

RCFE Resource

FOR ACCURATE RCFE HOME AND BUSINESS VALUATIONS

Call us **TODAY** for a
FREE valuation of
your care home
and business.
(949) 397-4506



RCFE MARKET REPORT:

Turning Up the Heat

With all the distractions of the holidays now in the rearview mirror, the housing market is about to heat up as demand soars and market times fall.

THE WINTER MARKET

The Winter Market is characterized by slowly rising supply, surging demand, and a fall in market times.

Climbing into a car during the dead of winter can be brutal. The seats are cold. The steering wheel is cold. Most importantly, the air temperature feels as if it is below ZERO, even in sunny California. Initially, after turning on the heat, frigid air blows through the vents. After driving down the street, the air quickly warms, ending the harsh reality of winter's chill. Similarly, after hitting its slowest time of the year during the Holiday Market, housing quickly heats up and transitions to the Winter Market where demand surges higher, the inventory slowly grows, and market times drop.

Regardless of the economic situation, without fail, housing revs its enormous economic engine and the market heats up during the Winter Market, from mid-January to mid-March. Last year the inventory of available care homes hit a record low by mid-January.

Yet, it is hard to compare the Winter Market of 2023 to last year's unbelievably hot, unprecedented housing market where there was nearly nothing available, multiple offers were the norm, care homes were selling quickly, buyers were paying tens of thousands of dollars above the asking price, and care home values were climbing at an unhealthy pace. In looking at the number of sellers

entering the market before the pandemic, the 3-year average for December is seasonally the month with the fewest number of new sellers. In January, the number of homes coming on the market more than doubled from December's low. More care homes will come on the market each month until it peaks in May. Even with lower demand levels due to the higher interest rate environment, the inventory will slowly grow during winter.

Demand will increase substantially from now through mid-March. There will be more activity. More buyers will pull the trigger and purchase, especially if rates continue to slowly fall. The lower rates fall, the more demand will climb. Many buyers who stopped their search for a care home during the holidays will be ready to resume their search again.

With the inventory slowly rising and demand surging higher, the Expected Market Time, the time between coming on the market and opening escrow, will fall and housing will feel a lot hotter. Right around the Super Bowl is when the conditions are often the best for sellers. There is limited inventory, which is only slowly growing, along with rapidly increasing demand and falling market times. These conditions are turning up the heat for California housing.



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Ask The Broker

SELLING YOUR BUSINESS WITH A NET OPERATING LOSS



Q: Due to family considerations, we have decided to sell our senior care home earlier than we anticipated. However, we have a Net Operating Loss for 2021 and 2022. How much can we sell our business for?

A: If your business is currently licensed, really, the only way you can sell it is as a bulk asset sale. Who wants to purchase a “losing” business? Why would they want to take on YOUR headache? Does the new owner expect to operate more profitably? Sometimes, this is the case.

A bulk sale is the sale, transfer or assignment of an individual or company’s business asset(s). This can be in whole or in part. Assets subject to bulk sale may include:

- Tangible property, such as furniture, appliances, machinery, home goods, inventory or materials;
- Real property (land, buildings, etc.) and
- Intangible assets, such as goodwill.

In the case of your facility, a bulk asset sale may or may not include the real estate. This would occur if you are selling the business only because you plan to lease out the property or you are already leasing the premises for business operations.

A bulk asset sale would include, in general, all the tangible items you are using in the business. This typically includes most of the contents of the home, whether leased or not, and encompasses such items as the furnishings, machinery, appliances, and home goods (linens, pots and pans, dishes, décor).

Most of the time, such home goods have been used in the business for awhile and may have lost much of their original value due to continuous use and physical deterioration or depreciation. It is not uncommon to see the tangible home items sell for \$10K-\$20K, possibly a bit more in the case of newer furnishings and home goods.

What you are primarily disposing of when you sell your business is the goodwill. Goodwill is attributable in part to the reputation of the business in the community, favorable history of Licensing annual visits with no major citations or violations, and certainly no citations related to resident care, great reviews and testimonials.

Also, a care business’s goodwill is valued according to the **principle of anticipation**. This means that a review of historical business cash flows as indicated by examination of the past few years of P&Ls will provide an expectation that similar cash flows can be anticipated for the future. In the case of a net operating loss, why would a new business buyer purchase your business if

they, too, can expect to operate “in the red?”

Occasionally, there may be a buyer for a business operating at a loss if the prospective buyer is able to determine that they will be able to operate profitably where the seller has not.

One case in mind is that of an RCFE owner with several RCFEs for sale. This owner was operating at a significant loss solely because of her kind actions in granting substantial amounts of overtime to her long-term, faithful caregivers.

When the caregivers pleaded for overtime because they needed to bring in more money, this compassionate owner granted it, even though it made her businesses run at a substantial net operating loss. Her payroll as a percentage of gross revenues was approximately 76%. In this situation, the owner was not running her businesses in a savvy manner because the payroll expenses were slowly eroding the nest egg that she had accumulated over many years of operation.

Goodwill also includes the ability for a new buyer to operate under the seller’s existing facility license until the buyer receives their own. This generally means that the new owner can receive revenues from business operations as soon as escrow closes.

