

Case Study

*Somerby of Mt. Pleasant
Mount Pleasant, SC*



Investment Date: January 2007
Capitalized Cost: \$52,050,000
Sales Date: December 2018
Sales Price: \$84,500,000

Somerby of Mt. Pleasant was a ground-up development of a 251-unit, Class-A senior living facility in Mount Pleasant, South Carolina, five miles north of Charleston.

Construction was completed on time and on budget in 2008, but the property performed below expectations for several years. We were drawn to this project because of our partner's experience in the industry, the growing demand for senior living facilities in this market, and our belief that senior living would be needs-based and somewhat insulated from a downturn in the larger economy. This latter assumption has proven true in normal economic cycles, but it did not hold up under the extreme economic stress of the Global Financial Crisis. Slow leasing and higher than projected operating expenses pushed us to provide operating loss contributions to fend off foreclosure.

In response to a challenging and price sensitive market, we were forced to make both price and marketing adjustments, as well as capital improvements, to remain competitive. It took almost five years to reach

94% occupancy, and our financial performance was well below expectations because of concessions.

Through hard work, and attention to detail we slowly improved our financial performance, and by the end of 2016 we were ready to take the property to market. The top offers were strong, but during due diligence the selected buyer attempted to renegotiate the purchase price. We chose to terminate the contract in early 2017 and continue to focus on operations while looking for market conditions to further improve. In late 2018 we sold the property for a price that was considerably better than the offer just a year earlier.

We can't predict or control the macro-economic environment we invest in. We believe this project demonstrates the principle that building a high-quality and attractive product and partnering with energetic and creative industry specialists, provides the best opportunity for success in all market conditions. **In short – build and operate it like you plan to own it!**

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