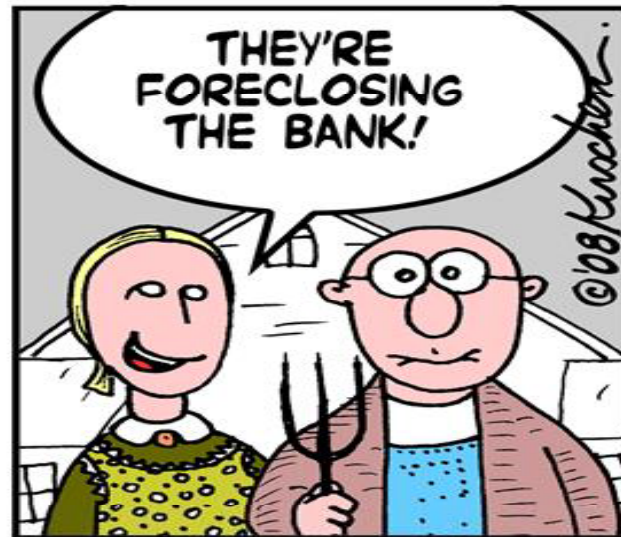
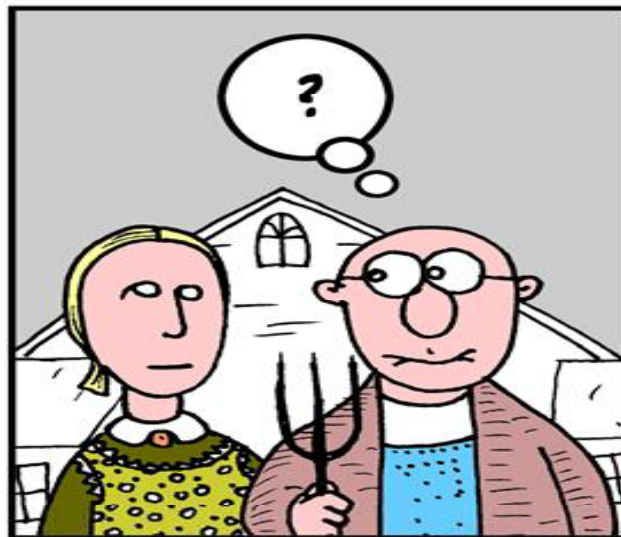


The Prognosis for Lending

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Dry Bones AMERICAN GOTHIC



www.drybonesblog.com



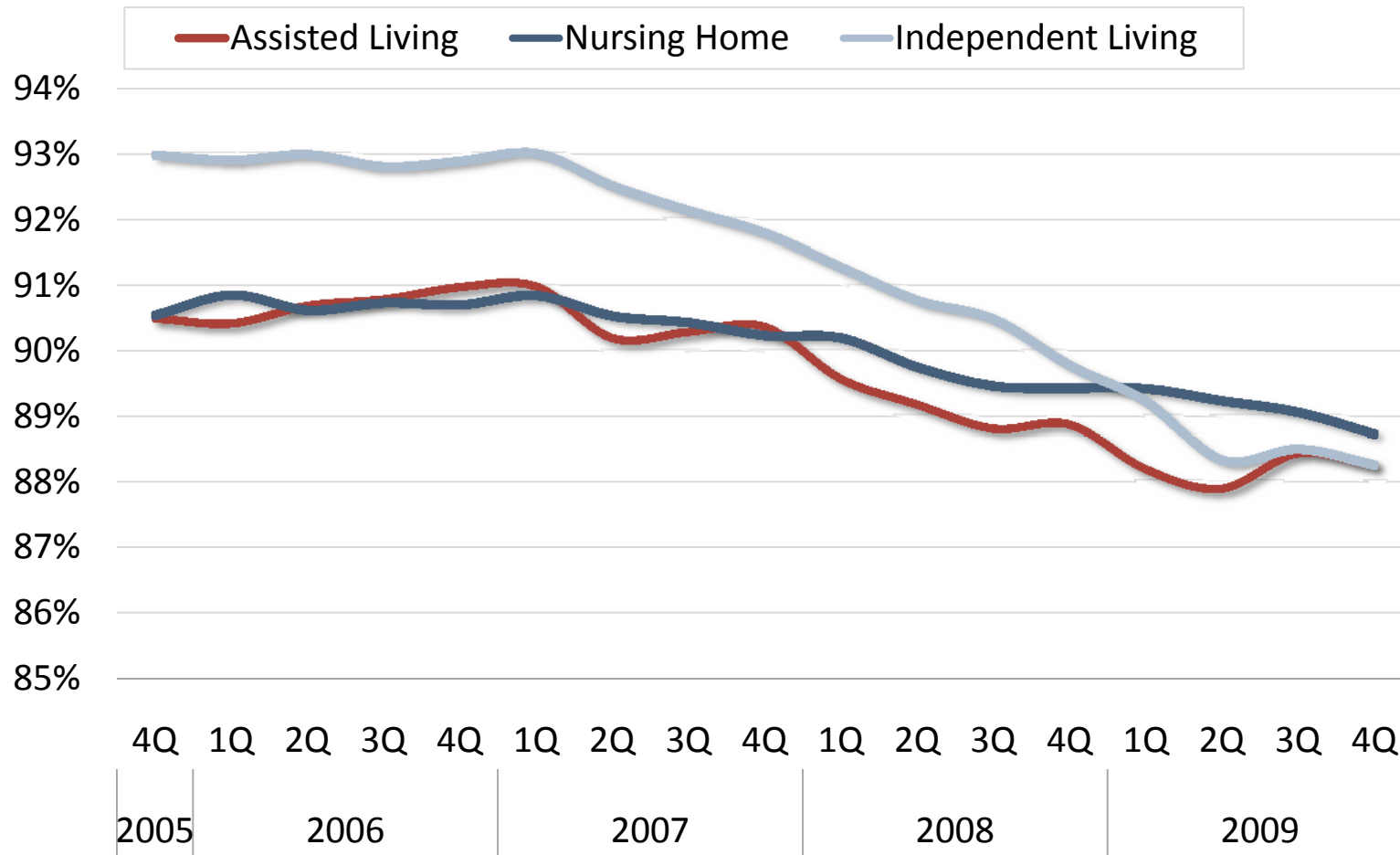
Agenda

- Fundamentals & Insights
- Financing – what has changed?
 - Who is active?
 - Who is sidelined?
- Going forward
 - Growth Capital
 - Construction financing
 - Fannie/Freddie



