RCFE Resource

BUY, SELL & LEASE WITH CONFIDENCE

November 2024

RCFE RESOURCE MARKET REPORT

Overpricing Dilemma

As the inventory of care homes continues to rise, more sellers are reducing their asking prices or pulling their homes off the market altogether, indicative that far too many homes are overpriced.

STRETCHING THE ASKING PRICE

The number of care homes pulled off the market this year compared to last year is up and a large percentage of the active listing inventory has reduced the asking price at least once.

Garage sales are a great way to get rid of the constant accumulation of "stuff" that is no longer used. A successful sale opens up more room and space in the garage, especially when it is a large item like a bike or furniture. Unfortunately, for many, the initial asking price is stretched to a point where nobody is interested. As the morning wears on, it is time to make a decision: lug that large piece of furniture back into the garage, unwilling to part because of price, or lower the price to a point where someone will finally buy it. There is not as much interest because the potential buyer traffic fades as the day grows longer. The price gets slashed further until someone finally agrees to the lowered price.

Similarly, many assisted living facility home sellers jump into the housing arena and stretch the asking price for a variety of reasons, only to sit on the market with no offers and no success. They, too, must decide whether to reduce the asking price to the Fair Market Value or pull their care home off the market altogether.

Many sellers have thrown in the proverbial towel. Through September, more care homes have been pulled off the market than last year. After a lack of success in the Spring and Summer Markets, now that the kids are back in school, sellers have realized that it is no longer the most favorable time of the year to sell.

Another telling sign that sellers have been setting unrealistic expectations is the high number of sellers adjusting their asking price. A surprisingly large percentage, perhaps one-third, of the current listing inventory has reduced the asking price at least once.

Proper pricing is essential for a seller to secure success. Many care home owners come on the market feeling that their home is the absolute best in the neighborhood and, therefore, should fetch the highest sales price, more than the most recent comparable sale. This leads to stretching the price too high and deters buyers from writing an offer.

Others increase their asking price, thinking they need to leave a little extra "cushion" for negotiations. Yet, today's care home buyers are highly dialed into home values and know their specific market very well. These educated buyers scour the data (bedrooms, baths, square footage, and lot size), then examine every photo and look for amenities, upgrades, location, view, condition, deferred maintenance, and curb appeal. Finally, they look at the price and determine whether the sellers are priced well or unrealistic. It is the difference between scheduling a showing or skipping over it and waiting for the next care home to come on the market. Today's sophisticated buyers do not see the higher asking price as extra "cushion" for negotiations. Instead, they see it as the price a seller desires to obtain.

Today's market is not instantaneous, far from it. There is a lot more seller competition. Overpricing a care home is not the answer to secure a successful outcome. The best

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Call us **TODAY** for a **FREE** valuation of your care home and business.

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Ask The Broker

UNDERSTANDING SELLER FINANCING IN RCFE AND ARF SALES

Q: What is Seller Financing?

A: Seller financing, also known as owner financing, is a transaction in which the seller provides financing to the buyer to purchase the property or business. This arrangement can be beneficial for both parties, especially in the niche market of RCFE and ARF sales, where traditional financing may be limited or difficult to obtain.

Pros of Seller Financing

1. **Easier Qualification:** For buyers who may struggle to secure traditional financing due to credit issues, seller financing can be a more accessible option. The seller has the discretion to set their terms and may be more flexible than a bank.
2. **Faster Transactions:** Without the extensive paperwork and waiting times associated with traditional lenders, seller financing can expedite the closing process, allowing buyers to take possession of the property or business sooner.
3. **Negotiable Terms:** Sellers can offer more favorable terms, such as lower interest rates, smaller down payments, or extended payment periods, making it an attractive option for buyers.
4. **Potential Tax Benefits:** Sellers can defer capital gains taxes by structuring the sale in installments over time, which can lead to significant tax savings.

Cons of Seller Financing

1. **Risk of Default:** If the buyer defaults on the loan, the seller may have to go through a lengthy foreclosure process. This risk can be mitigated by thoroughly vetting the buyer's financial stability beforehand, such as checking the buyer's tri-merge credit report and FICO scores from the primary credit-reporting bureaus, Experian, Equifax and TransUnion.
2. **Limited Market Appeal:** Some buyers may prefer traditional financing methods and may be hesitant to consider seller financing, potentially limiting the pool of interested buyers.
3. **Ongoing Responsibilities:** Sellers may retain some responsibilities for the property until the buyer fully pays off the loan. This includes dealing with property maintenance and tenant issues, which can be burdensome.
4. **Legal Complications:** Without proper legal documentation, seller financing arrangements can lead to disputes or misunderstandings. It's crucial to have a well-drafted agreement in place.

