500 s.f.
- Call for details

YOU MAY HAVE MORE NEGOTIATION POWER WHEN YOU BUY A CARE HOME TODAY

Did the frequency and intensity of bidding wars over the past two years make you put your care home search on hold? If so, you should know the hyper competitive market has cooled this year as buyer demand has moderated and housing supply has grown. (The supply of care homes has also grown, but is still not enough to meet demand). Those factors combined mean you may see less competition from other buyers.

And with less competition comes more opportunity. Here are two trends that may be the news you need to reenter the market.

1. The Return of Contingencies
Over the last two years, more buyers were willing to skip important steps in the care home buying process, like the appraisal or the inspection, in hopes of gaining an advantage in a bidding war. But now, things are different.

The latest data from the National Association of Realtors (NAR) shows the percentage of buyers waiving their home inspection or appraisal is down. And a recent article from realtor.com points out more sellers are accepting contingencies:
"A year ago, sellers were calling all the shots and buyers were launching legendary bidding wars, waiving contingencies, and paying for homes in cash. But now, the shoe is on the other foot, and 92% of home sellers are accepting some buyer-friendly terms (frequently related to home inspections, financing, or appraisals), . . ."

This doesn't mean we're in a buyer's market now, but it does mean you have a bit more leverage when it comes time to negotiate with a seller. The days of feeling like you may need to waive contingencies or pay drastically over asking price to get your offer considered may be coming to a close.

2. Sellers Are More Willing To Help with Closing Costs
Before the pandemic, it was a possible negotiation tactic for sellers to cover some of the buyer's closing costs to sweeten the deal. This didn't happen as much during the peak buyer frenzy over the past two years.

Today, data suggests this is making a comeback. A realtor.com survey shows 32% of sellers paid some or all of their buyer's closing costs. This may be a negotiation tool you'll see as you go to purchase a care home. Just keep in mind, limits on closing cost credits are set by your lender and can vary by state and loan type. Work closely with your loan advisor to understand how much a seller can contribute to closing costs in your area.

Bottom Line
Despite the extremely competitive housing market of the past several years, today's data suggests negotiations are starting to come back to the table. **To find how the market is shifting in your area, connect with Michelle London at 949-397-4506.**

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7 HABITS TO REDUCE YOUR RISK OF STROKE

Excerpted from an article by Constance Sommer | AARP Health

Even if genetics put you at risk for a stroke, you can greatly lower your chances of experiencing one by maintaining a few healthy lifestyle choices. That's the finding of a recent study published in the Journal of the American Heart Association.
People who have maintained good cardiovascular health could potentially slash that risk [of stroke] by a significant amount.

Specifically, the study looked at the effect of following Life's Simple 7, the American Heart Association's (AHA) prescription for heart health.

1. **Stop smoking**
2. **Eat better**
3. **Get active**
4. **Lose weight**
5. **Manage blood pressure**
6. **Control cholesterol**
7. **Reduce blood sugar**
8. **Sleep well**

Among all genetic risk profiles – low and high – those who followed Life's Simple 7 had a 30 to 43 percent lower risk of stroke than those who did not adhere to the behaviors. That corresponds to nearly six additional years lived free of stroke.
Lowering your risk for stroke can have additional health benefits too, research shows. For example, it can help protect your brain, since stroke is one of the strongest known risk factors for dementia, according to a report from AARP's Global Council on Brain Health.

Nationwide about 10 percent of the 50-plus population, or 7.6 million people, have suffered a stroke at some point in their lives. As for how many people are genetically at risk for stroke, "that's a difficult thing to answer," Bushnell says, adding that researchers have identified 32 distinct genes associated with stroke.
"The interesting thing, though, is that most of them are linked in some way to other factors, like blood pressure or cholesterol," she says. In other words, lifestyle plays a role in triggering stroke, even for those with a genetic predisposition.

The damaging effects of stroke
However a stroke occurs, it can have dramatic consequences. It's often long-term disability, but it can be death.
In fact, stroke is the leading cause of long-term disability in the United States, according to the Centers for Disease Control and Prevention. What goes wrong depends on the type of stroke and the part of the brain that's affected.

Sometimes stroke attacks vision or leaves a person with tingling or weakness. Some people, after a stroke, have difficulty swallowing, or get a frozen shoulder, or stiffness and spasms in a weak limb. "It's not something that anybody wants to have to deal with long-term," she adds.
And that first stroke can cause more complications, because now the person is often moving less, which can lead to infection, heart disease and more blood clots. "Having a stroke is a life-changing event," Bushnell says.

The severity of the disability caused by the stroke depends on a few factors.

- **How bad the stroke was when it hit**
- **When the stroke first started**
- **The age of the person when they had the stroke**
- **Whether a stroke patient received proper treatment and, if so, how quickly**

For instance, Bushnell says, a patient could suffer a very severe stroke, causing paralysis on one side of the body. But if they or someone who's with them catches it early and gets them to the hospital on time, and if the blood clot is in an area where a surgeon can remove it, sometimes "it's almost miraculous," she says. "They get the blood flow back, and within a day or two they're moving their arm and speaking again."

To Spot Signs of Stroke, Remember B.E.F.A.S.T.
Because time is of the essence, people should know how to spot strokes when they're happening, Bushnell says. She likes the acronym BE FAST.

B is for balance: Watch out if you're suddenly struggling with your balance.
E is for eyes: Seeing double, blurred vision or losing sight in one or both eyes without pain could be a sign of stroke, according to Duke University Health.
F is for face: If a person's face is drooping or numb, that could indicate stroke. Duke's advice: Ask the person to smile.
A is for arms: Does an arm feel numb? Ask the person to raise an arm and see if it drifts downward, advises Northwestern University Medicine.
S is for speech: Slurred speech, difficulty getting out words or not understanding what others are saying could be signs of stroke, Bushnell says.
T is for time: If someone has these symptoms, it's time to call 911. Also, note the time it occurred, because that will help emergency medical personnel know what treatment is appropriate for the patient, Bushnell says.