

RCFE Resource

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RCFE RESOURCE MARKET REPORT

A 2024 Forecast for Board-and-Care Homes



HAPPY NEW YEAR!!! Now, what does that mean for California real estate in general and for residential assisted living facilities in particular?

First, let us look back at what happened in 2023 in terms of inventory, demand, and the Expected Market Time.

ACTIVE INVENTORY

The inventory remained extremely low all year and did not eclipse January levels.

During the Holiday Market, as rates dropped below 7% for the first time since July and hit levels last seen in May at 6½%, the inventory dropped by even more, with depleted number of available homes.

COVID suppressed the inventory in California in 2020 and 2021. A remarkable 85% of California homeowners with a loan enjoy a fixed rate at or below 5% (Q3-2023). 68% are at or below 4%, and 30% have a rate at or below 3%.

The inventory crisis deepened, not because of excess demand, but due to homeowners continuing to "Hunker Down."

DEMAND

Demand hit lows that dropped below Great Recession levels.

Demand for board-and-care homes dropped a bit this year, but not nearly the depletion realized for typical single-family homes. But from what we are seeing in the trenches, throughout the year, we have been fielding calls from well-qualified buyers who want to enter the industry or expand their portfolios. There has been no shortage of buyers.

THE 2024 FORECAST

Housing starts to thaw. After reaching a record peak in May 2022,

home values dropped through December, seven straight months of dropping prices. Yet, the inventory of available homes sank to start the year as rates dropped from their end-of-the-year 2022 highs. Home affordability improved slightly as the scarcity of homes available dropped to problematic, low levels, especially in the lower price ranges.

The muted supply overshadowed the affordability predicament, and home values rose throughout 2023, surpassing the May 2022 height. The Federal Reserve raised the Federal Funds Rate from 0 to 4.5% in 2022 and hiked it to 5.5% in 2023. Inflation eased from 6.4% in December last year to 3.1% in November 2023. Inflation is trending down, and at this point, the Federal Funds Rate appears too restrictive; thus, the FED indicates that the rate will need to be cut several times next year, or they risk slowing the economy too much and potentially causing a recession. Thus far, the United States economy has been resilient, backed by a very strong labor market, sky-high job openings, low unemployment, and increasing consumer spending. Yet, storm clouds are gathering as consumer savings rates are at their lowest levels since 2009, excess savings from pandemic stimulus checks are running dry, and credit card debt has risen sharply. As a result, the economy is poised to cool. Mortgage rates drop with a subdued economy. This will result in a hotter housing market. When will housing heat up next year? It depends on when the economy cools. The forecast has three different scenarios: it cools during the spring, summer, or fall.

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Ask The Broker

BUYING AN EXISTING RCFE BUSINESS

Q: I'm considering purchasing an existing RCFE business. What am I actually buying? The residents? The license? The income?

A: When you buy an existing RCFE business, you CANNOT buy residents or the license. The residents are free to go at will, but if they are happy with their home, customarily they will stay when the new owner takes over, absent significant rent increases or changes in the level of care required.

Your broker can negotiate a “**clawback clause**” into your purchase contract. A clawback agreement is between the seller and buyer of the business and provides that if the new buyer loses residents after the sale in the first few months not due to rent increases or changes in the level of care provided, then the buyer will receive a portion of the purchase price back. The terms of the agreement and the triggering event must be stipulated clearly in advance. Clawback clauses can be tricky and will definitely complicate transactions.

So, are you buying the license when you purchase a care home? You can't buy the license, because each new owner must obtain their own facility license. However, you are purchasing the right to operate under the **seller's facility license** until you have received your own.

This means you can start your operations for an RCFE when escrow closes, prior to obtaining your own facility license. You will collect rents and be responsible for expenses. Otherwise, you would be carrying a mortgage or lease for many months until such licensure occurs without any way to recoup cash flows from business operations.

For an Adult Residential Facility (ARF), you must also accomplish an additional step, namely, getting vendored by Regional Center in order to get

reimbursed for resident care.

