

# **FLUX CAP-ITALIZATION RATES**



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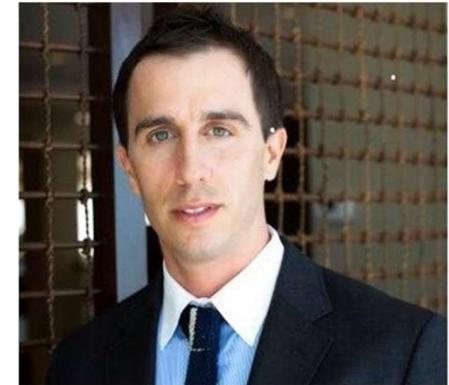


# Panelists

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Introduction to Capitalization Rates

Compare Confirmed Sales Past and Future

Impacts of New Laws

Industry REIT - 3<sup>rd</sup> Quarter 2025 Updates

HUD Appraiser Feedback

Q&A

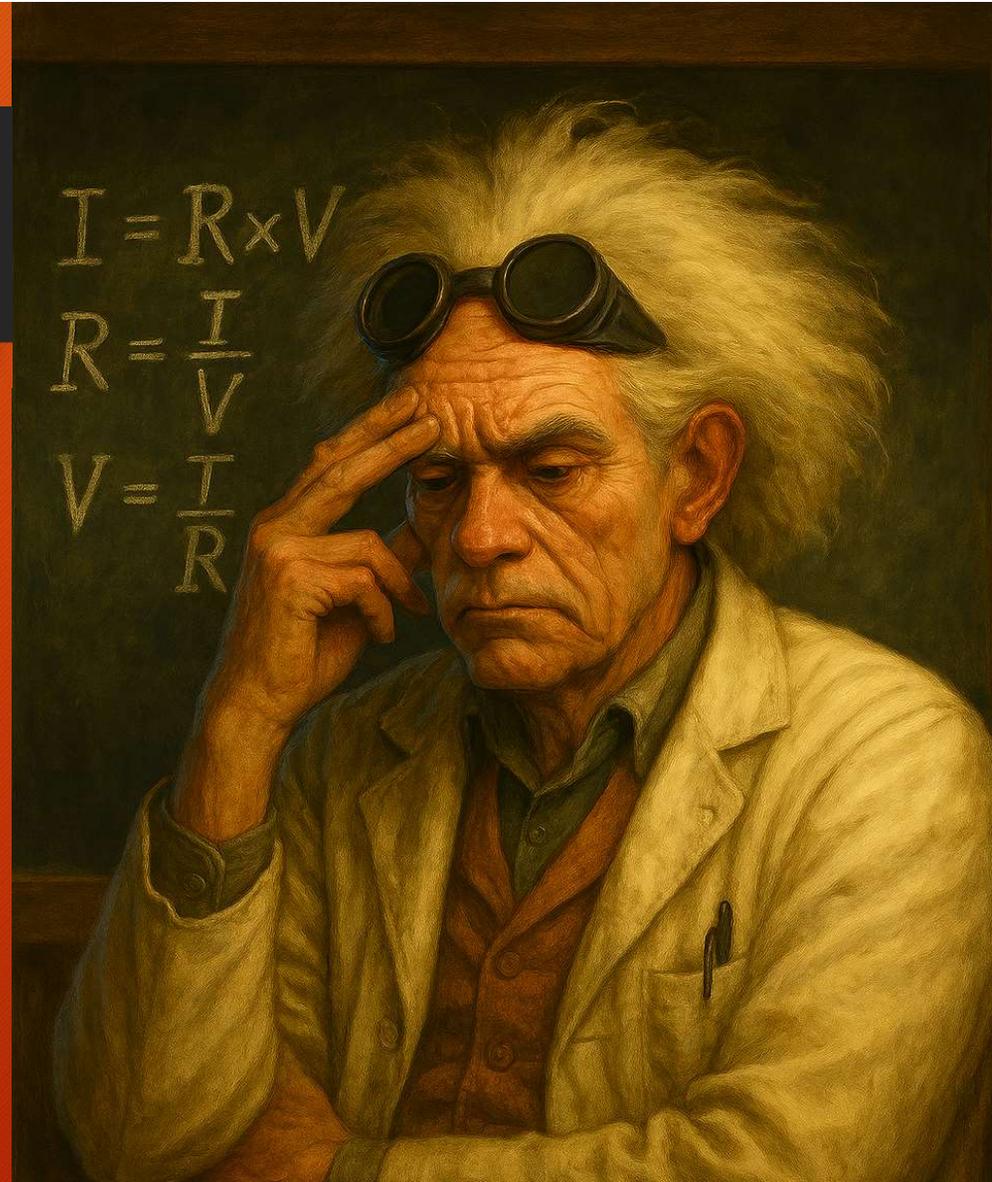
Panel  
Topics

# Introduction to Cap Rates

## What are capitalization rates...and how should we think about them?

Per the Appraisal Institute's The Dictionary of Real Estate Appraisal, Fifth Edition:

- Capitalization is the conversion of income into value.
- Capitalization rate is any rate used to convert income into value.



# Direct Capitalization

For direct capitalization, we capitalize a single year's income assuming level income expectations or stabilization. A capitalization rate can be interpreted as the expected unlevered return for a stabilized asset.