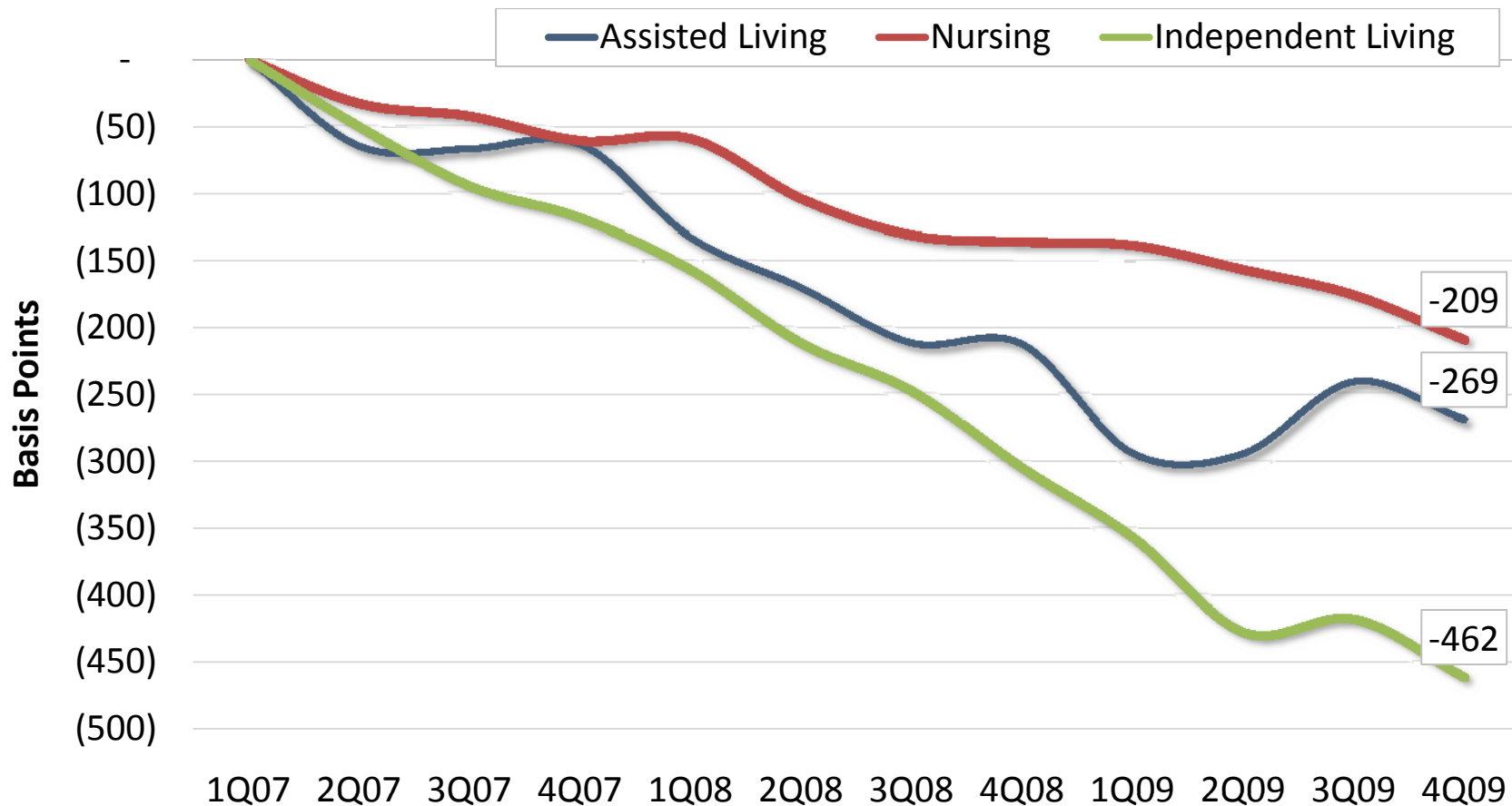
Occupancy Trends

4Q05 to 4Q09 Occupancy Rate Trends, MAP 31



