

# Appraisal Trends Panel

**Don't Worry Be  
Happy!!**



# Panel Speakers and Moderator



**JP LoMonaco, MAI**  
**CBRE Valuation & Advisory Services**



**Jonathan Hurt, MAI**  
**OHC Advisors Inc. – Managing Partner**



**Wayne Harris**  
**Supervisory Appraiser**  
**HUD, ORCF**



**Timothy Gaffney**  
**CBRE Capital Markets**



## Rollercoaster

### Capitalization Rate Trends

- Cap Rates are Overrated
- NIC Conference 2022 versus 2023
  - Interest Rate Outlook
    - Short- vs Long-Term rates
  - Equity & Debt Availability
  - Development is dead
  - Deal Structure Creativity
  - Operational Fundamentals
    - Senior Housing (Occupancy/Margin)
    - SNF (Medicaid, PDPM, Staffing)
- Market Volume
- Motivation



# SNF Average Cap Rate Trends

Unit: %



\*Some data points could not be filled in due to incomplete data.

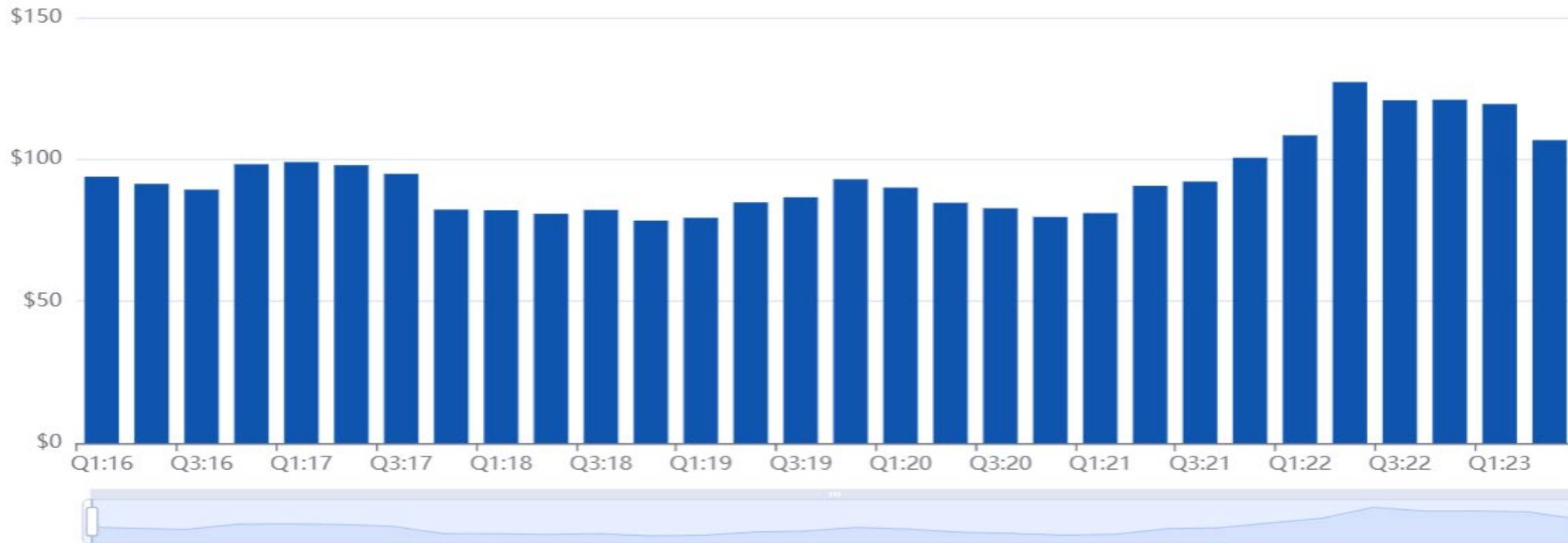
Use of multiple filters at once can yield irregular results in some time periods due to the smaller sample size.

For further clarification, please contact our editorial team at [editorial@levinassociates.com](mailto:editorial@levinassociates.com).