# Where cap rates come from?

Typically, they are market extracted from recent sales of similar properties and cross-checked with rate surveys from various market participants. However, in valuation theory, capitalization rates are comprised of various components.



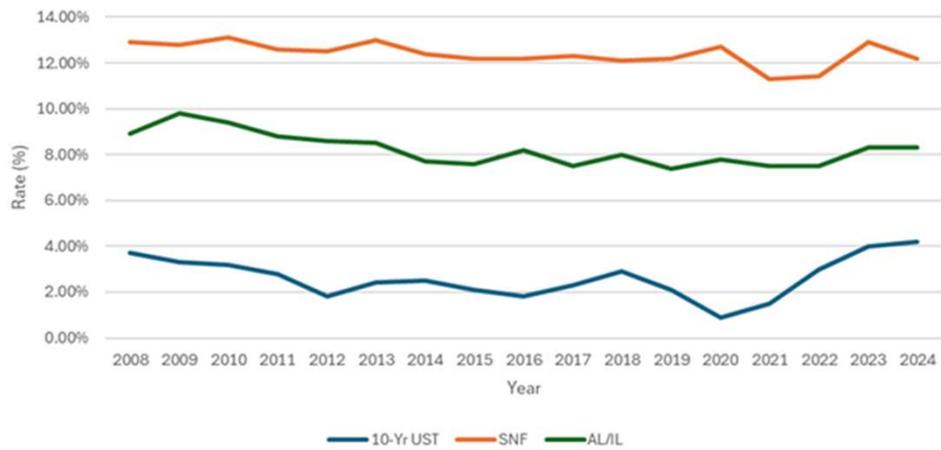
# What are the components?

- Risk-free rate, typically the 10- or 20-year U.S. Treasury.
- Plus the  $\Sigma$  Risk Premiums, where risk premiums can be:
  - Inflation/Growth, will growth keep pace with inflation and protect nominal returns (macro)
  - Property/Asset Type, seniors housing industry outlook and policy/reimbursement changes that may impact future risk
  - Location/Market, submarket supply and demand dynamics and new development projects that may impact future supply
  - Others: Tenant/Credit and Liquidity/Illiquidity

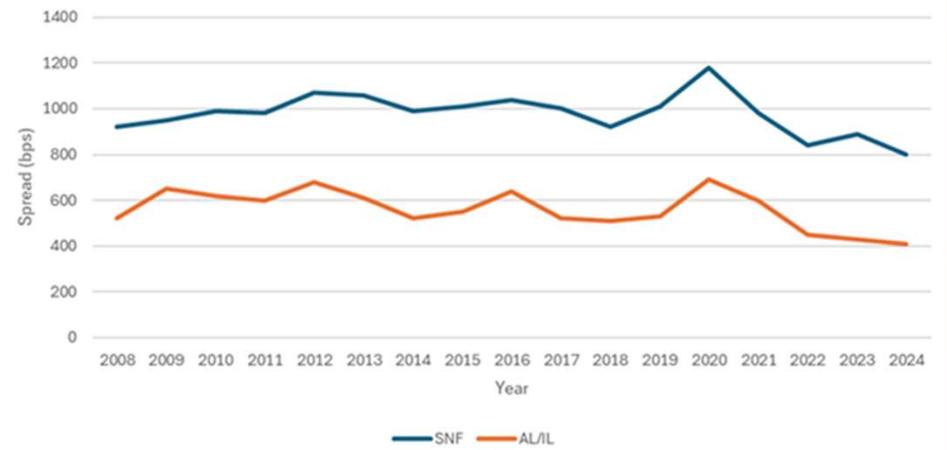
Is it realistic to  
'build-up' a  
capitalization  
rate?

