



Senior Living Solution

About RealPage Senior Living

Industry Expertise

- Assisted Living
- Nursing
- Finance
- Technology

Proprietary Resident Acuity Assessment Tool

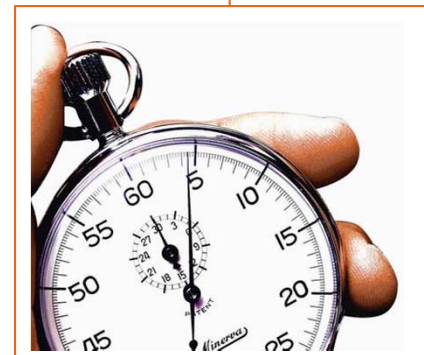
- Calculate the actual cost of care
- Automate service plans
- Actual increases in direct care revenue of up to 30%

Integrated Property Management System

- Automate leasing, renting, management and accounting processes
- Seamlessly transfer data between resident care and accounting systems

Benefits of RealPage Senior Living

- ▶ Increase direct care **REVENUE**
- ▶ Save **TIME** on resident assessments
- ▶ Improve corporate oversight
- ▶ Reduce cost creep
- ▶ Easy access and transfer of data
- For more information, call 1-888-361-6957 or visit www.realpage.com



Who'll Finance My Deal? And on What Terms?



Peter Delmage, GE Capital



Jung Park, Capital Source



Steve Blazejewski,
Health Care REIT, Inc.



Jeff Ringwald,
Red Mortgage Capital, LLC



Dan Hill, Seasons Management, LLC

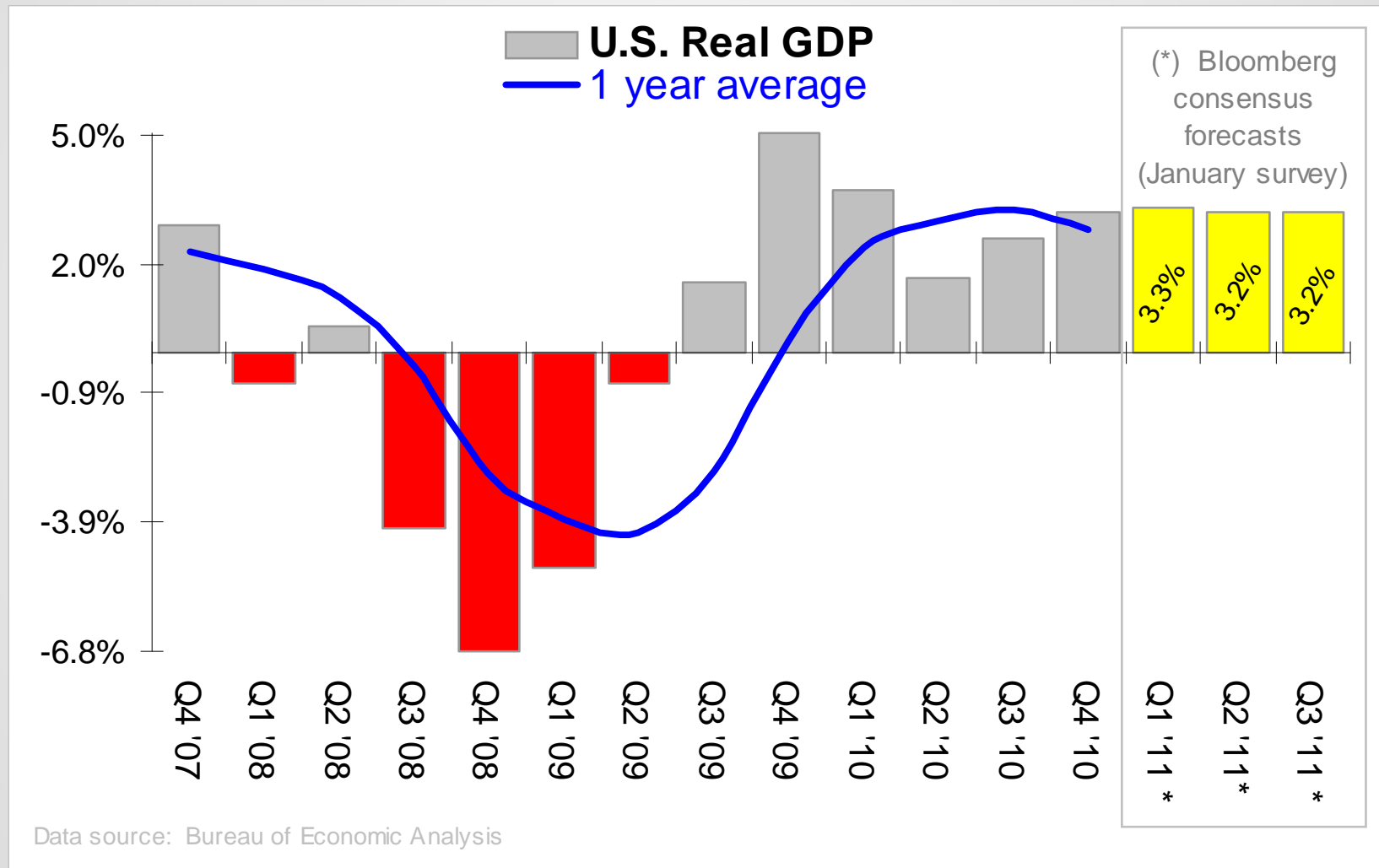
Who'll Finance My Deal? And on What Terms?