# SNF Average Price Per Bed Trends

POWERED BY  
Levin Enhanced proprietary data

Unit: Thousands



\*Some data points could not be filled in due to incomplete data.  
Use of multiple filters at once can yield irregular results in some time periods due to the smaller sample size.  
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Source: LevinPro LTC, 2022

# ALF Average Cap Rate Trends

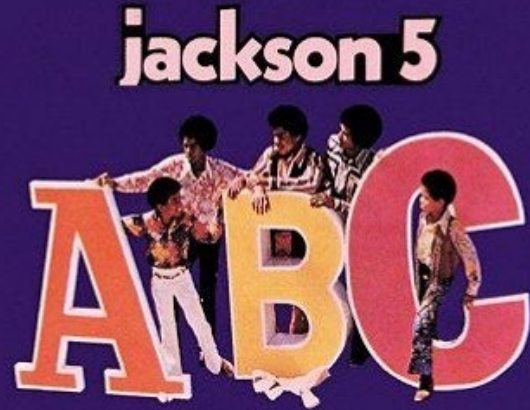


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Source: LevinPro LTC, 2022

## Valuation Trends/Challenges on Appraisal Techniques from COVID

-Jonathan Hurt, MAI - Managing Partner  
OHC Advisors, Inc.

- Pre-COVID - Jackson Five – “ABC”
  - Income Approach - based on the present worth of the future rights to income
  - Stable market conditions made this approach easier prior to COVID, especially for assets headed for HUD financing. This is due to:
    - Stable historical cashflows, occupancy, census mix, reimbursement and expenses at most properties
    - Favorable financing environment meant active participants, which lead to an abundance of good sales data to extract capitalization rates and prices per bed
  - Consistently using the “Direct Capitalization” method due to stabilization



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IT'S SIMPLE AS, do re mi

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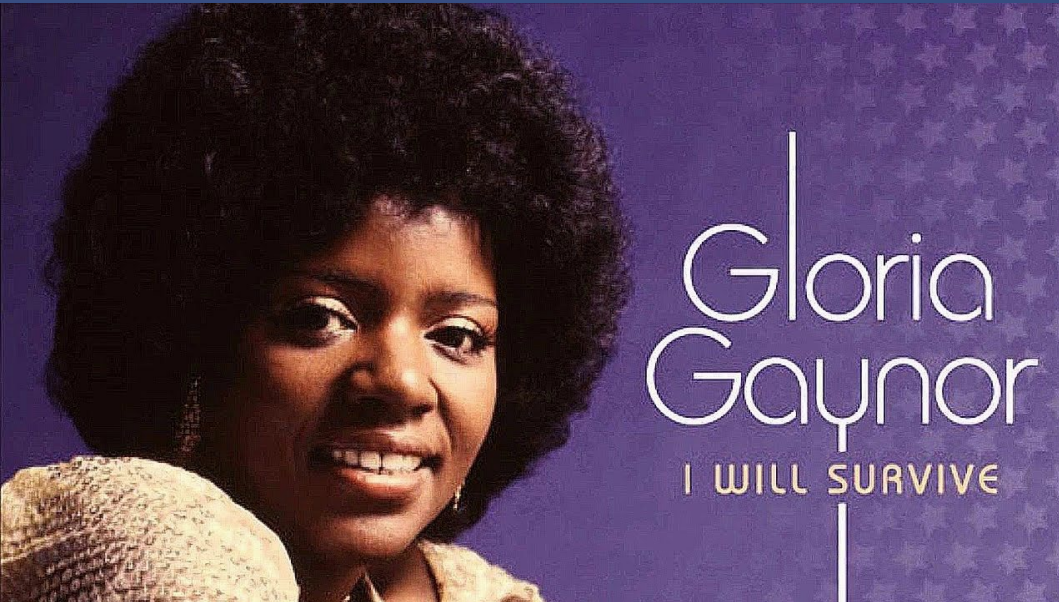
BABY, YOU AND ME GIRL