Goodwill is the major asset you acquire when you purchase a care home. It is an intangible asset, as opposed to a tangible asset, like furniture or equipment. **Goodwill represents the difference between the selling price of the business and the fair market value of the tangible assets.**

Goodwill is based in part on the **principal of anticipation**, or, the anticipated future cash flows expected to be received from business operations. This is determined in part by an examination of the historical P&Ls. That's why it's imperative that sellers maintain accurate profit and loss statements that truly reflect revenues and expenses from operations.

Also contributing to goodwill is the reputation of the facility, its standing in the community, and how it compares to other care homes in the area. This positive influence will theoretically “rub off” on the new owner by means of word-of-mouth referrals from those familiar with the RCFE.

For ARFs, residents are furnished by Regional Center at a negotiated rate depending upon level of care (Levels 1, 2, 3 and 4a-4i), Level 1 being the lowest level of reimbursement and 4i the highest.

In conclusion, the primary assets you are acquiring when you purchase a care home are: (1) the ability to continue operations under the seller's license until you receive your own facility license; (2) goodwill; (3) Tangible assets, such as furniture, appliances and home goods; and (4) inventory of supplies on hand.

Please text your questions to: Michelle J. London at 949-397-4506. 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

HOLLYWOOD - LOS ANGELES COUNTY 2 ARFS LEVEL 4 (ICF-DD-N) FOR LEASE

- 6-BED ARF & 4 BED ARF
- \$5,500/MONTH LEASE EACH HOME
- BUSINESSES \$400K & \$375K
- GREAT INCOME!

HESPERIA - SAN BERNARDINO COUNTY 10 BED RCFE FOR SALE

- Facility and Business
- Grosses \$26K/mo.
- Price \$979K

COMING SOON
(please call for details)

PALM SPRINGS - RIVERSIDE COUNTY 20 BED RCFE FOR SALE FACILITY AND BUSINESS

CHULA VISTA - SAN DIEGO COUNTY RCFE FOR SALE

- Home and Business
- 6 BDR/3 BA, 2,465 s.f.
- Details to follow

RANCHO MIRAGE - RIVERSIDE COUNTY RCFE FOR LEASE

- 6 BDR/4 BA, 2400 sf.
- Licensed for 6

CATHEDRAL CITY - RIVERSIDE COUNTY 2 RCFE PORTFOLIO

- One 12-bed RCFE for Sale
- One 6-bed RCFE for lease
- Details TBA

RANCHO MIRAGE - RIVERSIDE COUNTY RCFE FOR LEASE

- Licensed for 6
- 4 BDR/2 BA, 2,300 s.f.
- Elegant Desert Charm!

LOS ANGELES - LOS ANGELES COUNTY RCFE FOR SALE

- Licensed for 6
- HOME VACANT
- Zoning permits capacity increase to 12
- Huge Lot - Near USC

CITRUS HEIGHTS - SACRAMENTO COUNTY 6 BED RCFE FOR SALE

- 4 BDR/2 BA, 2,100 s.f. RCFE
- 6-bedroom owner home attached
- 5,000 s.f. total
- Lovely Neighborhood!

WEST COVINA - LOS ANGELES COUNTY ARF LEVEL 4A - FOR SALE

- Licensed for 6
- 4 BDR/2 BA, 2,300 s.f.
- Very nice home!

GOOD-FOR-YOU CHOCOLATE CAKE

We're back with our monthly recipe segment, and this time we're tackling a classic favorite with a healthy twist - a delicious, nutritious Chocolate Cake! We understand the importance of providing your residents with treats that not only satisfy their sweet tooth but also contribute to their overall health. So, let's dive into this guilt-free indulgence.