The ability to operate under the seller’s license is a considerable benefit. It means that as soon as the new buyer acquires the premises for lease or purchase, they don’t have to wait the approximate 5-6 months to get their facility licensed before receiving revenues, all while carrying a mortgage or lease.

When escrow closes, this begins what I call the “interim period” and extends to the time when the new buyer obtains their own facility license. The new owner can essentially carry on the business as if they owned it during this period, although all significant decisions, such as obtaining new residents, must have the consent of the seller.

We’ve transacted bulk asset sales of vacant, licensed care businesses, as well as businesses operating at a loss. They often transact in the range of **\$25K - \$70K**, exclusive of the real estate.

For a **FREE**, no obligation valuation of your care home and business, please feel free to reach out **TODAY** to **Michelle J. London** at **949-397-4506**.

**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

Murrieta - RIVERSIDE COUNTY

- 2 6-bed RCFEs For Lease
- 2 6-bed RCFEs For Sale
- All 4 Businesses for Sale
- Located In close proximity
- 6 BDR/3 BA each home
- Approximately 3,000 s.f. each
- Call for details

Claremont - RCFE FOR SALE

- Home and Business
- 6 BDR/3 BA
- Nicely Decorated
- Grosses \$40K/mo
- Home \$1.25M; Business \$225K

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

Moreno Valley - RIVERSIDE COUNTY

- RCFE For Sale
- Licensed for 15 beds
- 11 BDR/6 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

Mid-Wilshire area - LOS ANGELES COUNTY

- RCFE For Lease
- Licensed for 6 beds
- 6 BDR/3 BA, 3,200 s.f.
- Call for details

WANTS AND NEEDS:

SEEKING RCFEs and ARFs in:
Sacramento, Riverside, San Diego and
Los Angeles Counties

ASK THE BROKER WEBINAR SCHEDULE

RCFE Resource is happy to announce the beginning of our monthly "Ask the Broker" monthly updates.

Each month, we will present topics of interest to the RCFE and ARF communities. In January, we discussed the outlook for the residential assisted living industry. Over 100 people registered! February's presentation will discuss "What to Look for When You're Buying an RCFE or ARF."

We will email you a link to register. Hope to see you there!

Tuesday, January 24, 2023	1:00PM	"What's Ahead For 2023"
Thursday, Feb. 23, 2023	1:00PM	"What To Look for When You're Buying An RCFE or ARF"
Tuesday, March 21, 2023	1:00PM	GUEST: How SBA Financing Can Help You Buy Your Next Care Home *Rebecca Wang
Tuesday, April 25, 2023	1:00PM	"The Importance of Maintaining Accurate Financial Statements"
Tuesday, May 23, 2023	1:00PM	Not All Insurance Is Created Equal - GUEST - Blake Thompson
Tuesday, June 20, 2023	1:00PM	"Selling Your Business"
Tuesday, July 25, 2023	1:00PM	BUYING AN EXISTING RCFE vs CONVERTING A HOME
Tuesday, August 22, 2023	1:00PM	GUEST - Obtaining An Assisted Living Waiver Can Increase Your Net Profits
Tuesday, Sept. 26, 2023	1:00PM	"THE IMPORTANCE OF CONTROLLING EXPENSES"
Tuesday, October 24, 2023	1:00PM	GUEST Matt Meader - The Many Benefits of Assisted Living Software
Tuesday, Nov. 28, 2023	1:00PM	"PERFORMING YOUR DUE DILIGENCE WHEN BUYING A HOME"

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HEART HEALTH AND DEMENTIA: WHY YOUR BLOOD PRESSURE AND CHOLESTEROL LEVELS MATTER

Excerpted From Good Rx | Written By Marisa Taylor Karas



You may think that your cardiovascular health only refers to your heart. But since your brain and other organs receive blood that's pumped from your heart, your heart health directly affects your brain health.

Vascular dementia is a type of dementia that is caused by poor blood flow to the brain. It's the second most common type of dementia, and refers to changes in your memory, thinking, and behavior.

What's the link among blood pressure, cholesterol, and vascular dementia?

Vascular dementia may happen if you have high blood pressure and plaque buildup in the blood vessels. Over time, when plaque buildup increases, the blood has a hard time passing through your vessels, and they may eventually narrow or even close. This may worsen blood flow to all your organs, including your brain.

This part of the brain that's not getting blood flow may become damaged, according to Pilar

Stevens-Haynes, MD, Cardiologist at South Nassau Community Hospital in Oceanside, New York. "That causes vascular dementia, because you lose that part of the brain, [which] is no longer able to function."

What are risk factors for vascular dementia?

Some risk factors for vascular dementia include:

- History of stroke
- Heart disease
- High cholesterol
- Type 2 diabetes
- High blood pressure (hypertension)
- Smoking
- Older age

When you know your numbers, you can be more aware of your risk of heart disease and dementia. Key numbers you should know include your blood pressure, cholesterol panel, and A1C. This may empower you to make changes and work with your healthcare provider to manage your risk.

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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