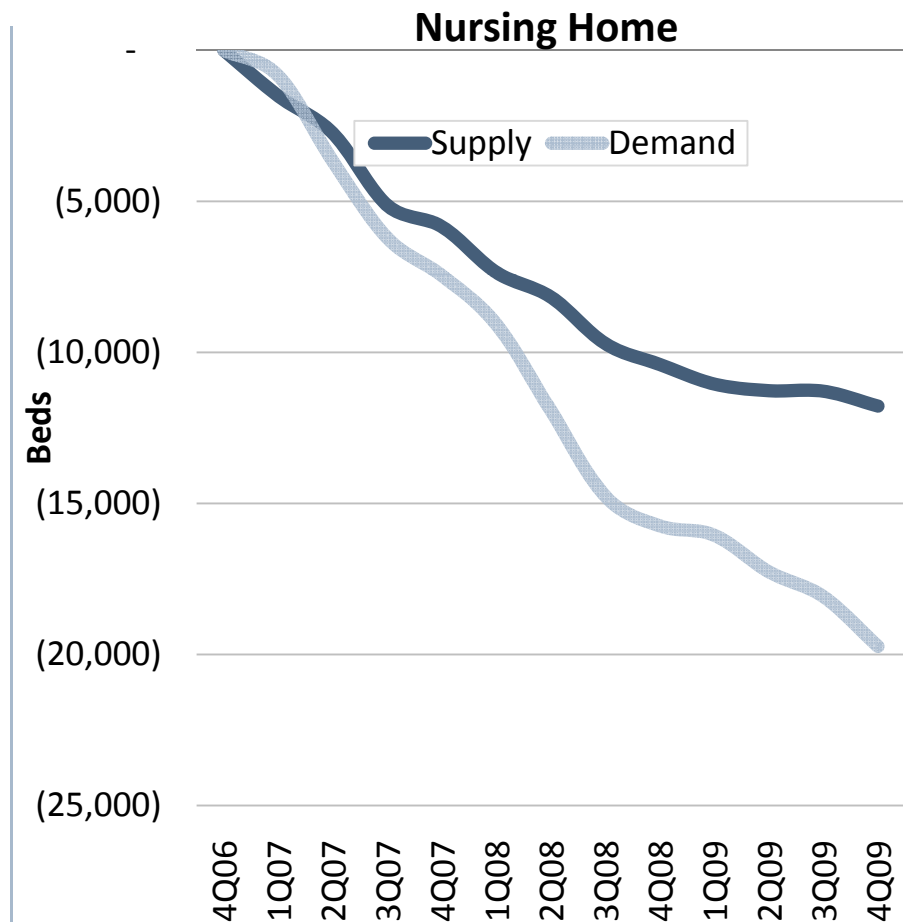
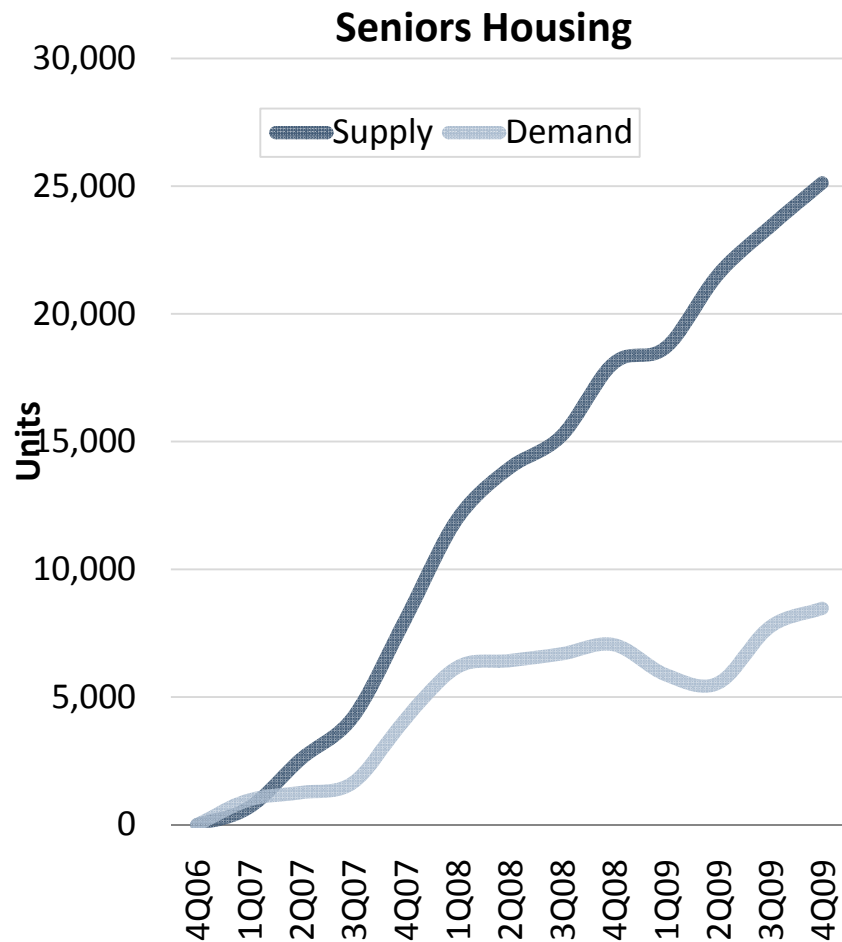
Nursing Has Outperformed