- Who are the players?
- What are your options?

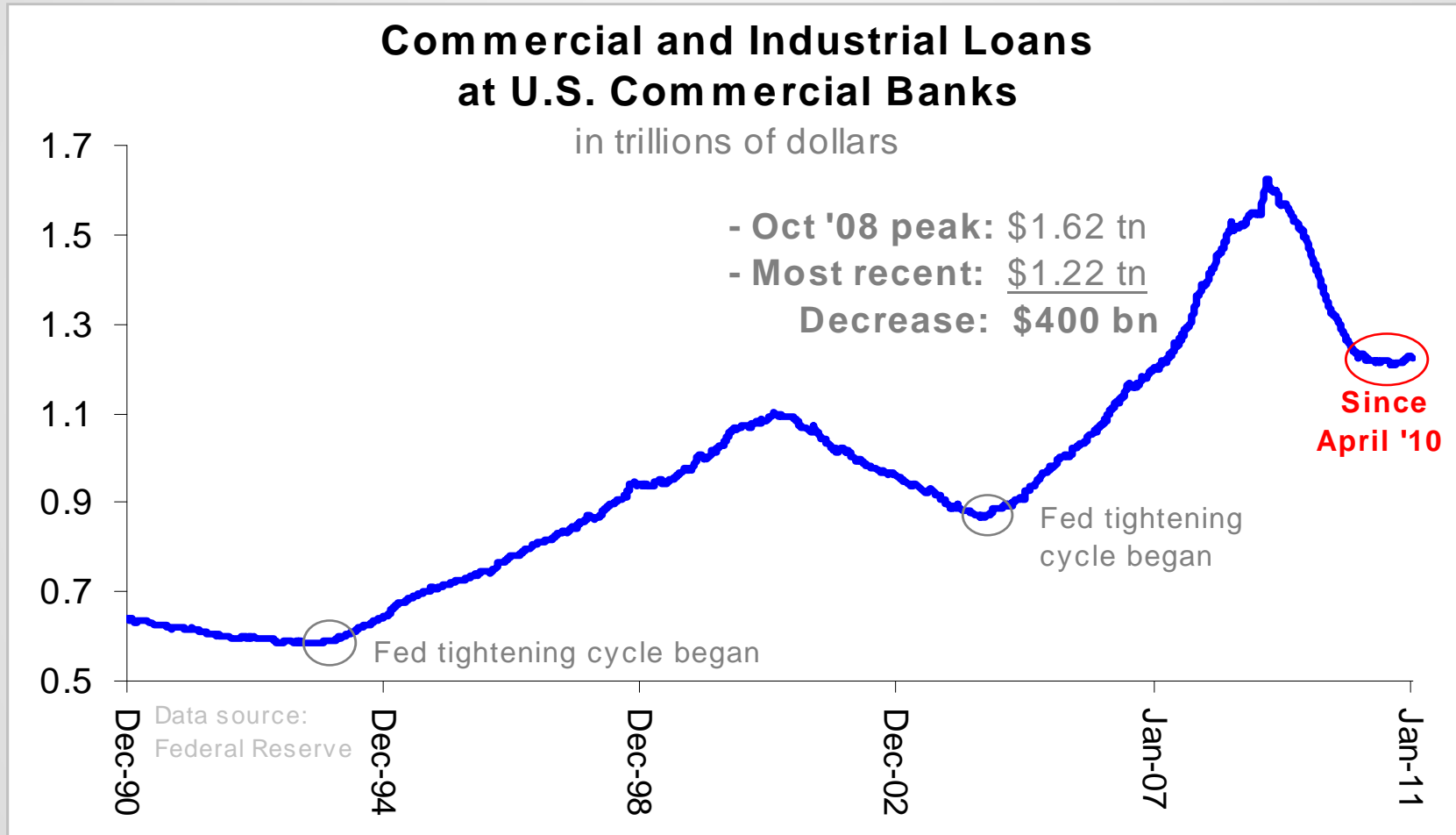
Banks, REIT's, Finance Companies, Agency