Given the difficulty of quantifying risk premia, probably not. Nevertheless, we can look at the historical spread between capitalization rates and the 10-year U.S. Treasury to gauge risk premia.

Seniors Housing and Skilled Nursing Cap Rates vs. U.S. 10-Year Treasury (2008-2024)



Seniors Housing and Skilled Nursing Cap Rate Spreads over U.S. 10-Year Treasury (2008-2024)





Spread widening signals increasing risk premia, while spread narrowing signals decreasing risk premia.



Broader trends, both capitalization rates and 10-year Treasury yields declined through 2010s; capitalization rate spreads have varied cyclically with credit and liquidity conditions as 10-year Treasury yields appear to be more volatile during periods of uncertainty.



Conversely, the Federal Reserve began to shrink its balance sheet, aka Quantitative Tightening (QT), in June 2022 with the expectation that this cycle would end in the 1st or 2nd quarter of 2026. However, recent commentary by the Federal Open Market Committee (FOMC) has hinted that QT will stop before the end of 2025.



Although not perfect one-to-one movement, empirical studies generally illustrate a positive correlation between capitalization rates and Treasury yields.



Although not charted, the decline in capitalization rates and 10-year Treasury yields from 2008-2015 and 2020-2022 also corresponds to the Federal Reserve's large-scale asset purchase program, aka Quantitative Easing (QE). This form of balance sheet expansion is typically used to lower long-term interest rates and stimulate the economy.

# Implications for valuation in the future (risks)

## **\*\*Inflation Effects\*\***

- Persistent inflation leads to higher bond yields.
- Higher yields typically push capitalization rates up, reducing property values.

## **\*\*Treasury Yield Monitoring\*\***

- Rising yields signal tighter financial conditions.
- Important to track for valuation impact.

## **\*\*Liquidity & Credit Market Concerns\*\***

- Cracks in private credit markets are emerging.
- Liquidity and financing risks are increasing.

## **\*\*Treasury Funding Pressure\*\***

- U.S. Treasury funds deficits by issuing bills, notes, and bonds.
- Large issuances can depress bond prices and raise interest rates.
- This pulls liquidity from markets, tightening financial conditions further.

# Temporal Flux in Sales

Bridging Past and Future

Destination: Louisville, KY

Project Units: 56 AL - 24 MC

Year Built: 2012



What Changed?

Paradoxical Effects?



# Unforeseen Consequences

- Decrease in Sales Price
- Decreased Occupancy
- Increased Revenue
- Increased Expense
- Decreased NOI
- Increased Cap Rate
- Professionally marketed, multiple offers, multiple bidding rounds. Winning bid selected on ability to close and experience in market. 3 facilities opened since 2017.

	2017		2025	
	Sale Price: \$29,250,000 Price Per Unit: \$365,625		Sale Price: \$21,900,000 Price Per Unit: \$273,750	
	TTM	Buyer's Proforma	TTM	Buyer's Proforma
Occupancy:	100.00%	97.00%	96.30%	93.00%
Revenue:	\$5,084,766	\$5,458,442	\$6,576,577	\$6,706,351
Per Unit:	\$5,297	\$5,686	\$7,114	\$7,254
Expenses:	\$3,384,045	\$3,636,169	\$4,912,871	\$4,695,995
Per Unit:	\$3,525	\$3,788	\$5,314	\$5,080
% of Revenue:	66.55%	66.6%	74.7%	70.0%
NOI:	\$1,700,721	\$1,822,273	\$1,663,706	\$2,010,356
Per Unit:	\$1,772	\$1,898	\$1,800	\$2,175
% of Revenue:	33.45%	33.38%	25.30%	29.98%
GRIM:	5.75	5.36	3.33	3.27
Cap Rate:	5.8%	6.2%	7.6%	9.2%

# Destination: Litchfield Park, AZ

Project Units: 30 AL - 60 MC

Year Built: 2015 & 2017



What Changed?

