

RCFE Resource

BUY, SELL & LEASE WITH CONFIDENCE

Call us **TODAY** for a **FREE** valuation of your care home and business.
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RCFC RESOURCE MARKET REPORT

The Rate Migration

Mortgage rates have crept their way back above 7% with hotter than expected economic readings, resulting in a slowdown in purchase activity.

RATE SENSITIVITY

The 7% mortgage rate is a psychological barrier to the housing market.

Airline travel is particularly sensitive to airfare pricing. There are so many online choices to compare fares easily. Travelers quickly jump for more affordable options, even if it means changing traveling dates, accepting layovers, or flying on a red-eye. When airfares spike, many travelers alter or scrap their travel plans altogether. Yet, if fares unexpectedly drop, demand soars, and flights are booked seemingly overnight. The price sensitivity of airline consumers makes it tricky for airlines to fill planes and still earn a profit.

Similarly, prospective care home buyers are very sensitive to how much their monthly payment will be, which is determined by the prevailing mortgage rate. Care home values skyrocketed higher as mortgage rates plunged to record lows from 2020 through the first few months of 2022. That changed as mortgage rates soared from 3.25% at the start of 2022 to 7.37% by October. In 2023, rates climbed from 5.99% in February to 8% in October. They remained above 7% from the end of July 2023 through mid-December. Despite a limited supply, values do not change much when rates climb above 7%. The combination of elevated home prices and the high mortgage rate environment has resulted in an exceptionally rate-sensitive housing market.

The Federal Reserve set out on a course to bring down inflation, which had spiked to 9% by June 2022. Inflation has been an international problem linked to disruptions in the global supply chain and considerable shifts in demand due to the COVID-19 pandemic. The Consumer Price Index has dropped to 3.1% but has a long way to go to hit the Federal Reserve's 2% target. The Federal Reserve has indicated that they will most likely drop the short-term Federal Funds Rate three times this year. Still, they are very data dependent, meaning they watch every U.S. economic data point, from the number of job openings to consumption to many monthly inflation indicators.



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Ask The Broker

UPDATING PRIOR TO SALE

Q: I'm planning on personally performing some updates prior to selling my residential care facility. Is this recommended?

A: Home inspectors say they can spot the work of an amateur versus a pro.

Care home owners may have gotten overconfident with their DIY skills or their reliance upon unlicensed handymen. Armed with YouTube tutorials, more care home owners and their handymen have been drawn to DIY house projects to save money and bypass waits for overbooked contractors. Home inspectors are seeing the results of that DIY surge. When care home owners go to sell, they say more DIY jobs are popping up as red flags.

"We want homeowners to be handy, but we want them to be careful about what they choose to do to their home," says Adam Long, president of the HomeTeam Inspection Service, which has 200-plus offices nationwide. "It's important to know when to call in a professional. Saving \$200 to \$300 for an electrician or plumber could end up costing you thousands in the end."

Here are the areas where home inspectors are noticing an uptick, Long says.

#1 Electrical Work

Common DIY tasks: Installing a lighting fixture, ceiling fan, or dimmer switch

Risks: Electrocution and home electrical fires

Red flags: Inspectors are spotting overloaded circuit boxes, wires left exposed or the wrong wires being used, and improper junction boxes.

"Any changes in the electrical box can be problematic, even when it seems minor like adding a dimmer or wall switch or even a Wi-Fi-enabled switch," Long says. Personal dangers aside, faulty wiring can cause shorts that lead to house fires.

Further, homeowners who do their own electrical work may have failed to get the necessary permits—approvals from municipalities that shows a job was done to code. Failing to get permits can result in fines and hold up a care home sale.

#2 Plumbing

Common DIY tasks: Changing a faucet or appliance

Risks: Water leaks or flooding to the home and mold

Red flags: Plumbing that is wrongly installed or repaired

can cause significant damage to a home, such as flooding and eventual wood rot and mold growth, which can affect air quality and human health. "Be careful any time you do anything with the home's plumbing to make sure you are doing it safely and correctly," Long says. Homeowners may be tempted to change a faucet or update an appliance like a dishwasher. But one wrong connection can lead to costly damage. A dishwasher requires lots of water pressure. If it's not properly hooked up, homeowners could experience significant flooding in a kitchen.

