



RHarper Consulting Update

Affordable Senior Housing Communities (Part 3) What About Acquisitions?

The capital cost of new construction is the greatest challenge to making senior housing more affordable. But, emerging opportunities for favorably priced acquisitions provide careful investors with a new and clearer path to achieve their strategic goals.

The recession's impact on the real estate market continues to produce opportunities to purchase existing communities at well below replacement cost. Advantages of these acquisitions over a "Greenfield" project include:

- Better, more established locations
- Lower capital cost
- Immediate entry into the market.

Many projects financed over the past five years are caught in the recession and have not achieved stabilization, leaving



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many in default of their loan covenants and aggressively seeking buyers. In some cases, these projects are already in receivership or in control of a trustee. Today, it is not unusual for projects to be trading at well below 60% of replacement cost. These properties are rapidly coming onto the market, and savvy investors are positioning themselves to purchase the most desirable. So, the window for your target markets may be short lived.

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Distressed mixed-use projects are another source of interesting acquisition opportunities. Many have been built in great urban environments in the past few years, but many are struggling to occupy their residential units and commercial space which is often readily adaptable to food service and common area uses, thus making an affordable senior living community in a desirable urban location.

Entering into a transaction for distressed property, however, requires a different set of skills and tools than other transaction types and the schedule is often very compressed. At a minimum, the project team should include:

- A development team that is familiar with the challenges of distressed properties
- A repositioning plan that details the steps and costs to take the property from it's current status to the desired outcome
- A capital budget that provides adequate funding for necessary building rehabilitation, renovations, and other improvements
- Market studies, focus groups and other research to confirm your target market will accept the repositioned project
- Sufficient contingency to allow for unforeseen and unanticipated costs.

The benefits and risks associated with these opportunities are significant and need to be evaluated with a team of experienced professionals.

Take the following steps now to prepare for these opportunities:

- Develop relationships with commercial real estate brokers in your area,
- Let your bankers know you are interested in these opportunities. Often, they are first to hear about projects in your market that may be good opportunities.
- Have your team ready for immediate action when a suitable property comes onto the market.

RHarper Consulting Group currently has access to several strategic acquisition opportunities and is positioned to assess potential acquisitions in your market. Please contact us

sess potential acquisitions in your market. Please contact us today to explore these opportunities further.

In [previous parts of this series](#) we discussed the shifting paradigm of affordable senior housing and financing the affordable senior housing community.

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RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is a listed mediator and arbitrator and provides dispute resolution services for the construction and real estate industries.

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Questions or comments? E-mail us at rharper@rharperconsulting.com or call 615-218-4102