- Latest Lender Underwriting Practices and trends.
- Where are we in the cycle?
- Results from the survey.

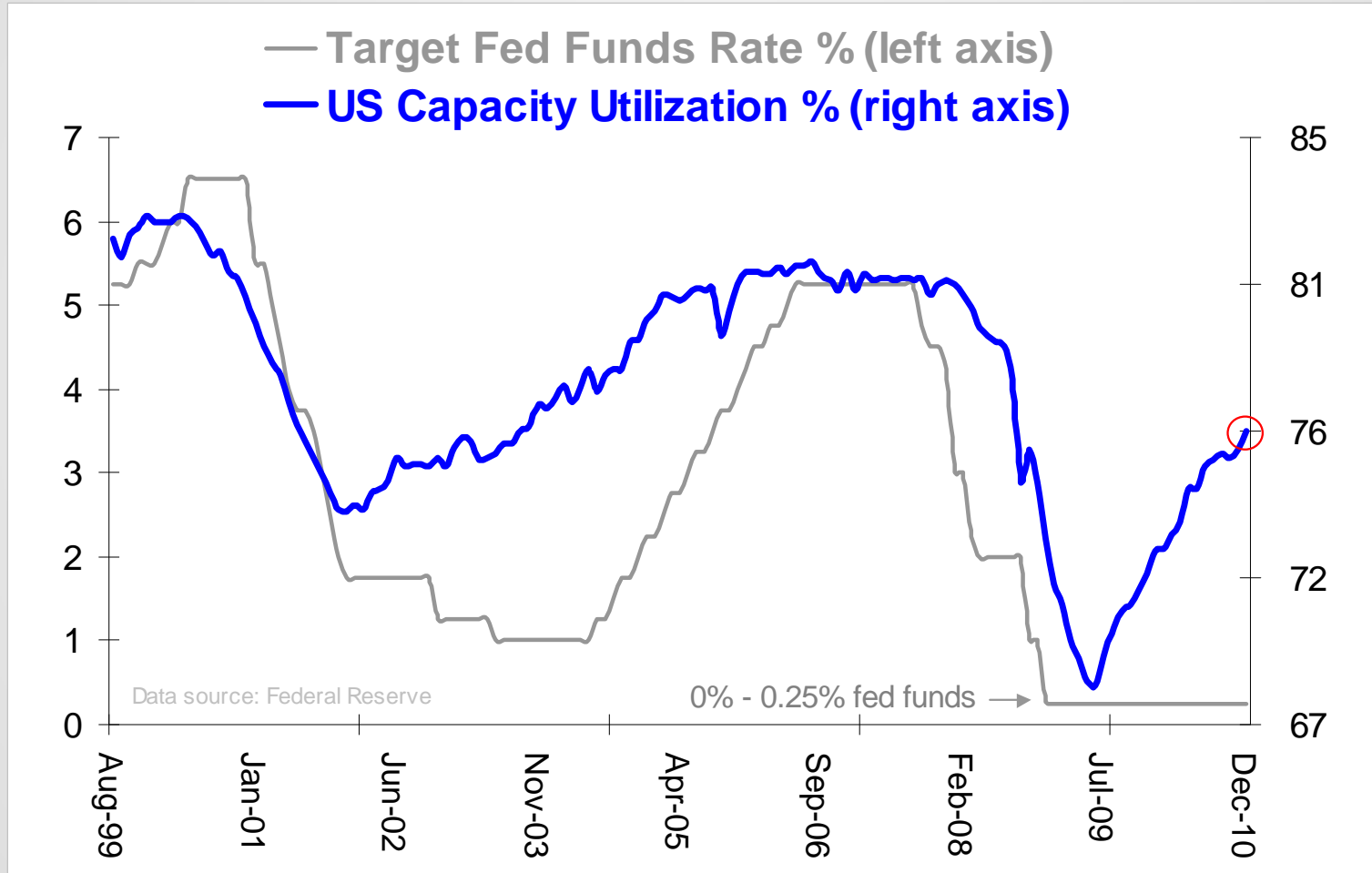
Where are we in the cycle?