Ingredients:

- 1 1/2 cups whole wheat flour
- 1/2 cup unsweetened cocoa powder
- 1 teaspoon baking powder
- 1/2 teaspoon baking soda
- 1/4 teaspoon salt
- 1/2 cup unsweetened applesauce
- 1 cup raw honey or pure maple syrup
- 2 large eggs
- 1 teaspoon pure vanilla extract
- 1 cup buttermilk or unsweetened almond milk
- 1/2 cup hot water

For The Frosting:

- 2 ripe avocados
- 1/2 cup unsweetened cocoa powder
- 1/2 cup pure maple syrup
- 2 teaspoons pure vanilla extract

Instructions:

1. Preheat your oven to 350°F (175°C). Grease a 9-inch cake pan and set aside.
2. In a large bowl, combine the whole wheat flour, cocoa powder, baking powder, baking soda, and salt.
3. In another bowl, mix together the applesauce, honey or maple syrup, eggs, vanilla extract, and buttermilk or almond milk.
4. Gradually add the wet ingredients to the dry ingredients, mixing well until combined. Stir in the hot water until the mixture is evenly combined.
5. Pour the batter into the prepared cake pan and bake for about 30-35 minutes, or until a toothpick inserted into the center comes out clean.
6. While the cake is baking, prepare the frosting. In a food processor, blend the avocados, cocoa powder, maple syrup, and vanilla extract until smooth.
7. Once the cake has cooled, spread the frosting evenly over the top.

And there you have it - a healthier version of a chocolate cake that's not only delicious but also packed with nutrients. This cake is a testament to the fact that desserts can be both tasty and good for you. Enjoy a slice with your afternoon tea or as a special treat after dinner.

Remember, eating healthy doesn't mean you have to sacrifice flavor. Stay tuned for more health-conscious recipes in our upcoming newsletters. Happy baking!

DISCLAIMER: Menu planning in assisted living facilities should be cost-effective, nutritious, and appealing. It's crucial to consult with residents' medical staff for food sensitivities or allergies. Strategies like shopping sales, using a set menu, and incorporating seasonal menus can help manage costs and provide variety.

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A 2024 Forecast for Board-and-Care Homes

Scenario 1 - Economy Cools During the Spring (50% chance)

- Interest Rates - Look for mortgage rates to drop to between 6% and 6.5% when the economy cools and inflation continues to ease. As the U.S. economy weakens yet does not slip into a deep recession, expect rates to fall below 6.5% and below 5% during the year's second half.
- Active Inventory - As mortgage rates improve, the "Hunkering Down" effect, where homeowners opt to stay in their homes due to their underlying fixed low mortgage rates, will diminish. More homes will enter the fray starting in the spring.
- Demand - buyer demand will pick up substantially during the Spring Market. As rates remain below 6.5% with duration, the housing market will heat up, similar to the COVID years between 2020 and the first half of 2022, due to increased affordability. Multiple offers and bidding wars will prevail and buyers will be willing to stretch in price to secure a home.
- Closed Sales - the number of successful closed sales will increase 2024.
- Home Values - home values will rise between 4% to 7% for the year.

Scenario 2 - Economy Cools During the Summer (45% chance)

- Interest Rates - mortgage rates will bump between 6.5% and 7.5% for the first five months of the year until the economy noticeably cools during the summer. From there, look for mortgage rates to drop to between 6% and 6.5% when the economy cools and inflation eases. As the U.S. economy weakens yet does not slip into a deep recession, expect rates to fall below 6.5% and below 5% at the end of the year.
- Active Inventory - As mortgage rates improve, the "Hunkering Down" effect, where homeowners opt to stay in their homes due to their underlying fixed low mortgage rates, will diminish. More homes will enter the fray starting in the summer.
- Demand - buyer demand will be sluggish during the Spring Market as rates bounce between 6.5% and 7.5%. It will pick up substantially during the Summer Market when rates drop. As rates remain below 6.5% with duration, the housing market will heat up, similar to the COVID years between 2020 and the first half of 2022, due to increased affordability. Multiple offers and bidding wars will prevail and buyers will be willing to stretch in price to secure a home.
- Closed Sales - the number of successful closed sales will increase
- Home Values - home values will rise between 1% to 4% for the year.

