

RCFE Resource

FOR ACCURATE RCFE HOME AND BUSINESS VALUATIONS

Call us **TODAY** for a **FREE** valuation of your care home and business.

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RCFE MARKET REPORT: Hype Versus Data

From YouTube to TikTok to the backyard barbecue, there are plenty of narratives regarding the pending doom for housing that the underlying data does not support.

STICK TO THE FACTS

The best advice in hearing all the talk swirling around the belief that a real estate crash lurks around the corner is to ignore the noise and stick to the facts.

Many YouTube channels, TikTok, and Instagram accounts are devoted to the housing crash narrative. Either housing is crashing, or it is about to. They are convinced that the market will implode, and values will plunge similar to or worse than the Great Recession. The videos are persuasive in tone but lack the complete picture, ignoring the actual underlying facts. Many of these prognosticators lack the economic credentials and have been calling for a housing collapse for years, steering hundreds of thousands of unsuspecting viewers in the wrong direction, preying on everyone who has been unable to purchase over the years and has been rooting for housing's demise so that they can finally capture a piece of the American Dream.

Home values rocketed higher from May 2020, right after the initial COVID lockdown, through May 2022. Rates plunged, reaching 17 record lows from March 2020 through January 2021, and remained low through March of last year. As rates climbed, the housing market slowed. After starting 2022 at 3.25%, they eclipsed 5% in May, 6% in September, and 7% in October. In the second half of the year, the housing crash crowd grew louder and louder as affordability eroded and home values declined. Is a housing downturn around the corner? Will home values plunge? The answer is straightforward in looking at the facts: not anytime soon. Ignore all the hype and rely on data.

FACT - The active inventory in most California counties is at its lowest level in May since tracking began in 2004.



Housing is experiencing a crisis, a catastrophically low level of available homes. The same is true for RCFEs and ARFs. During the Great Recession, a glut of homes was on the market. Board-and-care homes, too. Today, the market suffers from the opposite condition: a minimal supply. For housing to tip in the buyer's direction, the inventory needs to rise at the very least to pre-pandemic levels. This is not expected to occur anytime soon.

FACT - Fewer homeowners are coming onto the market, exacerbating the inventory crisis. Typically, there are a similar number of new sellers every month, year in, year out. During the initial COVID lockdown, there were fewer sellers in the first several months. That turned around as 2020 rolled along. We witnessed this trend for RCFEs and ARFs, too, in most areas of California. This trend reoccurred last year as rates grew and has only intensified since August. This trend will continue as long as mortgage rates remain elevated. Homeowners continue to "hunker down" in their homes, unwilling to move due to their current underlying, locked-in, low fixed-rate mortgage. That means that these homes will not be available for conversion into board-and-care homes, and existing RCFEs and ARFs have also experienced this same seller reluctance, mostly attributable to fears and uncertainty about the future.

FACT - Mortgage rates have reached a height and will eventually drop as the economy cools, instigating higher demand. Mortgage rates eclipsed 7% in October and November of last year, stretching to 7.37%, according to Mortgage News Daily, in October, its highest level since 2002. Rates for care homes (RCFEs and ARFs) are somewhat higher, between 1.00-2.75% additional,

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Ask The Broker

USING SBA FINANCING TO PURCHASE YOUR NEXT CARE HOME

Q: Can you use SBA financing to buy an RCFE or ARF home and business?

A: In our March "Ask the Broker" webinar, Rebecca Wang, top SBA lender at Pinnacle Bank, one of the leading care home lenders, discussed how SBA 7(a) loans can fund your next RCFE or ARF. To see the full broadcast, please go to our website, www.RCFEResource.com, and look under "Videos."

Business acquisitions are among the eligible uses for Small Business Administration (SBA) 7(a) loans. In fact, the SBA 7(a) program provides many advantages for acquiring an established business, including its attractive terms, allowing a buyer to finance up to 90% of total project costs.

Eligible Project Costs for SBA 7(a) Loans Include

- The acquisition of an SBA-eligible business and owner-occupied commercial real estate (owner-occupancy minimum of 51% is required)
- Working capital
- Closing costs
- SBA guaranty fee
- The franchise transfer fee, if applicable
- New equipment, if needed
- Inventory

Loan Terms

If the acquisition does not include commercial real estate, the maximum loan term is 10 years, fully amortized with no prepayment penalty. If commercial real estate is included, the SBA allows a blended loan term with 10 years for the business acquisition and 25 years for real estate. However, if 51% or more of loan proceeds are allocated to real estate, the SBA allows a 25-year term.