Concrete Example of Seller Financing

Let's consider a hypothetical scenario involving an RCFE. A seller lists their facility for $1 million. The buyer, an interested party with a solid business plan but limited cash reserves, negotiates a seller financing agreement.

- Terms: The seller agrees to finance $800,000 of the purchase price with a 6% interest rate over 15 years. The buyer provides a $200,000 down payment.

- Monthly Payments: The buyer's monthly payment would be approximately $6,731, which includes principal and interest.

In this scenario, the seller collects steady monthly payments while retaining a security interest in the property until the loan is paid off. If the buyer successfully operates the RCFE, both parties benefit.

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Feel free to reach out with further questions! RCFE Resource is here to guide you every step of the way. We can help you find suitable properties and can refer you to the necessary consultants and agencies who will facilitate your dream of owning an RCFE.

Current Listings

To view our current listings visit our website at

www.rcferesource.com

CURRENT LISTINGS

VISALIA: RCFE FOR SALE

- HOME AND BUSINESS
- 5 BDR, 2 BA, 2,300 SF
- Immaculate Home!
- Great Neighborhood
- Home $600K; Business $150K

COMING SOON
(please call for details)

It's currently Top Secret!

This is what we CAN reveal: Some of the cities to be featured in coming months include listings in: Rancho Mirage, Mission Viejo, Lake Forest, Westminster, Cathedral City, Diamond Bar, Costa Mesa, Bakersfield...and MORE.

Please Stay Tuned!

THE BEST HEALTHY PUMPKIN PIE

Not much completes a perfect Thanksgiving dinner than a rich, sweet slice of pumpkin pie. See below for a recipe to make it even sweeter – using less sugar!

Ingredients:

- 2/3 cup Stevia Bakers Bag
- ¼ cup sugar
- ½ teaspoon salt
- 1-½ teaspoons ground cinnamon
- ¾ teaspoon ground ginger
- ¼ teaspoon ground cloves
- 2 large eggs
- 1 teaspoon pure vanilla extract
- 1 (15 ounce) can pumpkin
- 1 teaspoon cornstarch
- 1 (12 fluid ounce) can low-fat 2%evaporated milk
- 1 unbaked 9-inch frozen prepared deep-dish pie shell

Instructions:

1. Preheat oven to 425˚F.
2. In small bowl mix Stevia Bakers Bag, sugar, salt, cinnamon, ginger, and cloves.
3. In large bowl, beat eggs, add vanilla, and stir in stevia spice mixture.
4. In small bowl dissolve cornstarch in 2-3 tablespoons of evaporated milk. Blend in pumpkin mixture and stir in remaining evaporated milk. Blend well. Pour into frozen deep-dish pie crust. Set on cookie sheet and bake at 425° F for 15 minutes.
5. Reduce oven to 350° F and bake another 45-50 minutes or until filling is set. Remove from oven and cool on rack for 2 hours. Garnish with light whipped cream before serving.
6. Serve immediately or refrigerate up to 2-3 days.

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.

BENEFITS OF USING SPECIALIZED AGENTS FOR YOUR ASSISTED LIVING TRANSACTION

When it comes to buying or selling assisted living properties, such as Residential Care Facilities for the Elderly (RCFEs) and Adult Residential Facilities (ARFs), the importance of working with a specialized agent cannot be overstated. The landscape of assisted living real estate is unique and complex, requiring expertise that goes beyond traditional real estate transactions. Here are several compelling reasons why you should consider enlisting the help of an agent who specializes in this niche market.

1. Specialized Knowledge of Licensing Requirements
Assisted living facilities are subject to a myriad of licensing requirements that vary by state and locality. A specialized agent understands these regulations inside and out. They can guide you through the necessary steps to ensure compliance, whether you are acquiring a facility or selling one. This knowledge helps avoid potential pitfalls that can lead to delays, fines, or even the inability to operate legally.

2. Thorough Understanding of Necessary Disclosures
In the assisted living sector, the stakes are high, and transparency is essential. An experienced agent knows what disclosures are required and can help you prepare the necessary documentation to protect both buyers and sellers. This level of diligence not only ensures compliance with the law but also builds trust and credibility with all parties involved.

3. Intensive Due Diligence and Inspections
Whether you are purchasing or leasing an assisted living property, the need for thorough due diligence and inspections cannot be emphasized enough. A specialized agent will know what to look for beyond the surface level. They have the expertise to identify potential issues with the property, including structural concerns, compliance with health and safety regulations, and the suitability of the facility for its intended use. Their experience ensures that you make an informed decision and avoid costly surprises down the line.