Scenario 3 - Economy Cools During the Fall (5% chance)

- Interest Rates - mortgage rates will bump between 6.5% and 7.5% for the first eight months of the year until the economy noticeably cools during the autumn. From there, look for mortgage rates to drop to between 6% and 6.5% with a cooler economy and easing inflation. Mortgage rates will remain above 6% for the year.
- Active Inventory - As mortgage rates improve, the "Hunkering Down" effect, where homeowners opt to stay in their homes due to their underlying fixed low mortgage rates, will diminish. More homes will enter the fray starting in the autumn.
- Demand - buyer demand will be sluggish during the Spring and Summer Markets as rates bounce between 6.5% and 7.5%. It will pick up during the Autumn Market when rates drop. As rates remain below 6.5% with duration, the housing market will heat up due to increased affordability. Multiple offers and bidding wars will prevail. Buyers will not be willing to stretch much above the purchase price all year.
- Closed Sales - the number of successful closed sales will increase.
- Home Values - home values will drop between 0% to 3% for the year.

Additionally, the housing market will follow a typical housing cycle. Spring is the strongest in terms of demand, followed by the Summer Market, then the Autumn Market, and finally the Holiday Market. Luxury housing will be sluggish and will continue to transition to normal, longer market times, often taking months to procure a sale. The Spring Market will be the strongest for luxury and become sluggish and susceptible to Wall Street volatility during the year's second half. Finally, do not expect a wave of foreclosures and short sales. Distressed properties are still far below pre-pandemic levels, and homeowners are sitting on mountains of equity.

The bottom line is that the economy will cool sometime in 2024. When that occurs, rates will drop, and the housing market will heat up. No matter what, there will be more homeowners opting to sell their homes, pending sales will increase and surpass 2023 levels, and there will be more closed sales. How hot the housing market gets in 2024 depends upon when the overall economy downshifts.

Happy New Year!

All predictions based on opinions expressed by leading Orange County, California economist Steven Thomas

ARE YOU AGING WELL? HERE ARE THE 7 SIGNS GERIATRICIANS LOOK FOR IN OLDER ADULTS

Story by: Marc Lallanilla - New York Times



There's getting older – and there's aging well.

Healthy aging goes far beyond simply eating right and exercising, according to Dr. Parul Goyal, a geriatrician at Vanderbilt Health in Nashville.

"Aging well, in my opinion, consists of three different components," Goyal told HuffPost. Those components are physical well-being, emotional connection and mental support.

When all those elements are in place, a healthy, happy, rewarding life is the result. And the following seven factors are an indication that you're taking all the right steps.

Keep learning new things

Because older people are usually far removed from school and work, there may be fewer opportunities to learn new things, so it's important to seek out opportunities to stay engaged and keep learning.

With her patients, Goyal spends time "making sure that they are staying mentally strong, they are using their mind, they are engaging in exercises to stimulate their mind, which means they are learning a new skill," she said.

She encourages her patients to practice new skills, whether it's a board game, a sport or other physical activity, a new language or a musical instrument. "That will help form new pathways in the brain so that they can continue to stay cognitively strong," Goyal said.

And there's data to back that up: A recent study published in JAMA Network Open looked at a range of activities that stimulate the brain. The research revealed that people who regularly participate in activities like using a computer, taking classes or journaling were up to 11% less likely to develop dementia.

Socializing with people, joining a book club, team sports and volunteering are good ways to exercise your brain and make it stronger. Speak up about your needs. Nobody wants to be a

burden, but suffering in silence is counterproductive and can lead to physical and mental health issues, so experts advise people to speak up.

"So often, people don't age well because they're not upfront about what their needs are," said Robyn Golden of Rush University Medical Center in Chicago. "How do we make it OK for people to say, 'This is what I need, I'm feeling lonely, I need someone to go out with on a Tuesday night?'"

And if someone is struggling with depression or anxiety, they need to let their doctor know. There may be an assumption that anxiety or depression in old age is normal, but Golden said that's not true.

