February 2024

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RCFE RESOURCE MARKET REPORT

A Powerful Beginning

Unlike the sluggish start to 2023, this year's housing market has kicked off with a scarcity of homes available and a much faster pace.

THE 2024 START

***With the second-fewest homes to start a year since 2004, the residential care facility housing market is already hotter than pre-COVID years*.**

Farmers markets are growing in popularity. There are plenty of booths and crowds of people eager to shop outdoors and support the community even in the middle of winter. Those who have frequented them for years know January is not a great month for fruits. The selection is limited mainly to citrus. It is not the season for peaches, plums, melons, pineapple, berries, or apples. Squeezing between the crowds reveals half-empty shelves with very few options.

That is precisely what buyers are facing at the start of 2024. The California housing shelves are half empty. It is tough being a buyer looking for a care home today with higher mortgage rates and very few options to purchase. Demand is muted due to affordability constraints and fewer FOR-SALEs. Still, the inventory crisis eclipses today's diminished demand, resulting in a market that already feels hot at the beginning of February.

Mortgage rates are anticipated to drop this year, and the further they fall, the more homeowners will be more inclined to sell their care homes. With a higher mortgage rate environment and far fewer homes coming on the market, demand, a snapshot of the last 30 days of pending sales activity, is at its lowest level to start a year since tracking began 20 years ago. As rates drop this year, demand readings will increase due to more available homes and improving home affordability.

Today, demand may be at record low levels to start a year, even lower than last year, but when it is combined with a catastrophically low inventory, the Expected Market Time (the number of days to sell all listings in a given county at the current buying pace) is pretty hot compared to pre-pandemic levels. It may not be as insane as 2021 and 2022, but it is considerably hotter than what is considered "normal."

The board-and-care housing market will thaw from the holidays and improve from here. Cyclically, far more care homes will be placed on the market in January and February compared to November and December, the cycle lows yearly. Buyer demand will increase with the distractions of the holidays in the rearview mirror and more homes entering the fray. Further fueling the increase is how rates are now hovering around 6.75% today, after remaining above 7% since the end of July and even breaching 8% in October. The housing market's direction is predicated on the direction of mortgage rates and home affordability. As rates drop, affordability will eventually improve enough to instigate more demand. Mortgage rates will gradually fall as the economy slows this year and inflation continues to fall.

ATTENTION BUYERS: Waiting for the market to slow and negotiations to line up in a buyer's favor is not the answer. For the market to lean in favor of buyers, there needs to be considerably more care homes available to purchase compared to weak demand. Unfortunately, there is a chronic scarcity of care homes FOR-SALE in most counties in California. This will not suddenly change anytime soon based on all current trends.

Continued on Page 4...

Ask The Broker

USING SELLER FINANCING FOR SALE OF REAL ESTATE OR A BUSINESS - PROS AND CONS

Board-and-care homes provide personalized care and services to seniors and disabled adults who need assistance with daily activities, but do not require the level of medical care offered by nursing homes. Such homes are typically located in residential neighborhoods and have a homelike atmosphere.

If you are an owner looking to sell your property or business, you may want to consider using seller financing as a strategy to attract more buyers and get a better deal. Seller financing is when the seller provides a loan to the buyer to cover part of the purchase price, while the buyer pays the rest with a down payment and/or other sources of financing. The seller then receives monthly payments from the buyer, usually with interest, until the loan is paid off.

Seller financing can offer several benefits for both the seller and the buyer of a board-and-care property or business. In this article, we will discuss some of the pros and cons of seller financing, as well as some tips on how to use it effectively and reduce the risks involved.

Pros of Seller Financing for Sellers

1. Seller financing can help you sell your property or business faster and at a higher price. By offering seller financing, you can expand your pool of potential buyers, especially those who may not qualify for traditional bank loans or SBA loans. You can also negotiate a higher interest rate and a higher purchase price, since you are providing a valuable service to the buyer.

2. Seller financing can help you defer taxes on your capital gains. If you sell your property or business for a profit, you will have to pay taxes on the difference between the selling price and your basis (the original cost of the property or business plus any improvements). However, if you use seller financing, you can spread your capital gains over the term of the loan, instead of paying them all at once in the year of the sale. This can lower your tax liability and allow you to reinvest your money in other ventures.

3. Seller financing can provide you with a steady income stream. By receiving monthly payments from the buyer, you can enjoy a passive income that can supplement your retirement or other sources of income. You can also earn interest on the loan, which can increase your return on investment. Depending on the terms of the loan, you may also have the option to sell the note to another investor or lender, if you need to cash out sooner.

Cons of Seller Financing for Sellers

1. Seller financing can expose you to the risk of default or foreclosure. If the buyer fails to make the monthly payments or violates the terms of the loan, you may have to take legal action to recover your money or repossess the property or business. This can be costly and time-consuming, and you may end up with a property or business that has lost value or has been damaged or mismanaged by the buyer. To reduce this risk, you should carefully screen the buyer's credit history, credit scores, and experience in the residential assisted living industry. You should also secure the loan with a promissory note and a deed of trust or mortgage, and record them with the county recorder's office. This will give you the right to foreclose on the property or business if the buyer defaults on the loan.