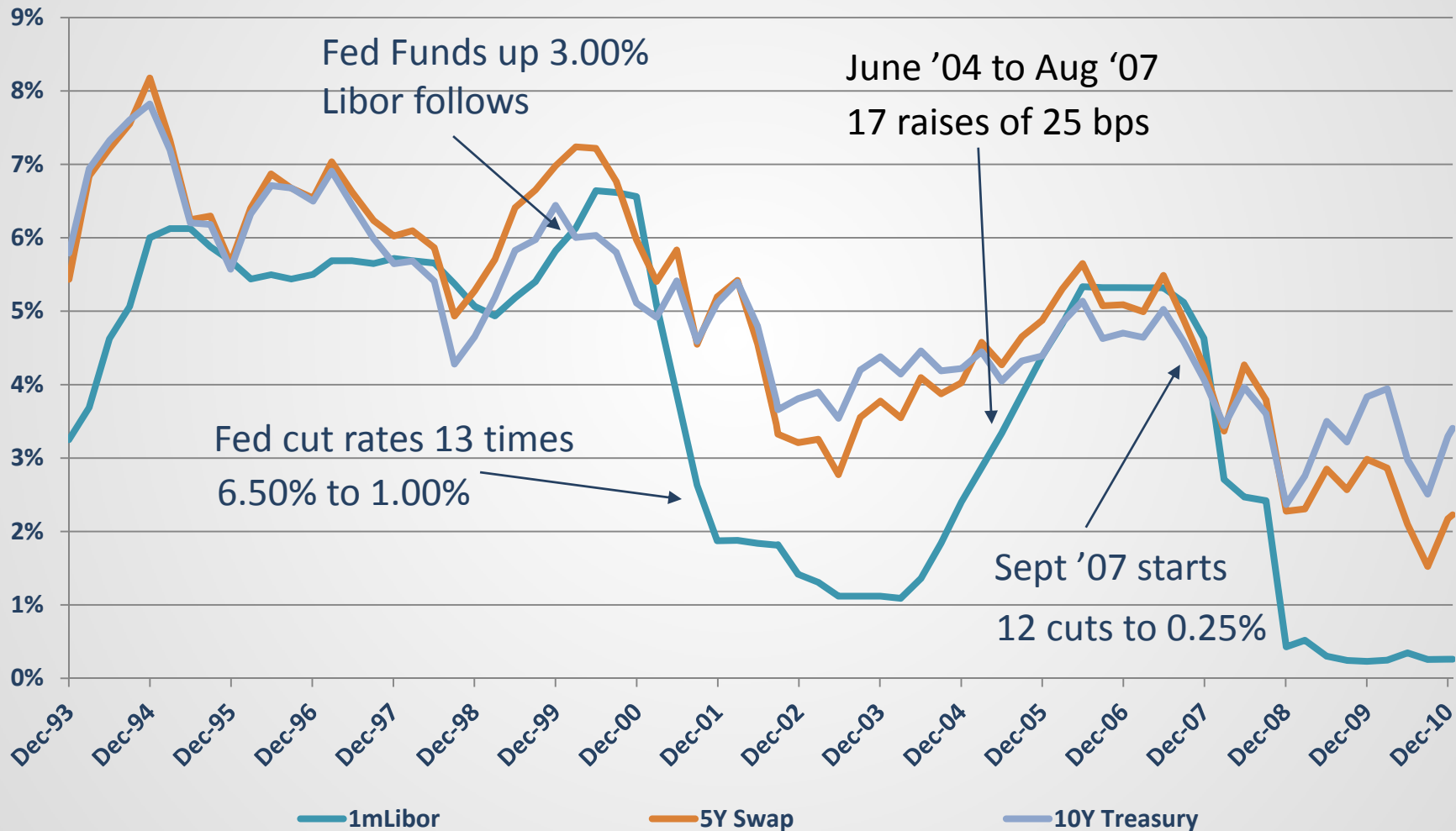
Banks begin to Lend Again



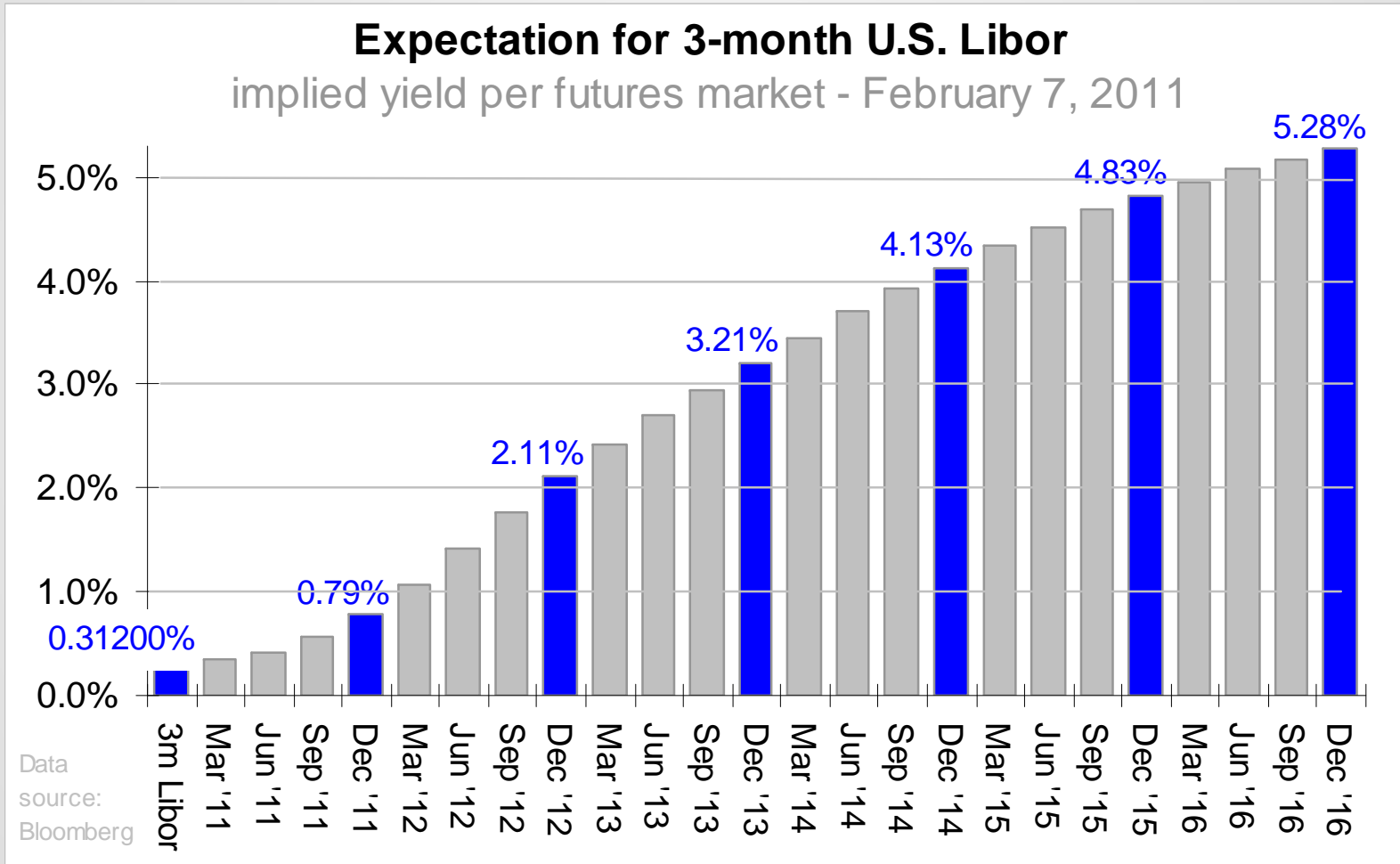
Fed Funds lags Capacity



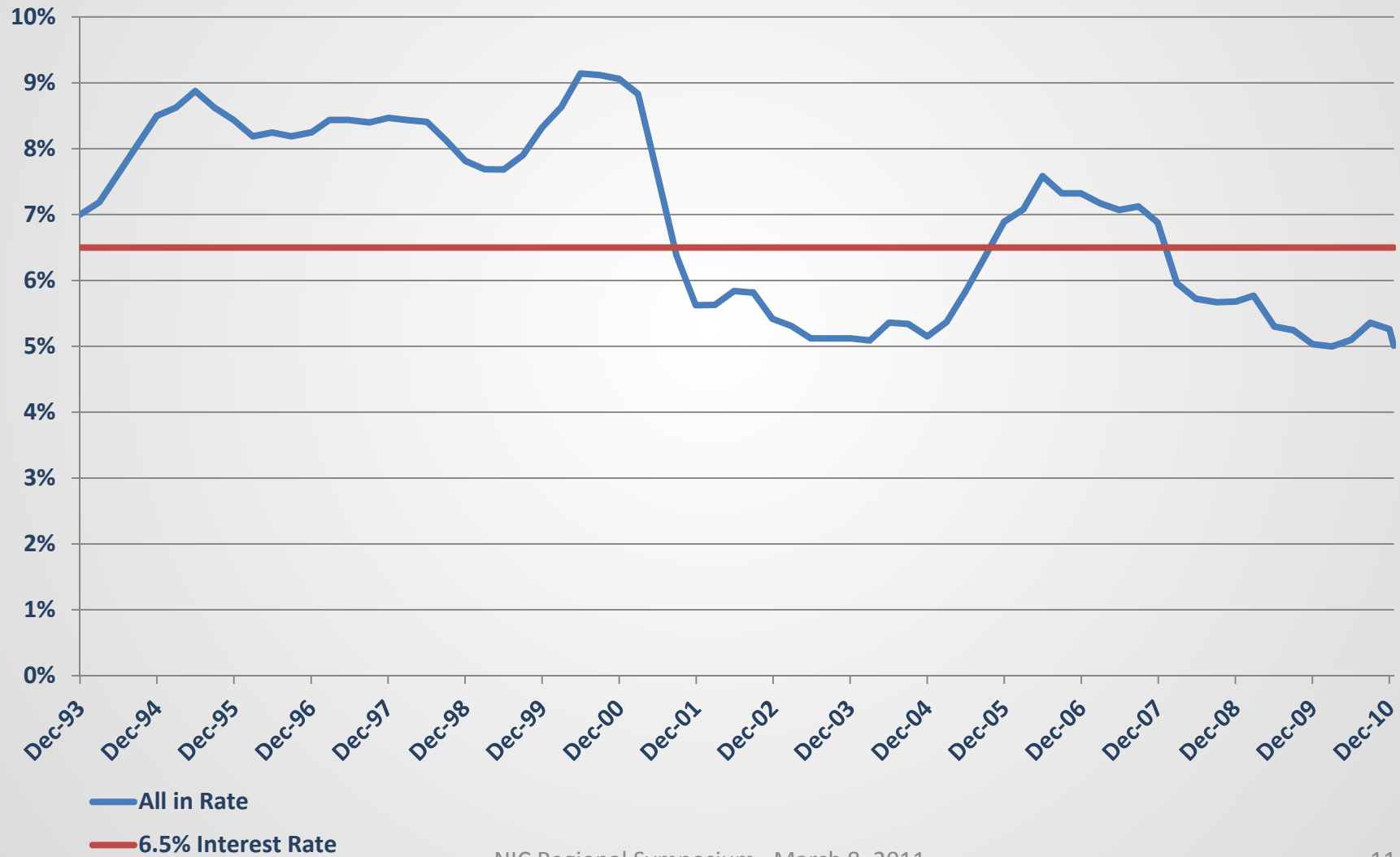
Interest Rates and the Cycles



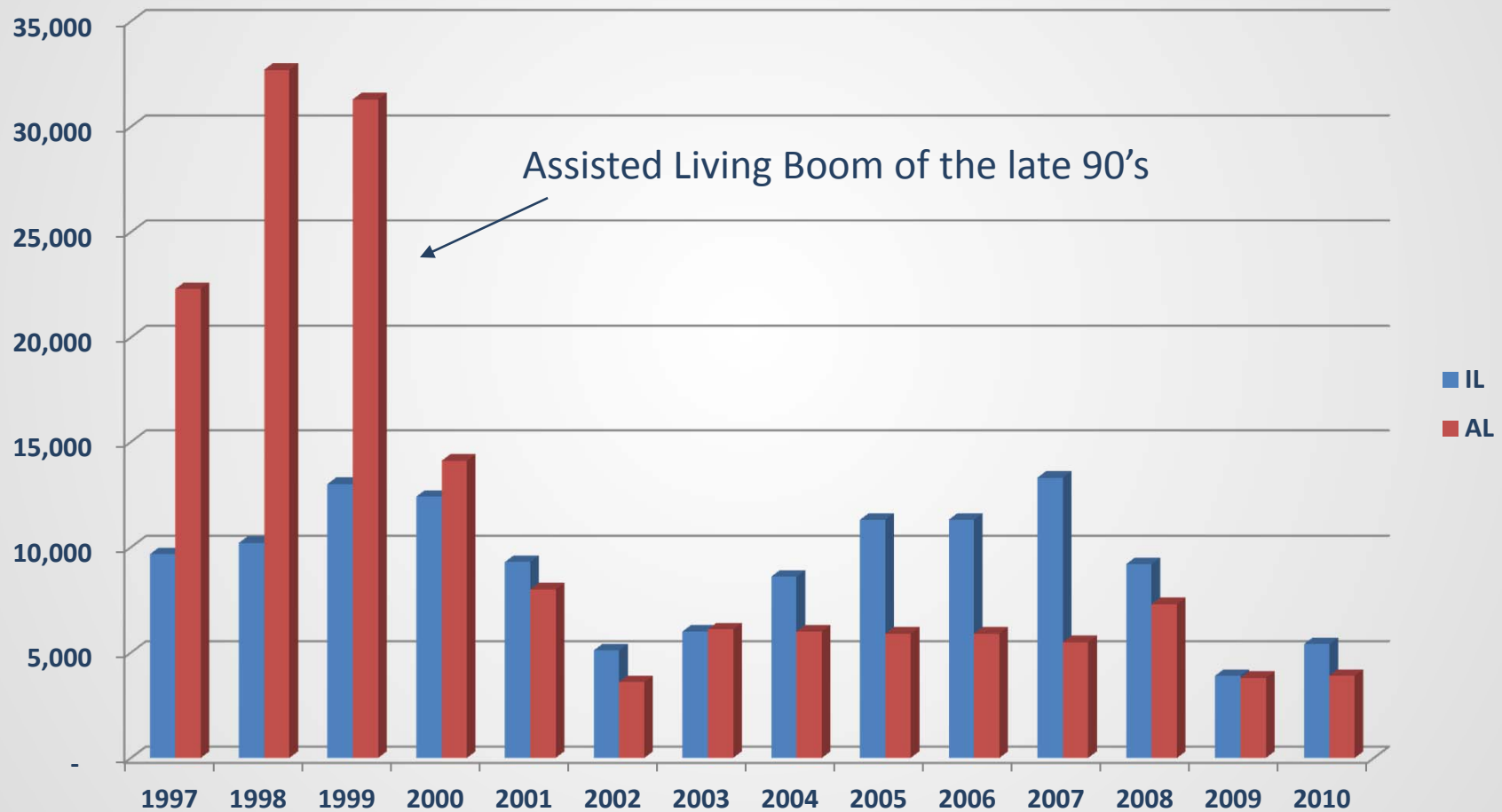
When will the LIBOR rate begin to rise?



All in Lending Rates



Construction Starts



Health Care REIT Financing Overview

- Real Estate Investment Trusts
 - Publicly traded or private
- Focus on operators and growth prospect
- Growing presence in the industry due to capital availability
 - HCR Manorcare, Atria, Merrill Gardens
- Transactions range from \$5M to \$6B+

Health Care REIT Financing Structures

- “Sale – leaseback”
 - Most common: REIT owns/acquires, leases to operator in master lease
- RIDEA
 - Legislation permitted starting in 2008
 - Joint venture on operations and real estate, comparable to private equity model
- Development
 - Construction financing/loans sometimes achievable, though usually in conjunction with stable portfolio

What Banks are Lending?