4. Experience Handling Complex Transactions
Assisted living facility transactions often involve multiple stakeholders, including regulatory agencies, health departments, and funding sources. An agent who specializes in this field will have a proven track record of navigating these complexities. Their experience can streamline the process, making it more efficient and less stressful for everyone involved.

5. Navigating Licensing Notification Requirements
Selling or purchasing an assisted living facility often necessitates notifying various licensing authorities. An agent with specialized knowledge can help ensure that all notifications are made in a timely and appropriate manner. This is crucial for a smooth transition and for maintaining compliance with state regulations.

6. Market Insight and Valuation Expertise
The assisted living market can be volatile and is influenced by a range of factors, including demographic trends, local competition, and changes in regulations. A specialized agent is attuned to these market dynamics and can provide invaluable insights into property valuation. This knowledge can help you set realistic expectations whether you are buying or selling.

In summary, the benefits of using an agent who specializes in assisted living facilities are clear. Their specialized knowledge of licensing, attention to necessary disclosures, expertise in conducting due diligence, experience with complex transactions, and understanding of market dynamics make them an invaluable asset in the buying and selling process. By choosing to work with a specialized agent, you are not just gaining a real estate professional; you are securing a partner who can guide you through the intricacies of assisted living property transactions with confidence and competence.

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strategy is carefully and deliberately pricing a home according to its Fair Market Value immediately upon coming on the market. The Fair Market Value is what a buyer is willing to pay for a care home given its location, amenities, upgrades, and condition, considering the most recent comparable pending and closed sales.

Buyers need to understand that future Federal Reserve cuts in the Federal Funds Rate (short-term rates) are already baked into today's 30-year mortgage rates (long-term rates). The Federal Reserve did not change the Fed Funds Rate from July last year until the half-of-a-point cut in September. During that period, mortgage rates moved all over the place: from a high of 8% last October to 6.6% in December, back up to 7.5% in May, and then down to 6.1% in September just before the initial cut. The Fed is projected to cut by a quarter-of-a-percent in November, but don't expect much of a change in mortgage rates that day.

As the Federal Reserve has indicated, it is essential to watch all economic releases for signs of slowing. These releases can potentially move mortgage rates higher or lower, depending on how they compare to market expectations.

With demand rising faster than supply, the Expected Market Time (the number of days it takes to sell all active listings at the current buying pace) is expected to decrease.

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Mitigating Risks
To guard against potential pitfalls in a seller financing arrangement, consider the following strategies:

1. Conduct Due Diligence: Sellers should thoroughly vet buyers by reviewing their credit history, business plan, and financial standing. Buyers should ensure they understand the operational aspects of running an RCFE or ARF.

2. Draft a Comprehensive Contract: Work with a qualified real estate attorney to draft a detailed seller financing agreement that outlines payment terms, interest rates, default remedies, and responsibilities of both parties.

3. Consider a Balloon Payment: To reduce long-term risk, sellers may opt for a balloon payment structure, where the buyer makes smaller payments for a set period before paying off the remaining balance in a lump sum.

4. Title Insurance: Obtain title insurance to protect against any unforeseen claims or issues with the property that could arise post-sale.

5. Consult Professionals: Engage a real estate broker familiar with RCFE and ARF sales to navigate the complexities of seller financing. Their expertise can help identify potential issues and ensure a smoother transaction.

Conclusion

Seller financing can be a viable option for both buyers and sellers in the RCFE and ARF markets. By understanding the mechanics of this financing method, weighing its pros and cons, and implementing safeguards, you can make informed decisions that lead to successful transactions. Whether you're looking to buy or sell, consider how seller financing might fit into your plans and consult with professionals to guide you through the process.

If you have any further questions about seller financing or other aspects of real estate transactions, feel free to reach out. Until next time, happy investing!

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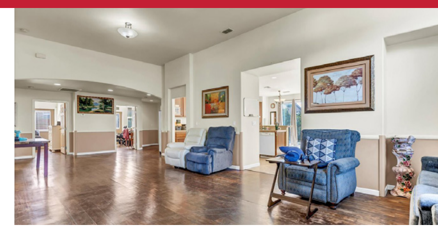
November 2024

FEATURED LISTING



Imagine owning a serene sanctuary nestled in the heart of Visalia, nearby the stunning Sierra Nevada mountains—this is your opportunity! Well-maintained RCFE, 5 Beds, 2 Bath, 2,300 Square Feet. Licensed for 5. 2 hospice waivers.

Home $600K; business $150K.

To see additional pictures, go to
www.RCFEresource.com/listings

For more information, please contact Michelle London at 949-397-4506

THINKING OF BUYING OR SELLING?

Let our RCFE Resource team of professionals bring proven expertise to help you get the highest sales price for your RCFE or ARF!

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