

INDUSTRY INSIGHTS

Multifamily Firm Berkshire Residential Targets Senior Housing, Hires Industry Veteran

By Tim Mullaney

Berkshire Residential — a Boston-based real estate firm with over \$8 billion of assets under management — has set its sights on senior housing.

The company has already raised and started to deploy one dedicated senior housing fund, with further fundraising underway. And Berkshire earlier this year hired industry veteran Matthew Whitlock to lead its efforts as managing director, chief investment officer of senior housing.

Whitlock comes to Berkshire after having been a vice chairman at CBRE for over a decade. In addition to work with other financial and real estate firms, he has experience on the operator side, having been senior vice president and director of acquisitions for Brentwood, Tennessee-based Brookdale Senior Living (NYSE: BKD) from 1996 to 2002.

Though he declined to share the amount of money raised or deployed so far in senior housing, Whitlock spoke with Senior Housing News recently about Berkshire Residential's commitment to the space and how it is approaching growth.

Though it has a stronghold in the Northeast, Berkshire is looking at markets nationwide for senior living opportunities, he said. Ultimately, the firm could split its senior housing portfolio between six and 10 regions. While Berkshire has its own management company on the multifamily side, it is partnering with existing operators in senior housing, and already is working with Newport Beach, California-based Clearwater Living and Norwood, Massachusetts-based LCB Senior Living.

Whitlock recently spoke with Senior Housing News about why he made the move to Berkshire, the opportunities he sees for development and acquisitions, and how he's reading the tea leaves in terms of the senior living marketplace and the overall economy.

On preferred care level for acquisitions:

The acuity level du jour seems to be active adult. There's a tremendous amount of development activity there. I can't say those folks are wrong. I scratch my head a little bit from a valuation perspective, because I think there's tremendous profitability and success for people who have put shovels in the ground, [but] I think there have been reasonably few transactions relative to other asset types and acuity types to really be able to say I know what that market is from a valuation perspective ... I think that needs to mature a little bit.

I think independent living or light assisted living — maybe those are the same thing right now — are very much in vogue right now. It's a choice-based economy.

We'll look at all acuity types. Generally speaking, and I know this is a cliché, we tend to be interested in more than one level of care. So, whether that's an IL/AL or AL/memory care, we like the stickier resident and someone who can transition through the community as acuity level increases.

On the opportunities for ground-up development:

Here I am talking about buying opportunities, and yet we have a dedicated fund which is primarily focused on development. I would lead with the cliché that you can do a great deal in a bad market, and you can do a terrible deal in a good market. We're very focused on operators and our relationship with the best operators in any specific geographic region.

Our intent is to build out a platform of operators ... it would not surprise me if we have six to eight relationships with operators who are best-in-class in their specific region.

It is our overriding preference to have more than one level of care on a per-community basis. But again, we're going to rely on our operating partners to analyze specific markets and tell us what they think the best product in that specific market is.

On building and acquiring in urban markets:

This dead horse has been beaten quite a bit, but I think the major MSAs are arguably the ones that have received the most occupancy pressure. So, we think major MSAs and [areas] adjacent to MSAs are going to have the most opportunities from an acquisition perspective.

Again, we're going to rely on our operating partners for site selection and back up their diligence with our own.

On senior living in mixed-use urban developments:

It's going to be difficult to find that master-plan type of setting in today's environment, because it becomes very, very expensive. So, we will certainly not rule out a mixed-use type of parcel and we certainly have the guns and the resources to consider it from multiple angles. I think the opportunity to do that on a grander scale is probably limited right now.

Original article:

<https://seniorhousingnews.com/2019/10/14/multifamily-firm-berkshire-residential-targets-senior-housing-hires-industry-veteran/>

PROJECT UPDATE

Stony Plain Project Update

Stony Plain Active Adult Lifestyle Community is located just west of Edmonton, Alberta. When complete, the residence will be a 6-storey apartment building with 83 Active Adult Lifestyle Community suites. It will offer In-suite 24-hour emergency call systems, a recreation facility, housekeeping, laundry services, on-site management and maintenance. A main floor of commercial and retail space will provide residents with easy access to amenities such as a doctor's office, pharmacy, bistro or coffee shop.

1. We have completed the framing on the main floor and the second floor.
2. We are laying out suites on the third floor to start interior framing.
3. The work on the structural steel on the fifth floor has been completed and we will start the concrete pour next week.
4. The parkade is now 90% painted.
5. We have completed all draws of the mezzanine loan and made our 3rd draw of the senior loan in late September.
6. We have received expressed interest for all of our suites to-date and are looking forward to its opening in late 2020!



Surprise Project Update

Chancery is partnered with long time Suske Capital partner, Avenir Senior Living, in the development of this 32-bed geriatric behavioral hospital in Surprise, Arizona.

The Surprise Behavioral Hospital will benefit from its proximity to Surprise Memory Care, which is located on the adjacent land. The Surprise Memory Care community will provide referrals to the hospital, and the hospital will allow for higher level of care for the existing residents of Surprise Memory Care.

Our hospital continues to exceed our expectations from an occupancy perspective, which confirms the need for this emergent care offering since its opening on May 6, 2019.

In fact, in our initial budget, we forecasted the occupancy would average 3.2 beds/day for the first five months of operation. We are happy to report that since May 6, 2019, we are averaging an occupancy of 4.6 beds/day, a significant improvement.

We are extremely happy with the progress as the hospital continues to exceed our expectations with respect to occupancy, revenue and profit margin. The management team and staff at the hospital are working hard towards stabilizing the facility and we have every confidence in their ability to achieve it.

Chancery Seniors Housing Investments Inc. is a private real-estate investment firm with a focus on seniors housing. Powered by its two strong founding partners, Suske Capital Inc. and LD Capital Corp., Chancery creates a team with the expertise and experience of over 55 years in real estate and seniors housing developments with an estimated completion value of over \$5 billion.

For more information about our company and projects, please visit www.chanceryseniors.com