1Q07 to 4Q09 Cumulative Occupancy Rate Changes, MAP 31; basis points



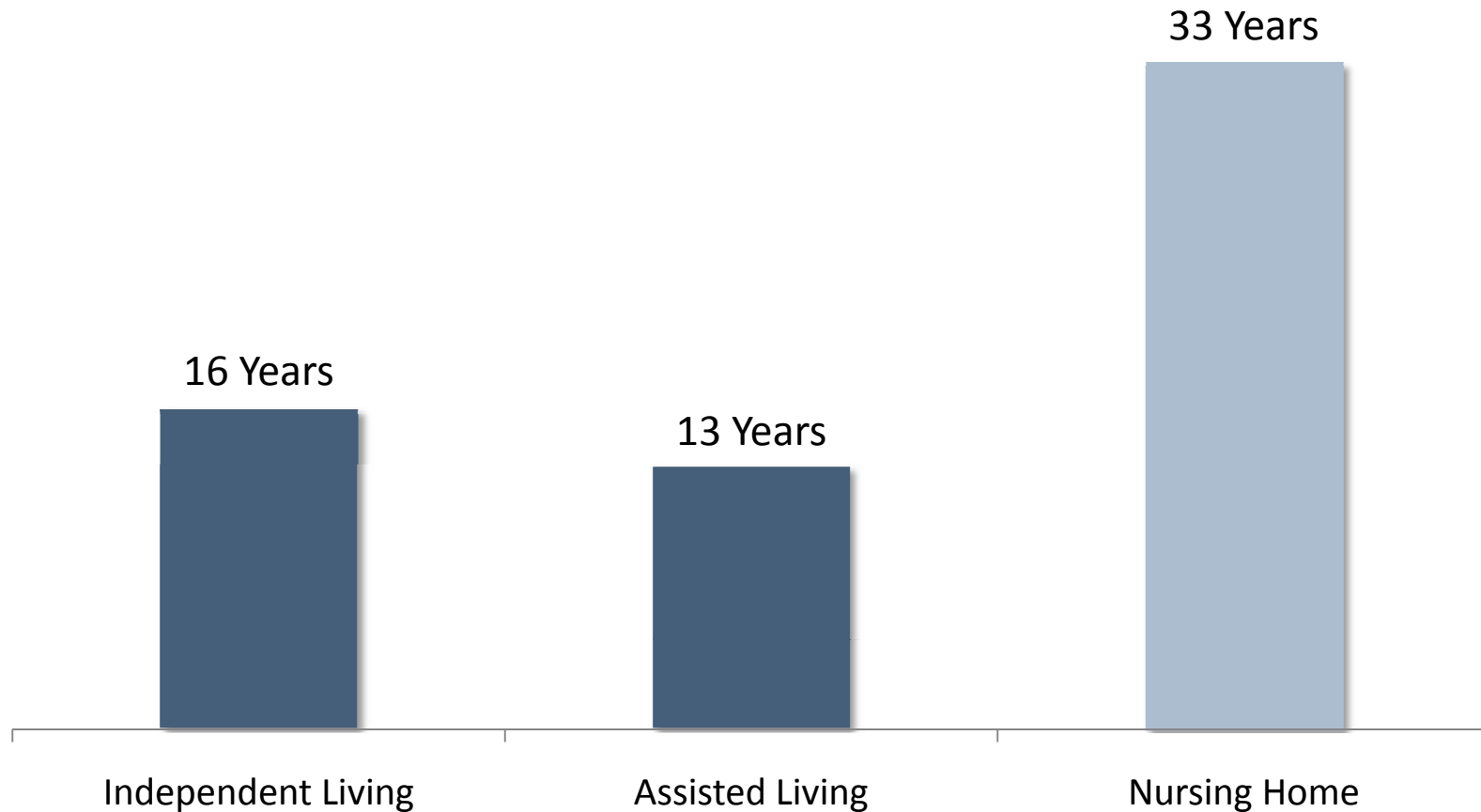
But Underlying Trends Are Different

4Q06 to 4Q09 Cumulative Supply/Demand, MAP 31; basis points



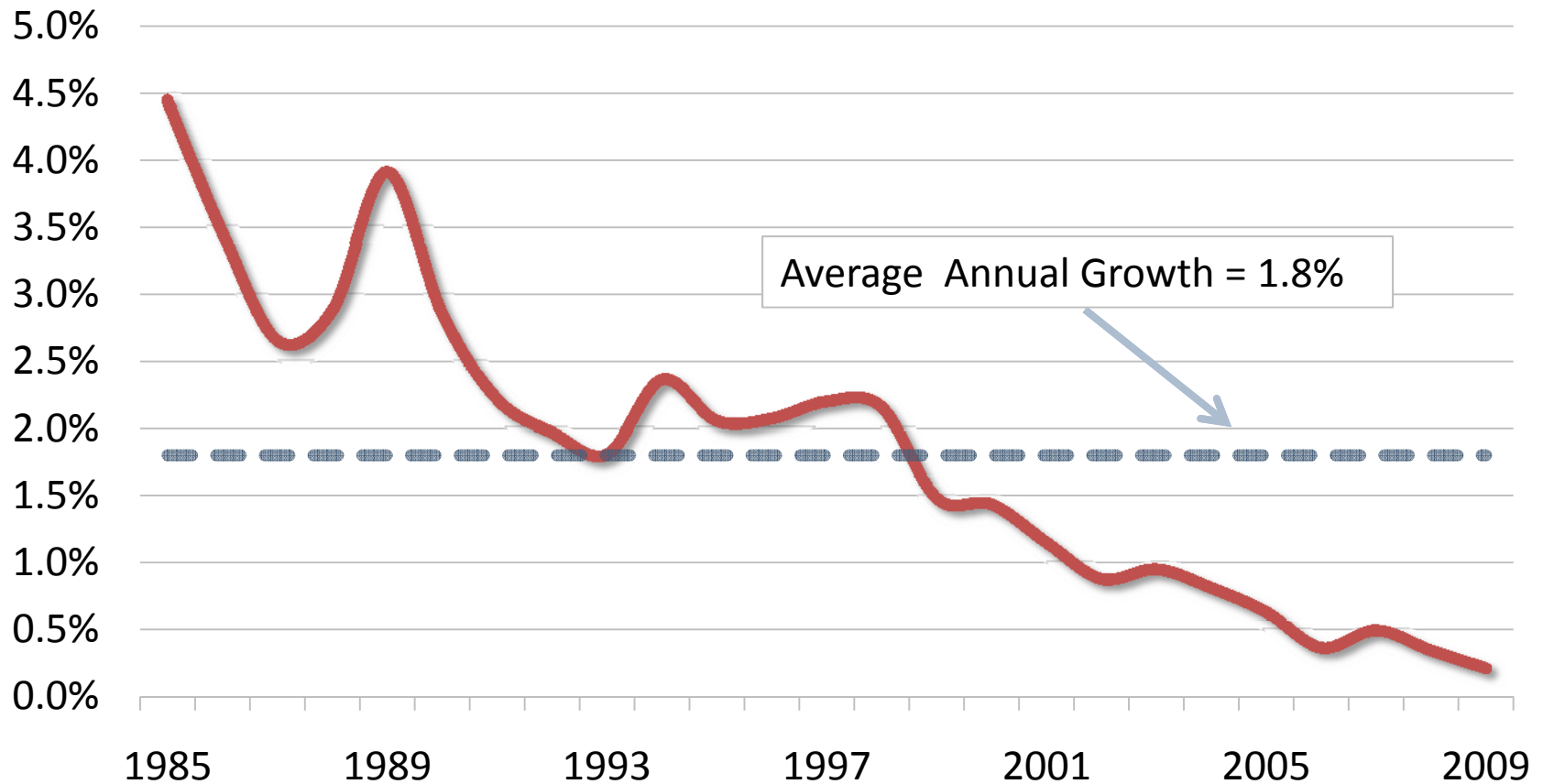