2. Seller financing can limit your liquidity and flexibility. By providing seller financing, you are tying up your money in the loan for the duration of the term, which can range from 3 to 5 years or longer. This means that you will not have access to the full amount of the sale proceeds until the loan is paid off. This can limit your ability to pursue other opportunities or deal with unexpected expenses or emergencies. To increase your liquidity and flexibility, you should try to negotiate a shorter term, a higher down payment, a balloon payment, or a prepayment penalty. You should also consider selling the note to another investor or lender, if you need to cash out sooner.

Depending on the financial needs of the seller, and whether they would prefer a lump sum or a stream of income from the sale of their board-and-care, seller financing offers a variety of benefits. Exercise caution and investigate your buyer's financial capability prior to offering seller financing for the sale of your property or business.

Current Listings

To view our current listings visit our website at

www.rcferesource.com

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!

SAN DIEGO – SAN DIEGO COUNTY
4-BED ARF LEVEL 2 – STAFF
- 4 BDR/2 BA, 1,950 s.f.
- Wonderful caregivers!

MIXED BERRY CRUMBLE

One delicious and healthy dessert option that residents of board-and-care homes might enjoy is a Mixed Berry Crumble. This dessert is packed with nutritious fruits and whole grains, and it can be easily customized to accommodate different dietary needs. Here's a recipe for a scrumptious Mixed Berry Crumble:

Ingredients:
- 4 cups mixed berries (such as strawberries, blueberries, raspberries, and blackberries)
- 1 tablespoon lemon juice
- 1 tablespoon honey (or maple syrup for a vegan option)
- 1 cup rolled oats
- 1/2 cup almond flour (or any other flour of choice)
- 1/4 cup chopped nuts (such as almonds or walnuts) OPTIONAL
- 1/4 cup coconut oil (or melted butter for a non-vegan option)
- 2 tablespoons honey (or maple syrup)
- 1 teaspoon vanilla extract
- 1/2 teaspoon cinnamon
- Pinch of salt

Instructions:
1. Preheat your oven to 350°F (175°C).
2. In a mixing bowl, combine the mixed berries, lemon juice, and 1 tablespoon of honey. Toss gently to coat the berries evenly.
3. Transfer the berry mixture to a baking dish or individual ramekins.
4. In another bowl, combine the rolled oats, almond flour, chopped nuts, coconut oil, 2 tablespoons of honey, vanilla extract, cinnamon, and salt. Mix until the ingredients are well combined and form a crumbly texture.
5. Sprinkle the oat mixture evenly over the berries in the baking dish.
6. Bake in the preheated oven for about 25-30 minutes, or until the berries are bubbling and the crumble topping turns golden brown.
7. Remove from the oven and let it cool for a few minutes before serving.
8. Serve the Mixed Berry Crumble warm, either on its own or with a dollop of Greek yogurt or a scoop of vanilla ice cream for an extra treat.

This Mixed Berry Crumble is not only delicious but also provides a good amount of fiber, antioxidants, and healthy fats. It can be enjoyed by residents with a sweet tooth while still being a healthier dessert option. Be sure to consult with residents' medical professionals to ensure that this dessert complies with their dietary requirements or restrictions.

"GOOD CHOLESTEROL" AND DEMENTIA – A CORRELATION?

Story by: The Washington Post - January 22, 2024

Despite its nickname as the "good cholesterol" because of its cardiovascular benefits, high-density lipoprotein (HDL) cholesterol was linked to as much as a 42 percent increased risk for dementia in older people with very high levels of HDL, according to research published in a Lancet journal, the Lancet Regional Health - Western Pacific.

Although HDL helps remove cholesterol from people's arteries, the researchers wrote that, at very high levels, HDL's structure and actions change, and it "may become deleterious to health" in various ways. For more than six years, they tracked 18,668 study participants, all 65 or older and all physically and cognitively healthy at the start of the study. In those years, cognitive dementia was diagnosed in 850 participants (4.6 percent).

Those with very high HDL levels were more likely to have developed dementia than were those with more optimal HDL levels. For instance, the oldest participants with high HDL levels (those 75 or older) were 42 percent more likely to have developed dementia than those with normal HDL levels, and overall, anyone with high HDL levels had a 27 percent increased risk for dementia.

For adults, an HDL level of 40 mg/dL or higher is considered healthy for men and 50 mg/dL or higher is considered a healthy level for women. For the study, very high levels of HDL were considered to be 80 mg/dL or higher.

The researchers wrote that the increased dementia risk from high HDL levels "appeared to be independent of traditional dementia risk factors, including physical activity level, alcohol intake, education, diabetes or smoking," as well as genetic influences.