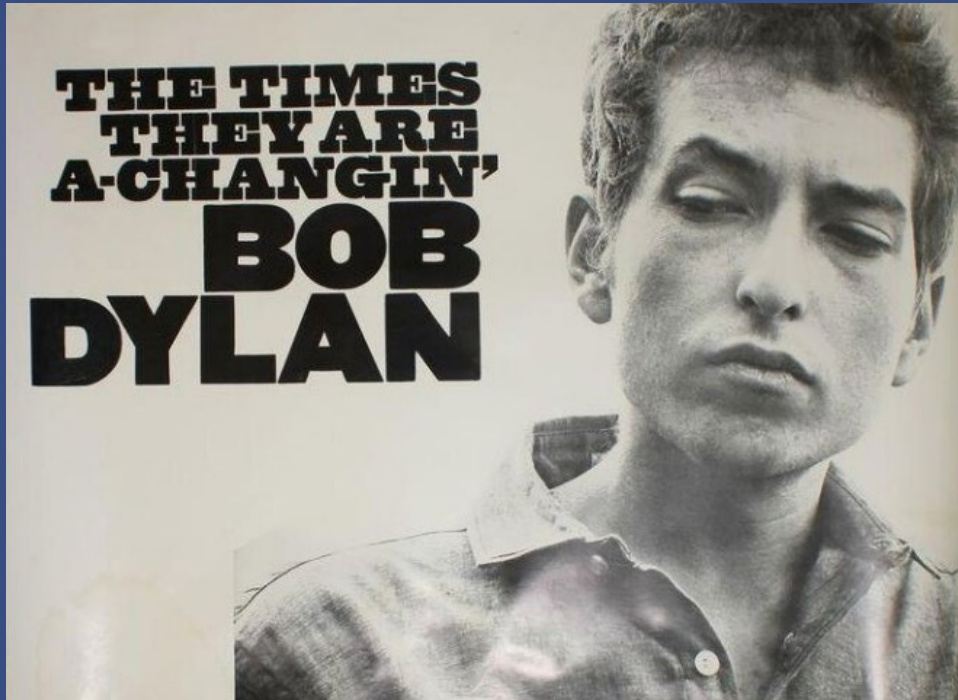
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**-Jonathan Hurt, MAI - Managing Partner  
OHC Advisors, Inc.**

- **During COVID – Gloria Gaynor - “I will survive”**
  - The inverse of the Pre-COVID market conditions.
  - There was a “Wait and see” approach initially with investment activity slowing. However, things ramped back up due to:
    - Low interest rates/inexpensive financing
    - Distressed assets being unloaded
    - State and Federal funds to help offset higher operating costs and weather the storm (offset acquisition risk in the short-term)
    - Operators/Owners getting more comfortable with managing and owning during the pandemic (opportunities to expand their portfolios)
  - This increased activity brought about many appraisal challenges as the general expectation was that transaction activity would be hampered. These challenges included:
    - Stable historical operations pre-COVID but trailing operations slowing. How hard will they be hit? When will COVID end?
    - Temporary COVID funds (Federal/State)
    - Occupancy/census impacts (Three day stay rule)
    - Elevated expenses (Agency-How long will it be around?)
    - Lack of stable sales
  - Direct Capitalization became trickier to use if you had a stable property
    - How do you consider that COVID impacts had possible not yet hit the property yet?
  - Discounted Cash Flow used much more frequently







## Valuation Trends/Challenges on Appraisal Techniques from COVID

-Jonathan Hurt, MAI - Managing Partner  
OHC Advisors, Inc.

- Post-COVID – Bob Dylan – “The Times They Are a Changin’”
  - A mix of “Pre-COVID” and “During COVID” market conditions.
  - Investment activity slowing due to:
    - Increasing interest rates
    - State and Federal funds ending (riskier to take on assets)
  - However, operational improvement due to:
    - Increasing Medicaid reimbursements in some states
    - Seniors returning to communities (occupancy/census gains)
    - Costs moderating some (reductions in Agency staff)
  - This duality has brought about a new set of appraisal challenges. These challenges included:
    - Unstable historical operations but improving trailing cashflows
    - Occupancy/census impacts (Three day stay rule ending)
    - Expenses (Agency decreasing/ending for good?)
    - Lack of stable sales/For SNF’s, lack of sales reflecting new/higher reimbursement systems
  - Direct Capitalization still tricky
    - Stable operations at subject but very few stable sales to get data from
      - No stable prospective rates/Mostly distressed “value-add/turnaround” deals
      - Retrospective rates may reflect distressed operations
    - Brokers saying most sales are “per bed” deals not “cap rate” deals
  - Discounted Cash Flow being used less frequently than during COVID





## Keeping HUD Happy

- Unusual aspects require discussion
- Out of state comparables
- Bad Debt
- Financial Reports
- Subject sale
- New Decision Circuit
- Expense Comparables
- Boilerplate cap rate discussion



# Questions and Answers