#3 Roofing & Decks

Common DIY tasks: Installing or extending a new deck or repairing roof shingles

Risks: Injuries from falls and damage to the home

Red flags: Home inspectors say DIY deck installations often are improperly attached to the house or have loose, insecure handrails, both of which pose safety concerns. With roofs, homeowners may try to replace a shingle. "Professionals take extra precautions and know how to stay safe on the roof while making repairs," Long says. Decks and roofs are some of the highest-priced home items to fix—and where the labor tends to be more expensive than materials, homeowners are too often tempted to do it themselves for the savings, Long says.

#4 Landscape Grading

Common DIY tasks: Adding landscaping or outdoor elements that change water flow around the home

Risks: Improper draining, flooding, and structural damage

Red flags: Inspectors may spot puddles of water around the home's foundation. When the house was built, the yard was graded so that water would flow away from the home. But after a few years, grading may not have been properly maintained. This can cause water to rush around the foundation and lead to structural damage or water entering a basement or crawl space. "This one is an easy one to pay attention to, especially when directing water away from the foundation. The gutters should be directing water away from the foundation, too."

So, while it may be tempting to DIY or use an unlicensed handyman, remember that saving a few dollars on repairs by a professional may jeopardize your safety or inflict unforeseen damage on the home. YOU will end up paying the price for shoddy work when the care home sells.

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

WEST COVINA - LOS ANGELES COUNTY

ARF LEVEL 4A - FOR SALE

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

COMING SOON

(please call for details)

PALM SPRINGS - RIVERSIDE COUNTY

20 BED RCFE FOR SALE FACILITY AND BUSINESS

SAN DIEGO - SAN DIEGO COUNTY

ARF FOR SALE - LEVEL 2

- 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!



HEALTHY CARROT LOAF

Here's a healthy recipe for a carrot loaf using applesauce instead of oil and truvia or stevia for sweetener. Your residents are sure to enjoy this treat!

Ingredients:

- 2 cups grated carrots
- 1 cup unsweetened applesauce
- 1/2 cup truvia or stevia (or to taste)
- 2 eggs
- 1 teaspoon vanilla extract
- 1 1/2 cups whole wheat flour
- 1 teaspoon baking soda
- 1/2 teaspoon baking powder
- 1/2 teaspoon salt
- 1 teaspoon ground cinnamon
- 1/4 teaspoon ground nutmeg
- 1/4 teaspoon ground ginger
- 1/2 cup chopped walnuts or pecans (optional)

Instructions:

1. Preheat your oven to 350°F (175°C). Grease and flour a loaf pan.
2. In a large bowl, combine the grated carrots, applesauce, truvia or stevia, eggs, and vanilla extract. Mix well.
3. In a separate bowl, whisk together the whole wheat flour, baking soda, baking powder, salt, cinnamon, nutmeg, and ginger.
4. Gradually add the dry ingredients to the wet ingredients, mixing until just combined. Do not overmix.
5. If using, fold in the chopped walnuts or pecans.
6. Pour the batter into the prepared loaf pan and smooth the top.
7. Bake for 50-60 minutes, or until a toothpick inserted into the center comes out clean.
8. Allow the loaf to cool in the pan for 10 minutes, then transfer it to a wire rack to cool completely before slicing.

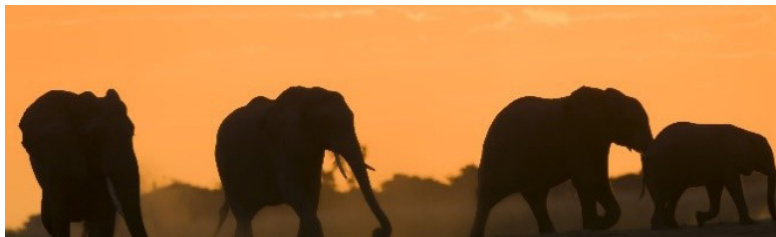
If in doubt, discuss with your residents' healthcare professionals to ensure that your resident may safely enjoy this dessert.