"Depression can be treated at any age, and not just with medication, with counseling, with group interventions, you name it. So, I think that's part of how you age well, being open to being able to say, 'This is who I am, this is what I need,'" Golden said.

Engage with a community

In May 2023, US Surgeon General Dr. Vivek Murthy declared loneliness a serious health problem, saying, "Our epidemic of loneliness and isolation has been an underappreciated public health crisis that has harmed individual and societal health." Exercise and a healthy diet are as important as ever, even well into old age.

The problem has become even worse since the COVID-19 pandemic shut down schools, churches and businesses: "With the COVID pandemic, this has become really important. There was a lot of social isolation among our geriatric patients because they were confined to their homes," Goyal said.

Socializing helps your cognitive health, too, said Dr. Lee Lindquist, the chief of geriatrics at Northwestern Medicine in Chicago. "We think of the brain as a muscle, so if you sit in a room with four walls all day and not talk to anybody ... your brain is going to go to sludge

because it's not getting any stimulation," Lindquist said. And a recent study published in the journal *Nature Aging* found that greater social participation in midlife and late life is associated with 30 to 50% lower risk of dementia.

Socializing with people in person or on the phone, joining a book club, team sports and volunteering are good ways to exercise your brain and make it stronger.

Stay physically healthy

The fundamentals still apply, even in old age, so exercise and a healthy diet are as important as ever.

"I want people to keep moving, exercising. If you haven't moved in a long time, or you've been sitting down for a long time, it's sometimes useful to ask your doctors for a physical therapy order to help you with your gait and balance," said Lindquist.

And eating a healthy diet that's rich in fruits and vegetables, and one that aligns with a combination of the Mediterranean and DASH (Dietary Approaches to Stop Hypertension) diets, is a great way to fuel the older body, according to Goyal.

Do what you enjoy

Your senior years, even if you have an illness or an injury, don't mean you can't do what you love to do, whether that's traveling, learning new recipes, hiking or playing games with your friends.

"I love people who are doing activities and enjoying life, and doing it in a way that brings them enjoyment," Lindquist said.

"From my end, people get chronic illnesses throughout their life, but it's all about managing their care and doing the best they can," she added.

Polypharmacy

"Polypharmacy," or taking multiple drugs and supplements, can cause health problems. Review your medications. "Many times, we end up taking too many medicines for what we actually need," Lindquist said, noting

that a drug you were prescribed in your 50s might not be the best choice for you today. "Your body is always changing, it may not need [certain] meds."

There can also be problems related to "polypharmacy," or taking multiple prescription drugs, over-the-counter medicines and supplements. These can often interact with one another, causing additional problems.

A 2022 report from the University of California, San Francisco, found that about 58% of seniors with probable or possible dementia had otherwise good to excellent health, yet more than half took six or more medications – a habit that may result in adverse drug interactions and poor outcomes.

"So, it's imperative that you talk to your physician [or] a geriatrician ... specifically looking at what drugs are unnecessary or can be dangerous as you get older," Lindquist noted.

Have a plan

It's always a good idea to talk to your family and friends about what you want to happen if you are hospitalized, incapacitated or suffer memory loss. This helps your loved ones will be prepared if any unplanned, stressful situations occur.

"It's not planning for end of life, which is like hospice, or [planning] you're going to die in six months, this is planning for the 20 years before you need help," Lindquist explained. It's a way to ensure your voice is heard as you get older, and that those around you don't have to make important decisions for you.

And if you need planning advice on how to talk to people about these potentially stressful conversations, Lindquist and her colleagues created "Plan Your Lifespan," a free resource for older adults that's backed by research, studies and funding from the National Institutes of Health.

www.planyourlifespan.org

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SAVE-THE-DATE



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EXCELLENCE IN
SENIOR CARE

July 12-13
2024
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Real Estate Broker and CPA

Michelle J London
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Michelle J London
of RCFE Resource
will be giving a very
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Join Michelle at
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July 12 -13, 2024
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*We look forward to
seeing you there!*

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