Paradoxical Effects?



# Unforeseen Consequences

- Decrease in Sales Price
- Decreased Occupancy
- Increased Revenue
- Increased Expense
- Decreased NOI
- Built in 2 phases. In 2017, 2<sup>nd</sup> phase not complete but being marketed.
- 1 unit off-line in 2025. \$1.65MM in CapX 2019-2024.

	2018	2024
	Sale Price: \$10,750,000	Sale Price: \$6,500,000
	Price Per Unit: \$119,444	Price Per Unit: \$73,034
	Broker's Proforma	T3A
Occupancy:	92.20%	86.90%
Revenue:	\$4,380,600	\$5,845,000
Per Unit:	\$4,399	\$6,298
Expenses:	\$3,414,208	\$5,974,000
Per Unit:	\$3,429	\$6,437
% of Revenue:	77.9%	102.2%
NOI:	\$966,392	-\$129,000
Per Unit:	\$971	-\$139
% of Revenue:	22.1%	-2.2%
<b>GRIM:</b>	<b>2.45</b>	<b>1.11</b>
<b>Cap Rate:</b>	<b>9.0%</b>	<b>-2.0%</b>

Destination: Bellingham, WA

Project Units: 66 AL

Year Built: 1979



What Changed?

Paradoxical Effects?



# Unforeseen Consequences

- Decrease in Sales Price
- Decreased Occupancy
- Increased Revenue
- Increased Expense
- Decreased NOI
- Decreased Cap Rate
- 2018: 70% Medicaid mix with plans to increase Private Pay. Investor acquired and brought in 3<sup>rd</sup> party management.
- 2025: Seller motivated by lender and took 2+ years. Performance gradually improved to increase price from \$3MM to \$5MM. 70% Medicaid, similar to prior sale.

	2018 Sale Price: \$7,025,000 Price Per Unit: \$106,439	2025 Sale Price: \$5,000,000 Price Per Unit: \$75,758
	TTM	T1A Rev. / T4 Exp.
Occupancy:	94.00%	72.9%
Revenue:	\$2,220,000	\$2,452,072
Per Unit:	\$2,982	\$4,247
Expenses:	\$1,643,700	\$2,353,105
Per Unit:	\$2,208	\$4,076
% of Revenue:	74.0%	96.0%
NOI:	\$576,300	\$98,967
Per Unit:	\$774	\$171
% of Revenue:	26.0%	4.0%
GRIM:	3.16	2.04
Cap Rate:	8.2%	2.0%

Destination: Arlington, TX

Project Units: 144 SNF

Year Built: 2006



What Changed?

Paradoxical Effects?



# Improved Future

- Increase in Sales Price
- Increased Occupancy
- Increased Revenue
- Decreased Expense
- Increased NOI
- Increased Cap Rate
- Acquired by JV Partner of PropCo; price set at offers from 3<sup>rd</sup> parties.

	2023		Contract - 2025
	Sale Price: \$13,100,000		Sale Price: \$15,000,000
	Price Per Unit: \$90,972		Price Per Unit: \$104,167
	TTM	Buyer's Proforma	TTM
Occupancy:	62.0%	65.00%	69.0%
Revenue:	\$8,630,116	\$9,915,737	\$10,536,807
Per Unit:	\$8,055	\$8,828	\$8,837
Expenses:	\$8,720,841	\$8,250,648	\$8,547,380
Per Unit:	\$8,140	\$7,346	\$7,169
% of Revenue:	101.1%	83.2%	81.1%
NOI:	-\$90,725	\$1,665,089	\$1,989,427
Per Unit:	-\$85	\$1,482	\$1,669
% of Revenue:	-1.1%	16.8%	18.9%
GRIM:	1.52	1.32	1.42
Cap Rate:	-0.7%	12.7%	13.3%

# Destination: Sedro Woolley, WA

Project Units: 60 MC

Year Built: 1997



What Changed?