The Nursing Home Industry has Aged

Median Age of Properties, MAP 31; Years



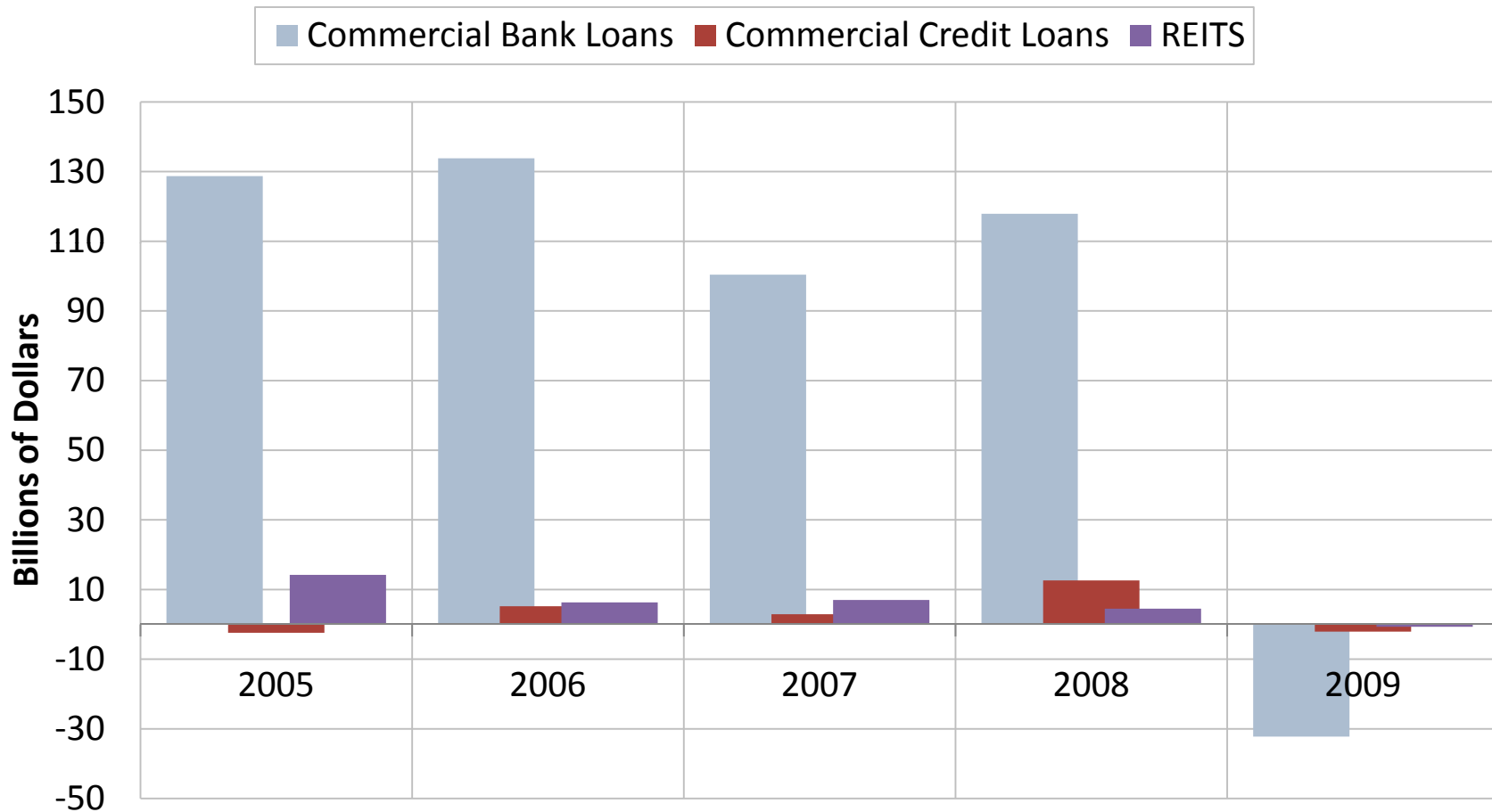
And Growth Capital Is Needed

Annual Growth Rate of Existing Nursing Home Inventory, MAP 31; %



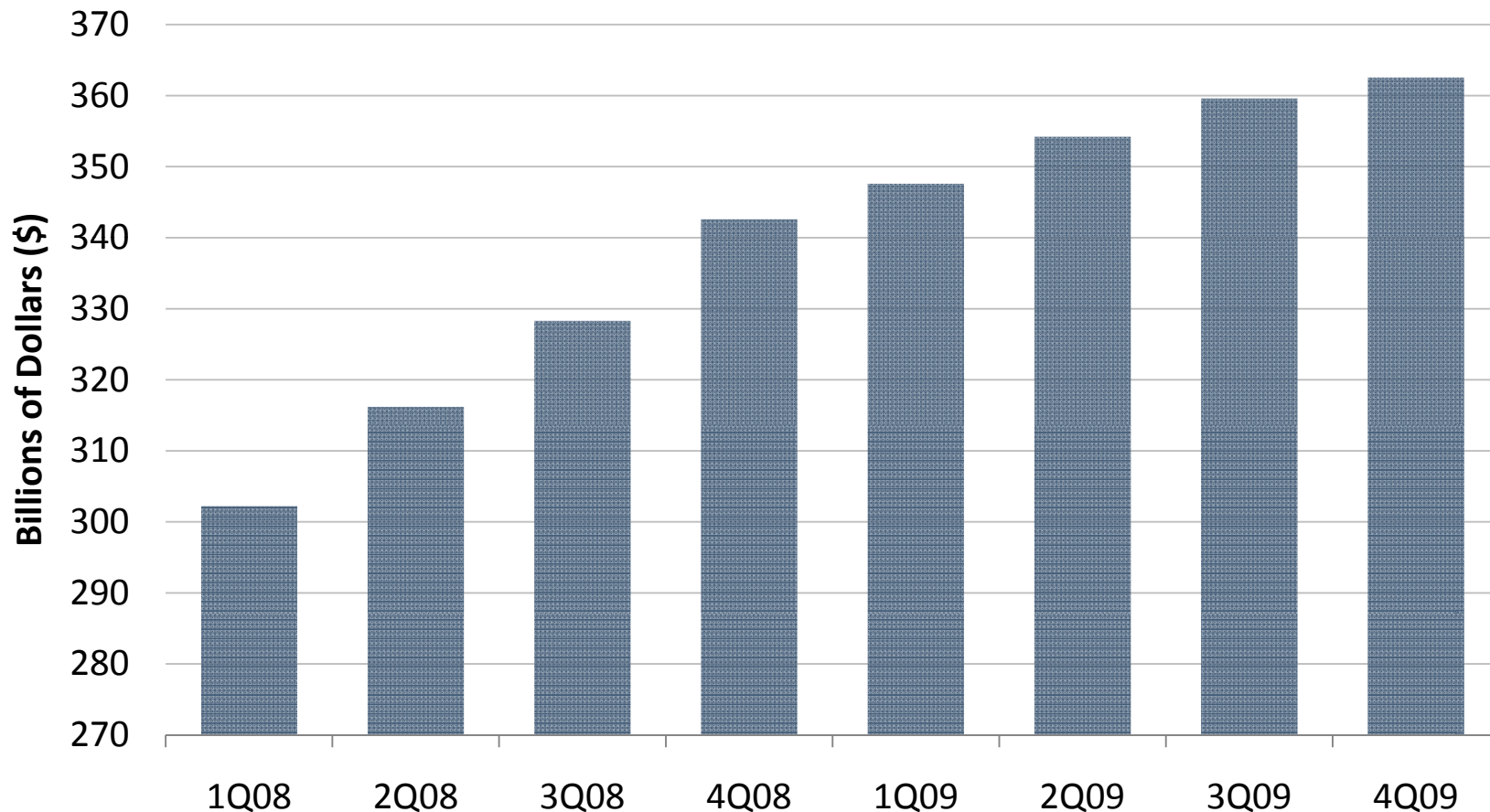