The researchers indicated that the reason for the link between high HDL levels and dementia risk was "unclear" and that further study would be needed to explain the connection.

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A Powerful Beginning

With mortgage rates anticipated to drop further this year, there will be increased buyer competition with increased care home affordability. Yes, more care home owners will opt to sell as rates drop, but the more robust demand will offset any increase. Instead, buyers should pursue a purchase with patience and steadfast determination. It may take several offers to find success, but it is that kind of persistence that is ultimately rewarded with the keys to a new care home.

ATTENTION SELLERS: Take advantage of the hotter market by pricing a care home close to the last comparable or pending sale. Careful pricing will allow a seller to tap into all the buyers waiting for every care home that hits the market. A realistic price will allow a seller to attract immediate interest. Sellers who stretch the asking price too much and grossly overprice will result in wasted market time and less activity as the price is adjusted down the road. In this market, it is best to take advantage of the buyer pool that is carefully watching and waiting for every new care home that matches their search requirements.

3 KEY FACTORS AFFECTING CARE HOME AFFORDABILITY

Article Courtesy of: Keeping Current Matters - January 18, 2024

Over the past year, a lot of people have been talking about housing affordability and how tight it's gotten. But just recently, there's been a little bit of relief on that front. Mortgage rates have gone down since their most recent peak in October. But there's more to being able to afford a care home than just mortgage rates.

To really understand care home affordability, you need to look at the combination of three important factors: mortgage rates, care home prices, and wages. Let's dive into the latest data on each one to see why affordability is improving.

1. Mortgage Rates

Mortgage rates have come down in recent months. And looking forward, most experts expect them to decline further over the course of the year. Jiayi Xu, an economist at Realtor.com, explains:

"While there could be some fluctuations in the path forward … the general expectation is that mortgage rates will continue to trend downward, as long as the economy continues to see progress on inflation."

And even a small change in mortgage rates can have a big impact on your purchasing power, making it easier for you to afford the care home you want by reducing your monthly mortgage payment.

2. Care Home Prices

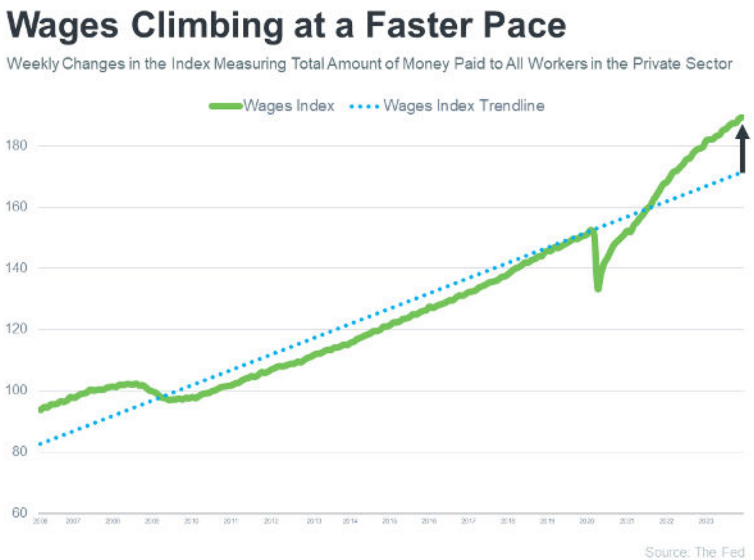
The second important factor is care home prices. After going up at a relatively normal pace last year, they're expected to continue rising moderately in 2024. That's because even with inventory projected to grow slightly this year, there still aren't enough care homes for sale for all the people who want to buy them. According to Lisa Sturtevant, Chief Economist at Bright MLS:

"More inventory will be generally offset by more buyers in the market. As a result, it is expected that, overall, the median home price in the U.S. will grow modestly . . ."

That's great news for you because it means prices aren't likely to skyrocket like they did during the pandemic. But it also means it'll probably cost you more to wait. So, if you're ready, willing, and able to buy, and you can find the right care home, purchasing before more buyers enter the market and prices rise further might be in your best interest.

3. Wages

Another positive factor in affordability right now is rising income. The graph below uses data from the Federal Reserve to show how wages have grown over time:
If you look at the blue dotted trendline, you can see the rate at which wages typically rise. But on the right side of the graph, wages are above the trend line today, meaning they're going up at a higher rate than normal.



Higher wages improve affordability because they reduce the percentage of your income it takes to pay your mortgage. That's because you don't have to put as much of your gross income toward your monthly mortgage cost.

What This Means for You

Care home affordability depends on three things: mortgage rates, care home prices, and wages. The good news is, they're moving in a positive direction for buyers overall.

Bottom Line

If you're thinking about buying a care home, it's important to know the main factors impacting affordability are improving.

To get the latest updates on each, **connect with Michelle J. London TODAY at 949-397-4506.**

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