Prepayment Penalties

A prepayment penalty applies to all loans with a term of 15 years or greater. The penalty is 5% in year one, 3% in year two and 1% in year three, and none after that. In addition, the SBA allows a borrower to prepay up to 25% of the outstanding principal per year without penalty.

Down Payment

The SBA requires a 10% equity injection. The entire 10% injection can be from the buyer or a combination of a 5% buyer down payment and 5% seller financing if the seller is willing to have their note on full standby with no principal and interest (P&I) payments for the life of the loan.

Eligible Sources of Buyer's Equity Injection Include

- Cash in savings or checking accounts, seasoned for two months
- Home Equity Line of Credit (HELOC) if there is a secondary source of repayment not related to the business to be purchased

- Gifted funds that do not need to be repaid
- Seller financing on full standby of no greater than 5% of the 10% equity required
- Investor contributions from partners
- Personal guarantees are required by all individuals who will own 20% or more of the business to be acquired.

Collateral Requirements

SBA requires the lender to be in the first position on all assets to be acquired. In addition, if there is less than one-to-one collateral coverage, the SBA requires the lender to take a lien on all real estate owned by personal guarantors with 25% or greater equity.

Pre-Qualification Documents

Typically, the pre-qualification documents required to acquire an RCFE or ARF include the following:

Seller-Related Documents

- Most recent three years of business federal tax returns
- Interim Profit and Loss (P&L) and Balance Sheet as of the last month's end
- Accounts receivable (A/R) & Accounts Payable (A/P) aging reports as of the last month's end

Buyer-Related Documents

- Resume
- Last three years of personal Federal tax returns and W2s, if applicable
- SBA Personal Financial Statement (PFS), form 413
- Credit authorization to obtain their credit report
- Buyer's transition plan
- If the buyer owns 50%+ of another business, the lender will need the last three years business tax returns, interim P&L and Balance Sheet as of the last month's end and a business debt schedule
- Executed letter of intent between buyer and seller, if available

After submitting a pre-qualification package to your lender, you can expect a loan officer to complete their review and respond with any initial questions before they issue a proposal letter. Timing varies from lender to lender, but typically, a proposal letter will be sent within a few weeks of submitting the documentation.

To explore SBA loans for RCFEs or ARFs, we will gladly provide you with a list of trusted lenders who are participants in the SBA Preferred Lender Program. PLP lenders can underwrite, approve and close loans without SBA review. This results in a significantly expedited process. Additionally, SBA preferred lenders are generally going to have a proven track record and SBA loan expertise that will be valuable to borrowers.

Current Listings



To view our current listings
visit our website at

www.rcferesource.com

CURRENT LISTINGS

LAGUNA HILLS - RCFE FOR LEASE

- Beautifully remodeled
- 4 BDR/2 BA, 1,700 s.f.
- \$5,800/mo. Lease + \$80K business

NORTH SAN DIEGO COUNTY - RCFE FOR SALE

- Licensed for 16
- 10 BDR/6 BA, 6000 s.f.
- Ocean View
- \$6.1M - Seller financing available

NORTHRIDGE - RCFE FOR SALE

- 6 BDR/3 BA, 2,500 s.f.
- ALW Home
- Cul-de-sac street
- Many updates
- \$1.2M home; \$180K business

COMING SOON

(please call for details)

MURRIETA - RCFE FOR SALE

- Home and Business
- Great net income!
- 6 BDR/4 BA, 2,850 s.f.

ROCKLIN- RCFE FOR LEASE

- 5 BDR/3 BA, 2,200 s.f.
- Nice neighborhood

FRESNO - RCFE FOR SALE

- Home and Business
- Licensed for 6
- Great home

RCFE MARKET REPORT: Hype Versus Data

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depending upon the type of financing utilized. In March of this year, rates for traditional homes eclipsed 7% for a couple of days before dropping to the mid-6s with the collapse of Silicon Valley Bank and a couple of other banks. Since then, it has been bouncing between 6.25% and 6.75%. It is stuck in this range until the economy slows, unemployment rises, job openings fall, and consumer spending eases. It takes a while for all the Federal Reserve's Federal Funds Rate increases to hit the economy fully. They have hiked the short-term rate from 0% to 5.5% in only 14 months, the swiftest rise since 1981. Ultimately, obtaining credit for businesses is substantially more costly today, eventually impacting the economy. Investors prefer long-term investments, such as treasuries and mortgage-backed securities, as the economy cools. This will result in rates dropping between 5.75% to 6.25%. If the economy slips into a recession, the flight to long-term investments will intensify, and rates will settle between 5.25% to 5.75%. These lower rates will increase demand as buyers' purchasing power and affordability improves.