Paradoxical Effects?



# Improved Future

- Increase in Sales Price
- Decreased Occupancy
- Increased Revenue
- Increased Expense
- Increased NOI
- Decreased Cap Rate
- Renovated 2020-2021. Acquired as part of ML Portfolio. Lease terminated with sale, Operator remained.
- 2025 sale is strategic sale of facilities from original portfolio.

	2021	2025	
	<b>Sale Price: \$15,900,000</b>	<b>Sale Price: \$22,500,000</b>	
	<b>Price Per Unit: \$265,000</b>	<b>Price Per Unit: \$375,000</b>	
	TTM	TTM	Buyer's Proforma
Occupancy:	99.0%	93.5%	95.0%
Revenue:	\$4,229,191	\$5,737,888	\$6,007,832
Per Unit:	\$5,933	\$8,523	\$8,924
Expenses:	\$2,960,980	\$4,267,303	\$4,254,100
Per Unit:	\$4,154	\$6,339	\$6,319
% of Revenue:	70.0%	74.4%	70.8%
NOI:	\$1,268,211	\$1,470,585	\$1,753,732
Per Unit:	\$1,779	\$2,184	\$2,605
% of Revenue:	30.0%	25.6%	29.2%
<b>GRIM:</b>	<b>3.76</b>	<b>3.92</b>	<b>3.75</b>
<b>Cap Rate:</b>	<b>8.0%</b>	<b>6.5%</b>	<b>7.8%</b>

# Destination: Saint Clair Shores, MI

Project Units: 116 IL - 22 MC

Year Built: 2018



What Changed?

Paradoxical Effects?



# Improved Future

- Increase in Sales Price
- Increased Occupancy
- Increased Revenue
- Increased Expense
- Increased NOI
- No Change in Cap Rate
- 2021: Acquired by PE.
- 2025: Acquired by REIT

	2021	Contract - 2025
	Sale Price: \$38,750,000	Sale Price: \$48,500,000
	Price Per Unit: \$280,797	Price Per Unit: \$351,449
	TTM	TTM
Occupancy:	96.00%	99.0%
Revenue:	\$6,708,899	\$9,030,584
Per Unit:	\$4,220	\$5,508
Expenses:	\$4,214,530	\$5,907,442
Per Unit:	\$2,651	\$3,603
% of Revenue:	62.8%	65.4%
NOI:	\$2,494,369	\$3,123,142
Per Unit:	\$1,569	\$1,905
% of Revenue:	37.2%	34.6%
<b>GRIM:</b>	<b>5.78</b>	<b>5.37</b>
<b>Cap Rate:</b>	<b>6.4%</b>	<b>6.4%</b>

Destination: Nampa, ID  
Project Units: 54 AL - 25 MC

Year Built: 2006/2010



What Changed?

Paradoxical Effects?



# Unforeseen Consequences

- Decrease in Sales Price
- Increased Occupancy
- Increased Revenue
- Increased Expense
- Decreased NOI
- Increased Cap Rate
- 2021: Acquired by regional operator, not stabilized at sale.
- 2024: Seller struggled with stabilization; buyer plans to increase census.

	2021		2024	
	Sale Price: \$11,000,000 Price Per Unit: \$139,241		Sale Price: \$9,300,000 Price Per Unit: \$117,722	
	TTM	Buyer's Proforma	TTM	Buyer's Proforma
Occupancy:	68.8%	85.00%	89.9%	93.50%
Revenue:	\$2,588,352	\$4,175,819	\$3,780,514	\$4,572,972
Per Unit:	\$3,969	\$5,182	\$4,589	\$5,159
Expenses:	\$2,056,044	\$3,270,502	\$3,364,622	\$3,600,929
Per Unit:	\$3,152	\$4,059	\$4,084	\$4,063
% of Revenue:	79.4%	78.3%	89.0%	78.7%
NOI:	\$532,308	\$905,317	\$415,892	\$972,043
Per Unit:	\$816	\$1,124	\$505	\$1,097
% of Revenue:	20.6%	21.7%	11.0%	21.3%
GRIM:	4.25	2.63	2.46	2.03
Cap Rate:	4.8%	8.2%	4.5%	10.5%

# Destination: Grapevine, TX

Project Units: 65 AL - 19 MC

Year Built: 2011



What Changed?