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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RCFE RESOURCE MARKET REPORT

The Rate Migration



In December, right after indicating that they would be cutting rates in 2024, rates plunged from 7.09% to 6.62%, its lowest rate in seven months. Since then, a series of economic reports suggest that the economy has not entirely cooled enough for the Fed to start its cuts. Many anticipated the cuts to begin as early as March, but now it looks more like June. This change resulted in rates climbing to 7.1%, according to Mortgage News Daily.

The change in rates has cut into care home affordability. On February 1st, mortgage rates dropped to nearly 6.5%. Buyers desirous of a \$5,000 per month principal and interest payment with 20% down, at 6.5%, would be looking at a \$988,750 home. As mortgage rates migrated back up to 7%, those same buyers are now looking at a \$940,000 home, nearly \$50,000 less of a home.

Interest Rates Impact on Affordability

	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
\$5,000 Desired Monthly Payment	↓ Price of Home Able to Afford ↓					
	\$1,101,250	\$1,042,500	\$988,750	\$940,000	\$893,750	\$851,250

*Mortgage Payment is Principal & Interest Only & 20% Down Payment

In February 2023, mortgage rates averaged 6.6% versus 7.0% so far this February. Affordability absolutely has had an impact on demand. But from the trenches, our experience is that we are fielding a larger number of inquiries for RCFEs, ARFs and ALFs and are obtaining a greater number of listings in 2024.

As mortgage rates migrate higher, demand typically slows, and the market speed slows. This has been true for residential real estate, typical single-family homes, but not to the same degree with care facilities. Rising rates are like removing pressure on the housing market gas pedal. As the economy cools, which is projected to happen sometime this year, rates will fall, and the Fed will start slashing the short-term Federal Funds rate. Care home affordability will improve as rates migrate downward. At 6%, the buyer looking for a \$5,000 payment could afford a \$1,042,500 home, equating to \$102,750 more purchasing power than 7%. As mortgage rates drop, demand improves, and the speed of the market accelerates. The lower rates fall, the more pressure is placed on the housing market gas pedal, and the hotter the housing market will become.

Another way of looking at affordability is to look at various payments for a care home based on changing mortgage rates. Buyers looking to purchase a \$1 million home with 20% down would be looking at a monthly principal and interest payment of \$5,322 at today's 7% rate. When rates were at 8% last October, the payment was \$5,870, an additional \$548 per month or \$6,576 per year. Yet, as many economists project, if rates drop to 6%, the monthly payment would fall to \$4,796, a \$526 monthly savings compared to 7%, or \$6,312 per year.

	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Payment	↓ Mortgage Payment on a \$1 Million Home with \$800,000 Loan ↓					
	\$4,542	\$4,796	\$5,057	\$5,322	\$5,594	\$5,870
Extra Annual Cost Compared to Jan 1st	-\$9,360	-\$6,312	-\$3,180	\$0	\$3,264	\$6,576



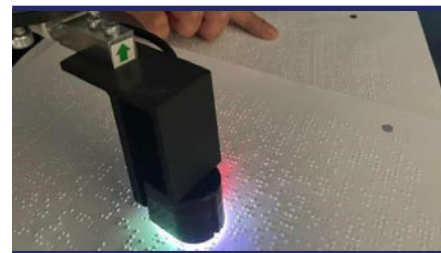
Higher rates dampen housing activity. It not only impacts demand, but it also affects the number of homeowners willing to sell. When mortgage rates migrate lower, not only will demand rise, but the number of care home owners willing to sell will rise. The closer rates dive toward 6%, the more inclined homeowners will be to list their care homes. When rates eventually fall below 6% and into the upper 5% level, the needle will move even further for the number of homeowners willing to participate in the housing arena. Just as

7% is a psychological barrier for so many consumers that ultimately downshifts the speed of the housing market as rates surpass that mark, 6% is another psychological barrier where housing will heat up noticeably as rates drop into the 5's.

As rates slowly migrate higher, the market cools, limiting supply and demand. When rates eventually fall, demand will rise, more homeowners will sell, the housing market will speed up, and there will be a noticeable increase in closed sales.