Financing Has Changed

Annual Financing Flows; Source: *Federal Reserve, f220*



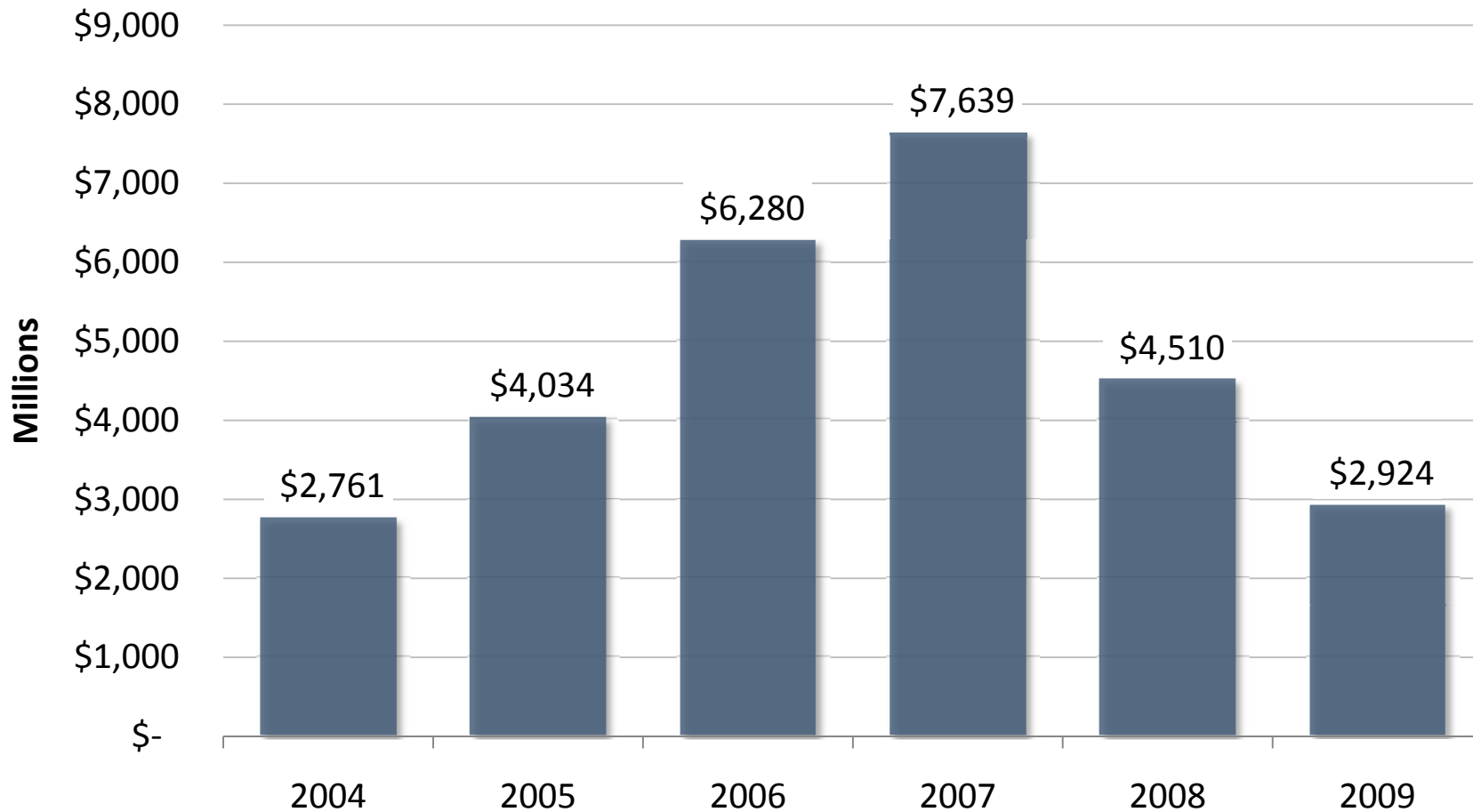
But The GSEs are Still Lending

GSE Total Multifamily (including Seniors) Mortgages Outstanding; Source: Federal Reserve