Paradoxical Effects?



# Improved Future

- Increase in Sales Price
- Decreased Occupancy
- Decreased Revenue
- Decreased Expense
- Increased NOI
- Decreased Cap Rate
- 2014: Stabilized at sale, management implemented expense efficiencies.
- 2022: Census drop to 70% during pandemic; however, rebounded prior to marketing sale.

	2014		2022	
	Sale Price: \$18,500,000 Price Per Unit: \$220,238		Sale Price: \$25,000,000 Price Per Unit: \$297,619	
	TTM	Buyer's Proforma	TTM	Buyer's Proforma
Occupancy:	95.0%	95.00%	92.0%	92.0%
Revenue:	\$6,100,000	\$6,283,000	\$5,387,584	\$5,549,212
Per Unit:	\$6,370	\$6,561	\$5,810	\$5,984
Expenses:	\$4,700,000	\$4,441,000	\$3,520,736	\$3,626,358
Per Unit:	\$4,908	\$4,638	\$3,797	\$3,910
% of Revenue:	77.0%	70.7%	65.3%	65.3%
NOI:	\$1,400,000	\$1,842,000	\$1,922,854	\$1,922,854
Per Unit:	\$1,462	\$1,924	\$2,013	\$2,073
% of Revenue:	23.0%	29.3%	34.7%	34.7%
GRIM:	3.03	2.94	4.64	4.51
Cap Rate:	7.6%	10.0%	7.5%	7.7%

Destination: Corvallis, OR

Project Units: 32 MC

Year Built: 1999



What Changed?

Paradoxical Effects?



# Stable Timeline

- No Change in Sales Price
- Level Occupancy
- Increased Revenue
- Increased Expense
- Slight Increase in NOI
- Slight Increased in Cap Rate
- 2016: 100% Private Pay MC.
- 2022: Stabilized with 60% Private Pay and 40% Medicaid mix. Interior renovations 2018-2021. Acquired by regional operator.

	2016		2022	
	Sale Price: \$11,000,000 Price Per Unit: \$343,750		Sale Price: \$11,000,000 Price Per Unit: \$297,619	
	TTM	Buyer's Proforma	TTM	Buyer's Proforma
Occupancy:	92.0%	95.00%	94.5%	94.5%
Revenue:	\$3,141,062	\$3,235,294	\$3,382,194	\$3,483,660
Per Unit:	\$8,891	\$8,869	\$9,320	\$9,600
Expenses:	\$2,288,070	\$2,356,712	\$3,382,194	\$2,581,391
Per Unit:	\$6,477	\$6,460	\$6,906	\$7,114
% of Revenue:	72.8%	72.8%	74.1%	74.1%
NOI:	\$852,992	\$878,582	\$875,989	\$902,269
Per Unit:	\$2,414	\$2,408	\$2,414	\$2,486
% of Revenue:	27.2%	27.2%	25.9%	25.9%
GRIM:	3.50	3.40	3.25	3.16
Cap Rate:	7.8%	8.0%	8.0%	8.2%

Destination: Brooklyn, NY

Project Units: 240 SNF

Year Built: 2001



What Changed?

Paradoxical Effects?



# Improved Future

- Increased Sales Price
- Increased Occupancy
- Increased Revenue
- Increased Expense
- Increased NOI
- Slight Decreased in Cap Rate
- 2020: Value-add opportunity with transition from non-profit to for-profit, enhancement in case-mix and expense efficiencies.
- 2022: Seller achieved value-add goals and stabilized operations.