BRAILLE BOT READS AT SUPERSPEEDS, COULD FAST-TRACK OTHER ASSISTIVE DEVICES FOR SENIORS

Aaron Dorman - Mcknight's Tech Daily News - Photo courtesy of the University of Cambridge



A newly developed robot sensor can read braille at twice the speed of human readers, researchers say.

The ability for an assistive device that helps blind users would have major value in and of itself, but the concept behind the robotic technology could be expanded to more uses as well, the researchers added.

"The high sensitivity required to read braille makes [the robot] an ideal test in the development of robot hands or prosthetics with comparable sensitivity to human fingertips," a video from the researchers explained.

Vision loss may affect up to two-thirds of senior care home residents, data show, although this loss occurs on a spectrum from mild vision impairment to full blindness. The problem gets worse with age and 20% of older

adults aged more than 85 years have permanent vision loss, according to the organization Prevent Blindness.

Despite an oft-cited statistic that 10% of blind Americans can read braille, one recent study has called the accuracy of that statement into question – and whether there currently are reliable measurements for braille literacy at all.

Current robotic methods of reading braille are slow and must interpret one letter at a time, the researchers said, noting that the new robot, which used artificial intelligence, was able to read 315 words per minute with 87.5% accuracy.

The study was conducted by researchers at the University of Cambridge; the goal of future studies will be to develop smaller robotic models that shrink the current bulky

reader down to a hand-sized tool, the researchers said.

Although the braille bot may not be commercially viable yet, senior living and care providers can do many things to help aid vision-impaired residents, including creating strong color and design contrast among furniture, improving lighting systems and adopting voice-activated helpers or other assistive technology, experts recommend.

In addition to braille-reading robots, other novel technologies being developed for vision-impaired older adults include "glasses for the blind" that could identify obstacles in one's path and help prevent falls, the McKnight's Tech Daily reported earlier last month.

POSTURE ANALYSIS PRODUCES THE MOST ACCURATE FALL RISK PROFILES FOR SENIORS, STUDY SHOWS

By Aaron Dorman - Mcknight's Tech Daily News

Many senior living and care operators are turning to AI-enabled fall prevention tools. The ideal behind this slate of software and sensors is not just to anticipate an immediate risk of falling, but to create a risk profile for residents that can prevent emergencies long-term.

But although almost everyone – including older adults themselves, buys into the value of falls prevention tech – a debate exists over which blend of data or process produces the most accurate results. A new study shows that using AI to analyze how residents conduct various standing and balance exercises produces a superior fall-risk profile (compared with using AI to extrapolate from past falling incidences). One of the study's aims was to parse the nuances of monitoring tools.

Researchers refer to the AI analysis of posture as "computerized posturography." Study participants were asked to conduct a physical "up-and-go test," with data captured by HTC VIVE headsets, to produce a fall risk stratification profile.

"The prevention of falls is challenging for the complexity and

dynamic nature of contributing factors," the study authors wrote. "Older adults may still function well in community settings despite gradually declined balance function. The findings of our study indicated that the incorporation of feature selection techniques can significantly improve the accuracy and overall performance [of monitors]."

The AI-analysis of posture was superior to both pencil-and-paper questionnaire screeners and human-only evaluation of mobility, the researchers said. The study report was careful to include an explanation of the AI techniques and process. Currently one of the biggest issues around trusting AI tools is the lack of transparency around how these models work, the McKnight's Tech Daily reported.

AI remains a "black-box framework," the study authors acknowledged, and "can be a significant drawback for the underlying trust issue and lead to low use in practice, especially in healthcare."

The study was published Monday in the Journal of NeuroEngineering and Rehabilitation.

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Real Estate Broker & CPA
Michelle J London
of RCFE Resource
will be giving a very
special presentation that
you don't want to miss!

Join Michelle at
this year's
RAL Conference
to be held

July 12 -13, 2024
at the Marriott
Anaheim Hotel

*We look forward to
seeing you there!*

SAVE-THE-DATE



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EXCELLENCE IN
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