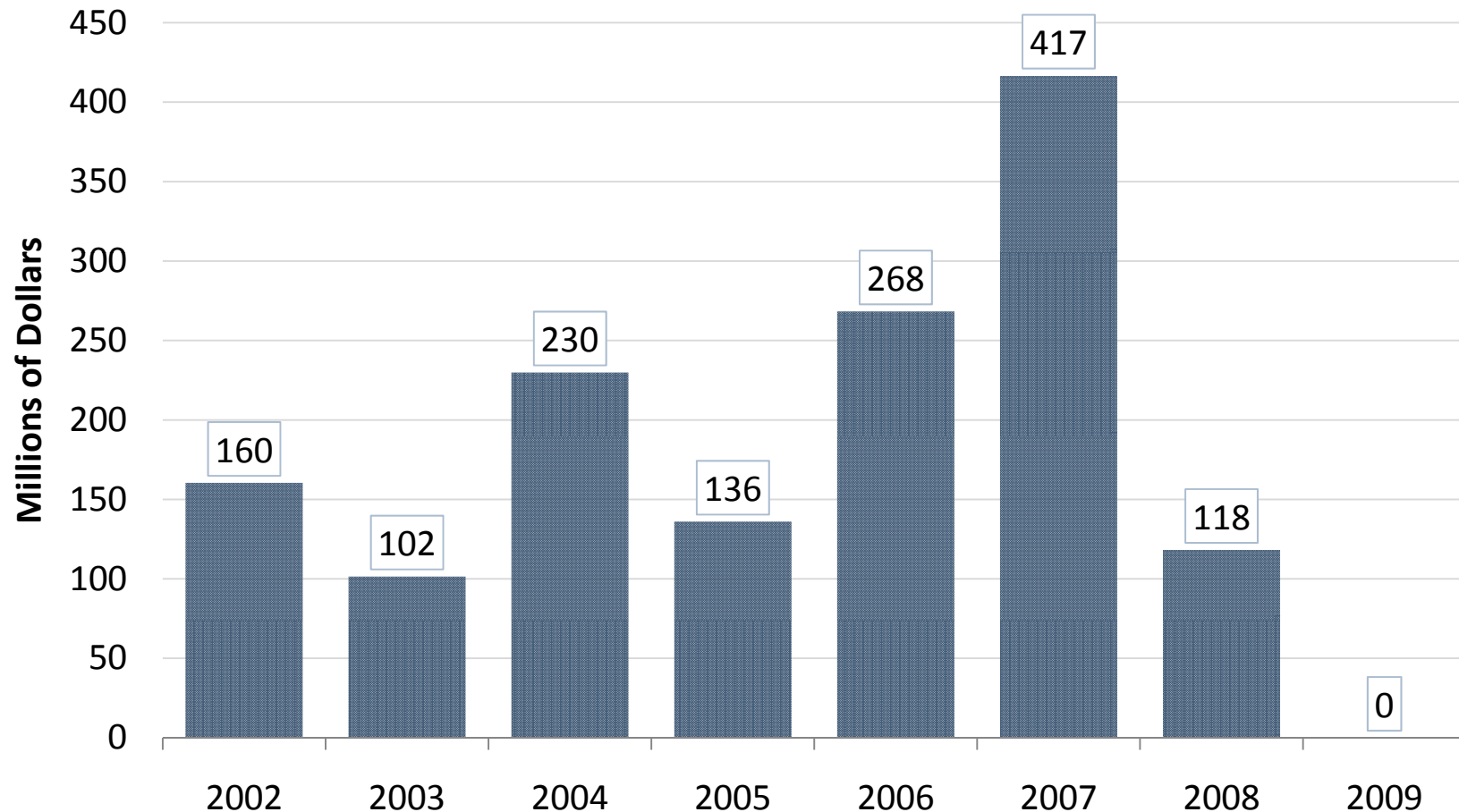
Seniors Housing Loan Volume has Slowed

Annual Seniors Housing & Long Term Care Loan Volume; Source: *NIC KFIs*



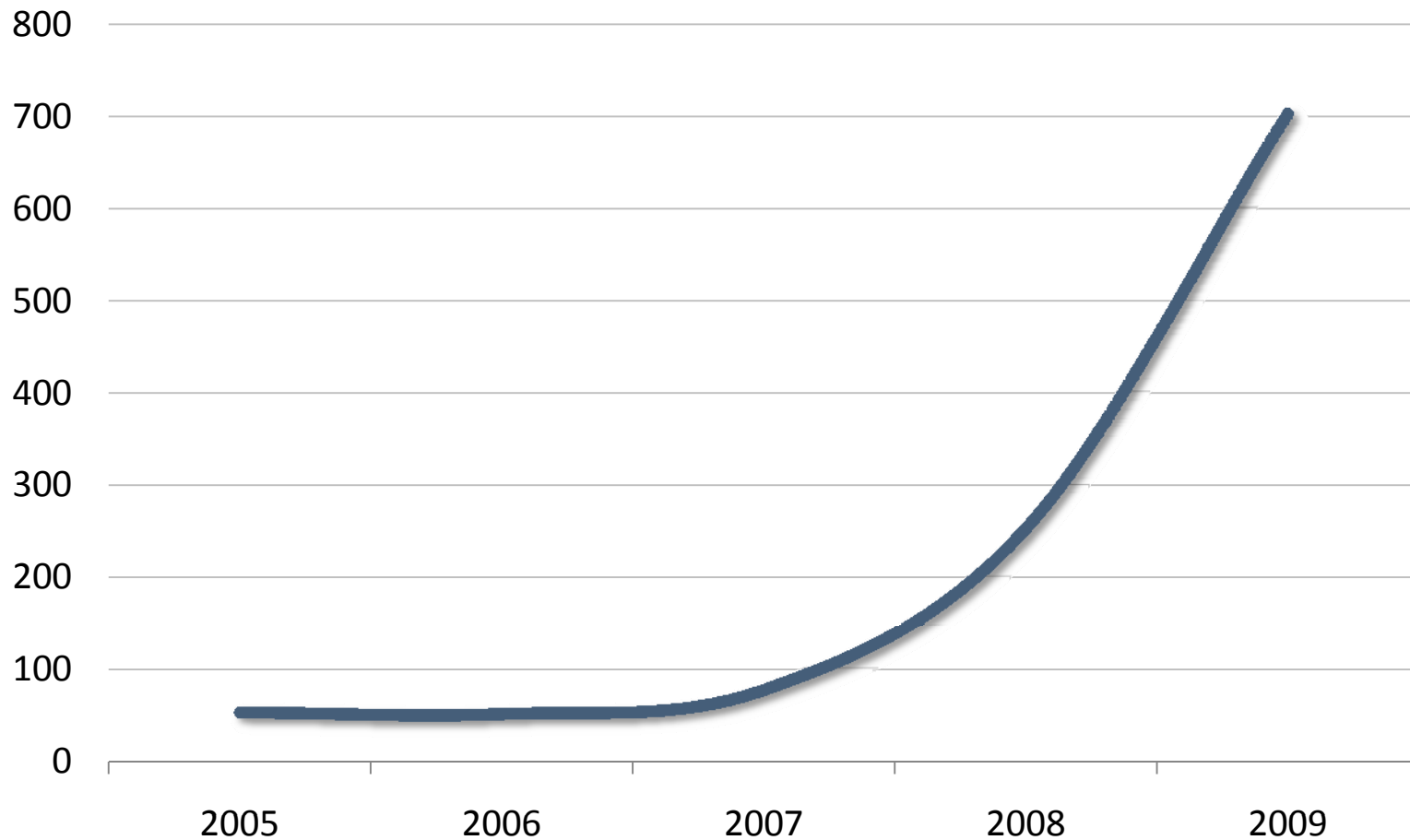
And SHC Construction Lenders are Not Lending