	2020		2023	
	Sale Price: \$58,750,000 Price Per Unit: \$244,792		Sale Price: \$70,000,000 Price Per Unit: \$291,667	
	TTM	Buyer's Proforma	TTM	Buyer's Proforma
Occupancy:	93.0%	97.0%	96.4%	96.4%
Revenue:	\$29,544,259	\$35,305,726	\$38,637,080	\$39,796,192
Per Unit:	\$11,031	\$12,638	\$13,922	\$14,340
Expenses:	\$25,846,351	\$28,472,708	\$30,798,268	\$31,722,216
Per Unit:	\$9,650	\$10,192	\$11,098	\$11,431
% of Revenue:	87.5%	80.6%	79.7%	79.7%
NOI:	\$3,697,908	\$6,833,018	\$7,838,812	\$8,073,976
Per Unit:	\$1,381	\$2,446	\$2,825	\$2,909
% of Revenue:	12.5%	19.4%	20.3%	20.3%
GRIM:	1.99	1.66	1.81	1.76
Cap Rate:	6.3%	11.6%	11.2%	11.5%

# One Big Beautiful Bill Act

Signed Into Law July 4, 2025



- **Delayed Minimum Staffing Standards:**

- The bill includes a provision that delays the implementation of a federal rule, which will require 24/7 registered nurse coverage and specific minimum hours per resident day for RNs and CNAs.

- **Reduced Medicaid Funding:**

- Includes broader cuts and caps on Medicaid spending, which could lead to reduced reimbursements for facilities.

- **Benefit to seniors age 65 and older:**

- Eligible for a new deduction of up to \$6,000 for single filers and \$12,000 for qualifying married couples.
- The deduction phases out single filers with a Modified Adjusted Gross Income over \$75,000 and for joint filers over \$150,000.
- While the underlying tax rules for Social Security were not changed, the new deduction is expected to reduce or eliminate the federal tax burden on Social Security benefits for approximately 88% of recipients.
- The deduction is scheduled to expire after the 2028 tax year.

- **While the full impact remains uncertain, experienced operators are expected to adapt.**



# Perspective & Perceived Impacts

- Impact on Financial Outlook and Reimbursement - The OBBBA is expected to transition the skilled nursing sector from a period of robust growth, driven by high state Medicaid support, toward a more moderate, regulated future.
- Medicaid Funding Limitations
  - Short-term vs. Long-term: OBBBA provides immediate tax benefits and preserves Medicaid rates in the short term. However, the long-term outlook is clouded by funding limitations and shifting state priorities.
  - Provider Tax Freeze: The bill includes a freeze on tax increases for nursing homes, which limits the funding states can utilize. This freeze is expected to reduce the potential Medicaid spend by \$89 billion based on projections of future growth that would have occurred without the freeze.
  - Modest Rate Increases: This freeze is predicted to result in only modest Medicaid reimbursement rate increases, closely resembling the 1% to 2% average increases standard prior to 2019. This is significantly lower than the double-digit percentage gains (up to 20%) some states had recently experienced. Experts anticipate a "much smaller growth of Medicaid rate increases" going forward.

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## Medicare Reductions

The OBBBA includes a provision that results in a 4% Medicare spending reduction on behalf of the federal government through an automatic measure known as PAYGO (pay as you go).

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This cut is slated to begin on January 1, 2026, unless Congress intervenes, which they have historically to waive or delay these cuts, totaling an initial reduction of \$46 billion and potentially growing to \$75 billion over a decade.

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## The "Halo Effect" and Systemic Strain

The bill also phases out provider tax increases for hospitals, which would result in \$102 billion in federal Medicaid funding cuts for hospitals starting in 2028.

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This strain on hospitals could create a "halo effect" across the broader healthcare system. Financial experts fear that if states need additional funds to support struggling hospitals, they may divert Medicaid funds from nursing homes, leading to both sectors becoming "mediocre" instead of letting one fail.

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- Influence on Mergers & Acquisitions (M&A) Dynamics - Despite future reimbursement concerns, OBBBA contains a significant provision that positively influences current M&A activity: the reinstatement of 100% bonus depreciation.
  - 100% Bonus Depreciation: The OBBBA provides for the reinstatement and permanence of 100% bonus depreciation. This provision allows real estate investors to realize 100% of the accelerated depreciation for land improvements and personal property within the real estate in the year they acquire the property, providing major tax advantages.
  - Increased Pricing and Speed: This financial incentive is expected to boost transaction volume. In past periods, when bonus depreciation was active, buyers were known to pay a higher price and close deals in a faster timeline to realize these benefits.
  - Advice to Sellers: Given the uncertainty and the anticipated three-to-five-year phase-in of major funding cuts, financial experts advise providers who are considering an exit plan not to wait until 2028. The current market, benefiting from OBBBA's immediate tax advantages and pre-cut reimbursement rates, is still characterized by strong demand for quality assets.