2011 NIC Regional Symposium Attendee



Lending from Banks

- Bank Financing Available for the Industry
- Competitive Rates and LTV
- Various Loan Products & Services
- Closings in 45-60 Days
- Some Banks Have Dedicated Healthcare Group
- Requirement to Use Bank's Services to Obtain Loan
- Max Loan Amounts Due to Regulation
- Geographic Restrictions for Regional and Community Banks

Agency Lending – Fannie, Freddie & HUD

Fannie Mae DUS[®] (Delegated Underwriter and Servicer) – DUS approved lenders originate, underwrite, close, and service the loans. DUS lenders have credit exposure or loss sharing.

Freddie Mac Program Plus[®] - Program Plus lenders originate, underwrite, close and service the loans. Lenders do not have loss sharing or credit exposure.

FHA HUD LEAN 232 – HUD LEAN approved lenders originate, underwrite, close and service the loans. HUD lenders do not have loss sharing or credit exposure.

Agency Lending – Program Comparison

	Fannie Mae DUS®	Freddie Mac Program Plus®	FHA HUD LEAN 232
Product type: IL, AL, ALZ, SNF	IL, AL, ALZ, with no more than 20% SNF	IL, AL, ALZ, with no more than 20% SNF	AL, ALZ, SNF, with no more than 25% IL
Loan type: - Permanent - Construction	Yes No	Yes No	Yes Yes
LTV (max):	75%	75%	80%
DSCR (min): - IL - AL / ALZ - SNF	1.30x 1.40x 1.50x	1.30x 1.40x 1.50x	1.45x 1.45x 1.45x
Typical Terms: - Permanent - Construction	10 yr / 30 yr am N/A	10 yr / 30 yr am N/A	35 yr / 35 yr am 40 yr / 40 yr am
Cash-out Refinance:	Yes, but lower LTV and higher DSCR	Yes, but lower LTV and higher DSCR	No, only refinance of existing & eligible debt
Supplemental:	Yes	Yes	No
Liability:	Non-recourse	Non-recourse	Non-recourse

Agency Lending – Loan Volumes

	Fannie Mae	Freddie Mac	HUD LEAN 232
2009:	\$1.0 Billion	\$900 Million	\$2.05 Billion
2010:	\$640 Million	\$661 Million	\$2.5 Billion

Agency Lending – Present & Future?

- Agency lenders remain busy & competitive compared to other financing sources – banks, commercial finance companies, etc.
- HUD remains flooded with deals, but process has improved and should improve with additional staff.
- Impact of consolidation by the REITS? Rebirth of development?
- Future of Fannie / Freddie with conservatorship? Will the government really wind down Fannie / Freddie over the next 7 years?

Finance Companies

- Finance Companies movement to Banks
 - CIT, Capital Source and Capital Funding
- Traditionally higher spreads due to cost of capital
- Will provide SNF financing as well as Seniors Housing
- More dedicated Healthcare talent
- More reliance on internal underwriting than actual 3rd party appraisal
- More creative with structure than regional banks

CMBS / Private Equity

- CMBS was hot in 2005-2007 before Lehman Brothers collapse.
- Sunrise deal first indication of a rebirth
- Some banks looking to create Balance Sheet for future CMBS execution (assumption: tighter spreads)
- Plenty of private equity in Seniors Housing
- Return expectation still high for equity

Survey Feedback - Development

- Development Deal, \$8.0 million Loan
- 1 property, 80 units (60 AL, 16 ALZ)
- Cost = \$125k per unit, LTC = 80%
- Appraised Value = \$12.3 million
- Operating Margin 38%, Cap rate = 8.5%
- Full Recourse, Guarantor NW = \$16 million
- Company owns 6 properties, 5-yr experience

Survey Feedback - Acquisition

- Acquisition Deal, \$18.0 million Loan
- 4 properties, 220 units of Assisted Living
- Year built 1996, Occupancy = 82% blended
- Cost = \$102k per unit, LTC = 80%
- Appraised Value = \$22.5 million
- Operating Margin 28%, Cap rate = 9.0%
- 10% top loss guaranty, NW= \$25 million
- Company owns 8 properties, 3-yrs experience

Survey Feedback - Refinance

- Refinance Deal, \$12.5 million Loan
- 1 property, 110 units (70 IL, 40 AL)
- Developed in 2005, occupancy = 90%
- Cost = \$113k per unit, Cash out of \$2 million
- Appraised Value = \$16.7 million (75% LTV)
- Operating Margin 40%, Cap rate = 8.75%
- Non Recourse deal, NW= \$10 MM
- Company owns 5 properties, 15-yrs exp.