

Coventry Park

Status

Active Investment;
Refinanced in July 2007

Location

San Francisco, CA

Asset Type

Senior Housing Community

Date of Investment

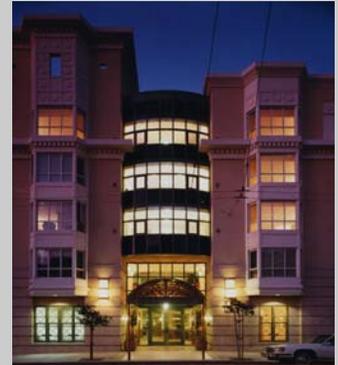
December 2003

Investor Return to Date

Prior to refinancing in July 2007, investors were earning 12% cash-on-cash annually; today investors receive approximately 7% per year on their original, already returned, equity. Further, despite having no equity at risk post refinancing, investors retain a significant ownership stake in the property.

Overview

Coventry Park is a 5-story senior living community consisting of 145 assisted living rental apartments and 24 special-care rental units for residents with Alzheimer's disease. The property is located in the Cathedral Hill/Pacific Heights neighborhood of San Francisco and caters to middle and upper middle income residents.



Value Add:

The Upfront Challenge

At the time of the investment, the property was significantly underperforming and in default on its debt; it was generating no positive cash flow for the following reasons:

- ◆ Occupancy was low due to the lack of proactive sales and marketing.
- ◆ Operationally, the property was not cost effective because of management and facility issues.
- ◆ Financially, the property was over leveraged.
- ◆ The physical plant was dated and in need of refreshing.

The Solution

- ◆ Ratel's equity investment funded immediate physical improvements to the property including new paint, carpets, furniture, model units and provided funds for additional sales/marketing programs.
- ◆ Later, once the property was generating positive income, the Alzheimer wing was extensively upgraded from cash flow.
- ◆ New management was retained to optimize the operations of the property.
- ◆ The bond financing for the property was renegotiated reducing debt service significantly.

The Results

- ◆ Occupancy rose dramatically from 66% to 95%.
- ◆ The value of the property increased more than 30% in less than four years
- ◆ Prior to refinancing in July 2007, investors were earning 12% cash-on-cash annually; today investors receive approximately 7% per year on their original, already returned, equity. Further, despite having no equity at risk post refinancing, investors retain a significant ownership stake in the property.

The Property:

- ◆ Purpose-built in 1998, Coventry Park is of newer construction and more cost effective to operate than older, functionally obsolete facilities.
- ◆ The property is centrally located in the heart of San Francisco close to several major hospitals, shopping areas and religious communities and is served by good public transportation.



The Market: San Francisco, CA

- ◆ According to a 2005 US Bureau of Census survey, San Francisco has the largest percentage of senior citizens (14.6%) of any major city in the US. In addition, San Francisco's senior population is anticipated to increase by nearly 70% by 2020.
- ◆ San Francisco has a limited number of rental assisted living facilities (versus direct ownership) that cater to middle and upper middle income residents.
- ◆ There are significant barriers to entry for potential new assisted living facility competitors because of the lack of available land for development, high construction costs and vocal opposition to new construction in established residential neighborhoods in San Francisco.
- ◆ Coventry Park's closest competitors enjoy high occupancy rates and strong demand.
- ◆ Assisted living facilities are exempt from San Francisco's stringent rent control laws allowing pricing flexibility.

About Ratel Investments:

Ratel Investments LP is a real estate investment firm. We help create and preserve wealth for private investors through commercial real estate investments. Our clients are high net worth individuals, family offices and trusts who enjoy the financial benefits of commercial real estate ownership without the burden of having to directly identify, purchase and manage complex commercial properties. For real estate operating partners, Ratel provides flexible private equity for the joint venture acquisition of value-add commercial properties. Founded in 2001, Ratel has deployed more than \$60 million of equity in more than 26 investments whose combined value exceeds \$400 million. We have delivered a 26.73% internal rate of return and provided a 1.4x return on investor's original equity for realized investments, net of all fees. For more information, see our website at www.ratelinvestments.com or contact us at 415-435-8055.

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