FACT - The housing market is scorching, with the market time dropping to its lowest level since May last year. When homes are priced according to their Fair Market Value, they are greeted with plenty of activity, tons of showings, multiple offers, sell quickly, and, in many cases, sell for more than their asking prices. The same trend is occurring with RCFEs and ARFs. The Expected Market Time is a function of supply, the available number of homes, and demand, a snapshot of recent pending sales activity. Demand readings have been muted because of higher mortgage rates and a lack of sellers; you cannot purchase what is not for sale. There are currently plenty of frustrated buyers who are not able to buy after writing offers on multiple residential care homes with no success. When a care home generates three offers, only one buyer "wins." The exceptionally low inventory has contributed mightily to the low market time levels.

The bottom line: facts and data do not lie. Buyer, seller, and all consumer expectations should be grounded in facts, not the hype of social media channels continuously pushing false narratives. Today's housing market is hot and will not change much anytime soon. There is no crash in sight.

ASK THE BROKER WEBINAR SCHEDULE

RCFE Resource is happy to invite you to our monthly
"Ask the Broker" updates.

Each month, we will present topics of interest to the RCFE and ARF communities. We will email you a link to register. Hope to see you there!

Tuesday, June 20, 2023	1:00PM	"Selling Your Business"
Tuesday, July 25, 2023	1:00PM	"BUYING A TURNKEY CARE HOME vs CONVERTING A SINGLE FAMILY RESIDENCE"
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 CARE HOME"

DOES DEHYDRATION CAUSE HIGH BLOOD PRESSURE?

By Carolyn Williams, Ph.D., RD |
Excerpted from *EatingWell - Daily Nosh*



Signs of nutrient deficiencies usually take weeks or months to appear, but this isn't the case for water. Dehydration symptoms like a dry mouth, increased thirst, headache and decreased urination can come on within a few hours if you're not keeping tabs on your daily water and fluid intake. But mild dehydration is easily remedied with water or a water-electrolyte beverage.

Consequently, most people consider dehydration a temporary health issue with little to no long-term effects. Still, research has suggested that frequently being dehydrated may increase one's risk of developing high blood pressure. And this could be a problem, considering that the average American adult drinks only around 44 ounces of water daily—not meeting the daily recommendations, per the Centers for Disease Control and Prevention.

What is the Connection Between Dehydration and Blood Pressure?

When homeostasis, a state of equilibrium, is even slightly disturbed, the body has thousands of backup scenarios to initiate immediately to stabilize things and keep them running smoothly. The body's response to early dehydration is a great example! Here's how it works when you don't drink enough water or haven't had enough fluids.

- In the early stages of dehydration, blood volume (the amount of blood circulating in the body) decreases. This is because water makes up over half of your blood volume, per the National Institutes of Health.
- Decreased blood volume also causes an increased concentration of sodium in your blood. For reference, according to MedlinePlus, a normal range of blood sodium levels is considered 135 to 145 mEq/L. So, a value at the upper end of this range or above would be considered mild dehydration.
- The body does two things when it senses changes in blood volume and sodium level. The first is to initiate thirst in hopes you'll be prompted to find some hydration, and the second is to trigger the secretion of anti-diuretic hormone.
- The increase in ADH (also known as vasopressin) tells the kidneys to temporarily retain water to prevent any fluid loss (such as urination) and keep sodium concentration from increasing further. It also constricts blood vessels, which causes a temporary increase in blood pressure.
- Since blood volume is low, this increase in pressure is essential to help blood circulate.
- Once the rehydration process starts, ADH levels slowly decline and pressure returns to where it was previously.

How Frequent Dehydration Can Lead to High Blood Pressure

How could dehydration really lead to hypertension (or ongoing high blood pressure) if the changes above are temporary and resolved with hydration? This question is why researchers took a deeper look at the long-term effects that frequent episodes of dehydration may have. And it's a good thing they did, because regular episodes of mild dehydration have been associated with an increased risk for obesity, type 2 diabetes, dementia, chronic kidney disease and inflammatory bowel disease. Plus, some research suggests that frequent dehydration impacts the cardiovascular system, including contributing to hypertension.

According to the American Heart Association, there are two categories of hypertension; stage 1 and 2. Stage 1 is when your blood pressure regularly ranges between 130-139/80-89 mm Hg, whereas stage 2 is when your blood pressure is 140/90 mm Hg or higher.

A 2019 study published in *Nutrients* suggested that frequent dehydration due to inadequate water intake leads to changes in blood vessel function and blood pressure regulation. Over time, this can lead to long-term changes. In fact, researchers suggested that dehydration could be considered a primary risk factor for hypertension, blood clots, stroke and coronary heart disease because of these changes. Another study, published in 2022 in the *European Heart Journal*, found that high levels of sodium in the blood due to frequent dehydration may increase the risk of heart failure by 39%. And according to the AHA, high blood pressure is one of the most common causes of heart failure.