# Quarterly Updates

Overview of Industry 3<sup>rd</sup> Quarter Update Calls

# High Level REIT 3<sup>rd</sup> Quarter 2025 Results

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The Ensign Group, Inc.

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Sabra Health Care REIT, Inc.

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LTC Properties Inc.

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CareTrust REIT, Inc.

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Brookdale Senior Living Inc.

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Welltower Inc.

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Omega Healthcare Investors, Inc.

- Year-over-year increases in occupancy, revenues, NOIs, & NOI margins.
- Lease coverages improved in 3<sup>rd</sup> quarter.
- Continue to make acquisitions.

# HUD Appraiser Feedback

Review of Underwritten  
Projects



- MC Community:
- Upfront Resident Fees:
  - The HUD Appraiser indicated that community fees (buy ins) are not permitted in HUD appraisals.
  - The appraiser labeled small, upfront resident fees as community fees in the appraisal.
  - The HUD Appraiser wanted to confirm that the community fee was a move in fee and not a buy in fee.
  - This was noted in the appraisal and lender narrative, but it was confirmed that this was a move in fee.
- Confidential Expense Comps:
  - The HUD Appraiser acknowledged USPAP confidentiality concerns in providing names and other identifying information on some expense comps, however asked if at least the state could be provided for each confidential expense comp listed in the appraisal.
  - The appraiser provided the HUD Appraiser with the state for each confidential expense comp.
- After the above information was provided, there were no follow up questions or concerns from HUD.

- AL Community:
- Appraiser's Concluded Value:
  - The HUD Appraiser had concerns about the appraiser's concluded value being higher compared to what the community was acquired for.
  - The appraised value increased approximately 30% from the purchase 5 months earlier.
  - The main reason for the difference was that the community was acquired from an owner/operator that only owned the subject.
  - The seller did not operate the community as efficiently compared to the buyer, with higher insurance costs and higher payroll expenses.
  - The buyer was able to lower payroll by approximately \$50,000/month. The appraiser only factored in a reduction in payroll of approximately \$25,000/month.
  - Cash flow was stabilized.
  - The sale was also an off-market transaction, so that played a factor as well.
- While these items were noted in the appraisal and lender narrative in several places, a separate explanation was provided to HUD summarizing what was previously noted.
- After the separate explanation was provided, there were no follow up questions or concerns from HUD.

- AL/MC Community:
- Appraiser's Concluded AL Rate:
  - The HUD Appraiser thought that the appraiser's concluded AL rate should be more in-line with the T-12 AL rate.
  - The appraiser's concluded average AL rate was approximately 30% higher than the AL rate listed on the most recent rent roll.
  - This in turn led to EGI and NOI being considerably higher than T-12.
  - 6 months prior to the end of the T-12 period, the community converted approximately 10 AL units to transitional AL units and residents that were moved into those units were paying MC rates.
  - The community continued to classify these units as AL, as the residents did not require a secured area.
  - As a result, the appraiser also classified these 11 converted units as AL and that skewed the historical average AL rate.
- Appraiser's Concluded Value:
  - The HUD Appraiser had concerns about the appraiser's concluded value being substantially higher compared to what the community was acquired for.
  - The appraised value increased approximately 70% from the purchase in 2021.
  - This is due partly to the addition of the transitional AL units noted previously.
  - The main reason is that when the community was acquired in 2021, it was losing money.
  - The borrower invested over \$1 million and significantly improved occupancy, NOI, and general operations compared to when the community was acquired.
  - Cash flow was stabilized.
- While these items were noted in the appraisal and lender narrative in several places, a separate explanation was provided to HUD summarizing what was previously noted.
- After the separate explanation was provided, there were no follow up questions or concerns from HUD.



Questions?