Annual Seniors Housing & Long Term Care Construction Volume; Source: *NIC KFIs*



And Other Banks Are Struggling

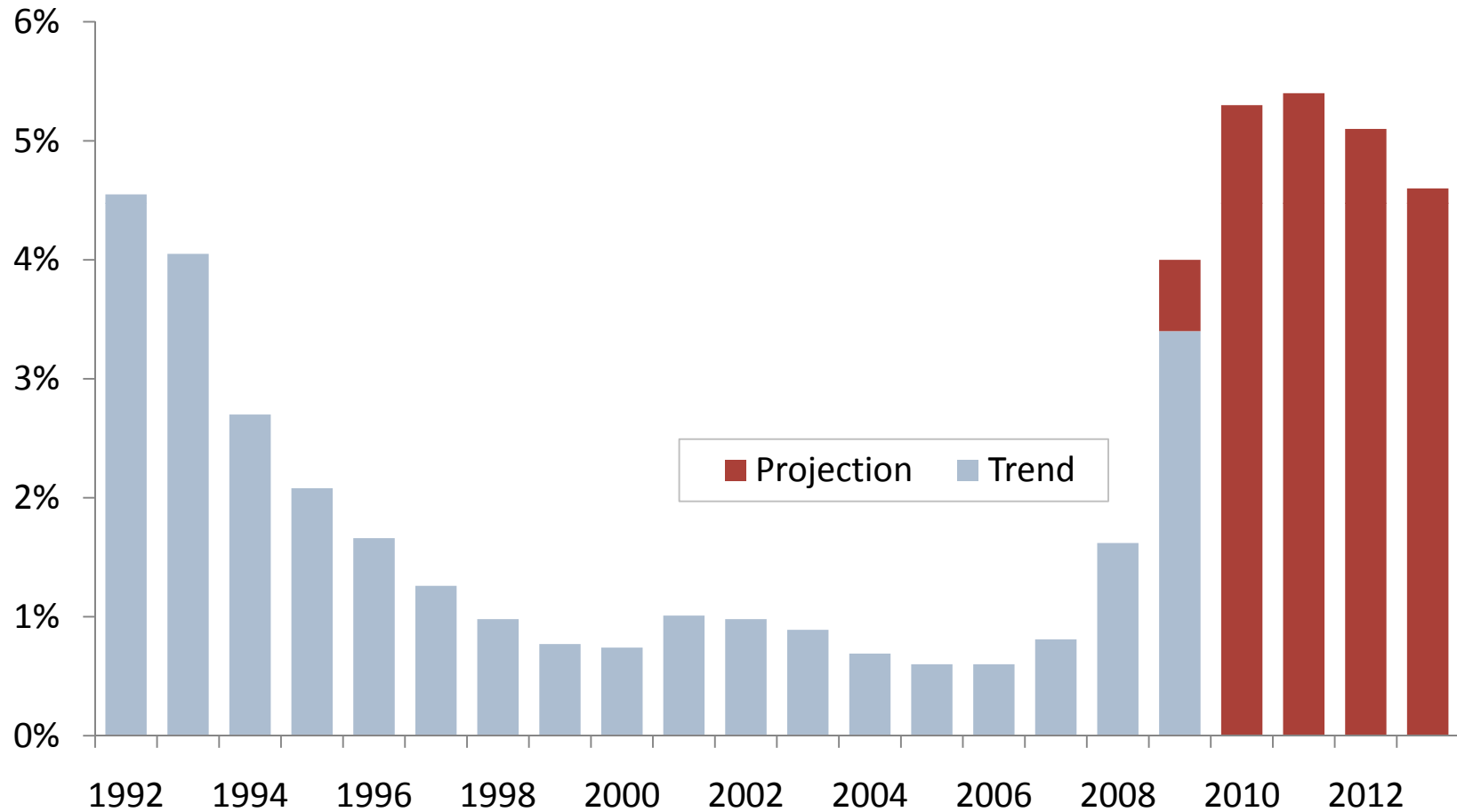
Number of Troubled Banks; Source: FDIC



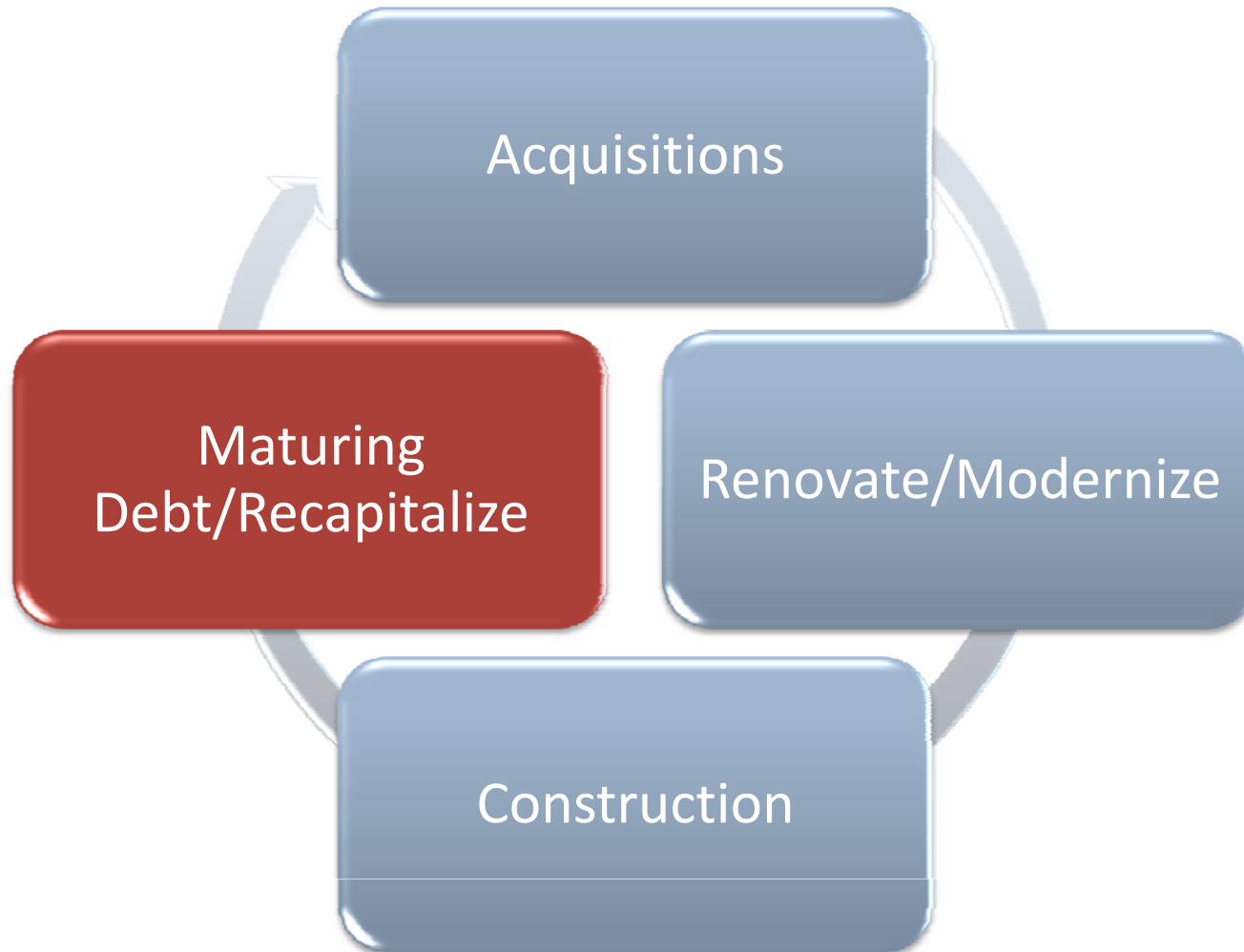
Defaults are Rising

End of Year Default Rate for Commercial Mortgages Held By Banks

Source: FDIC, Real Estate Econometrics



Is Financing Available?



And on What Terms?

	Property Types Financed	Appetite/Liquidity	General Terms
GSEs	IL, AL	High (steady to declining)	Max LTV 65-75%; DSCR 1.3+; Min 90% Occupancy; 5-25 Yr Term
HUD	SNF, AL	High (steady to declining)	Max LTV 80-85%; DSCR 1.45+; Up to 35 Yr Term; New Construction
REITs	All	Medium (steady to increasing)	100% of Purchase Price; Generally 8.5%+ Lease Rate; Property Taxes Upon Sale
Regional Banks	All	Low (steady)	Construction, Bridge, some Permanent; 70% and Under
Community Banks	All	Medium (increasing)	\$10 million Loan size, Look for participation for Higher Amounts
Commercial Credit	All	Low (steady)	Up to 85% LTV, 5 Yr Term Max, DSCR – N/A, Some Recourse



Fannie and Freddie are In Business, For Now

Annual Net Income; Source: Thompson Reuters