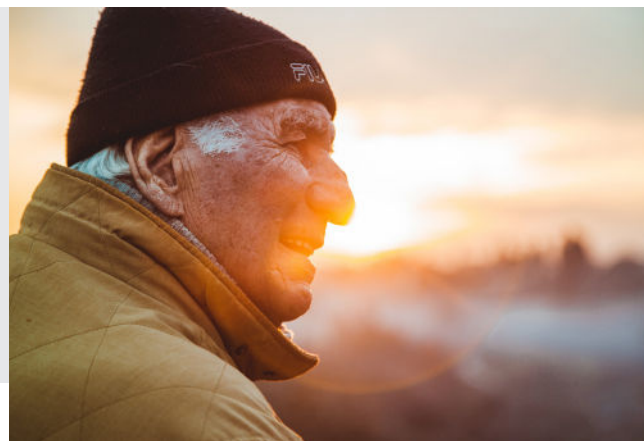
The Bottom Line

It's probably smart to consider an ongoing lack of adequate hydration as a risk factor for hypertension. This risk seems to stem from high levels of ADH and subsequent changes to blood pressure and the health of blood vessels that occur over time. While the body's backup plan when it senses dehydration is lifesaving, the response isn't intended to appear regularly.

It's important to note that factors like age, weight and height should be considered to determine how much water you should drink. And, drinking water isn't the only way to hydrate; certain foods can help you meet your needs too.

SKIN CANCER IN THE ELDERLY: SYMPTOMS, DIAGNOSIS AND TREATMENT

By: *AgingCare.com*



Skin cancer—the abnormal growth of cells that make up the outer layer of the skin (epidermis)—is one of the most common types of cancer among seniors. Symptoms are often subtle, so it's important to understand what to look for and how treatment decisions can be more complicated for older adults.

There are three major types of skin cancer:

1. Melanoma
2. Basal cell carcinoma (BCC)
3. Squamous cell carcinoma (SCC)
4. All three are common among seniors, but melanoma is the most aggressive and most deadly type.

What is Melanoma?

Cutaneous melanoma occurs when skin cells called melanocytes become cancerous. The skin has 2 main layers: the epidermis (upper or outer layer) and the dermis (lower or inner layer). Melanocytes are found throughout the lower part of the epidermis. They make melanin, the pigment that gives skin its color. When exposed to the sun, melanocytes make more pigment, which is what causes skin to tan or darken.

Melanoma can occur anywhere on the body. Malignant tumors typically develop in areas that are exposed to the sun, but skin cancer cells can also occur in areas that do not usually get sun exposure. In men, melanoma is often found on the trunk (the area from the shoulders to the hips), head and neck. In women, melanoma often develops on the arms and legs.

Melanoma Risk Factors

- Unusual moles
- Exposure to natural sunlight
- Exposure to artificial ultraviolet light (tanning booths)
- Family or personal history of melanoma
- Being white and older than 20 years
- Red or blond hair
- White or light-colored skin and freckles
- Blue or green eyes

Skin Cancer Symptoms to Look for

To be on the lookout for skin cancer, it's best to conduct a self-exam at least twice a year. In fact, the Skin Cancer Foundation recommends head-to-toe at-home skin checks once a month to ensure early detection.

The easiest way to remember the symptoms of skin cancer is by using the following A-B-C-D-Es mnemonic device.

- **A**symmetry: If a mole is divided in half, the two halves are different in size or shape.
- **B**order: Look for moles with irregular edges or borders.
- **C**olor: More than one color in a mole may be cause for concern.
- **D**iameter: Moles that are larger than the size of a pea should be examined by a physician.
- **E**volving: Changes in the appearance of an existing mole and the development of new moles around existing ones (known as satellite moles) should be discussed with a doctor. This also includes any moles, sores or areas of skin that itch, ooze, bleed or do not heal within three weeks.

Family caregivers can help their loved ones conduct these skin checks and note any areas of concern to track closely and discuss with a primary care doctor or dermatologist. Seniors who are at high risk for developing skin cancer are encouraged to see a dermatologist at least annually for a full-body skin check.

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OUR FEATURED LISTINGS

JUST SOLD! PORTFOLIO OF 3 RCFES



3 charming Residential Care Facilities for the Elderly (RCFEs) in the same neighborhood in Fresno! RCFEs located minutes apart. Each home licensed for 6.

To see additional pictures, go to "Fresno Portfolio" at www.RCFEresource.com/listings

For more information, please contact Michelle London at 949-397-4506

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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