

EPISODE 1374

[INTRODUCTION]

Adam Benton (AB): Baby boomers are aging, people are living longer, larger utilization or penetration rate related to senior housing, and that trend is a 20-year growth trend, and we believe it starts in about now.

Whitney Sewell (WS): Today, you're going to hear part two with Adam Benton. He's going to give us his take on the future. What are they expecting in the real estate market and in senior living specifically as well, obviously, that's his main focus. But he's also going to tell us why senior living is a great investment. I appreciated his answer, just the depth on that. Also, there are other things that come out of the conversation that I know are going to be beneficial for you. I enjoyed this time with him. They have scaled so fast, they're doing so many things well, and it's showing. I know, you're gonna learn a lot from him today on the Real Estate Syndication Show.

[INTERVIEW]

WS: Adam, welcome back to the show. I'm excited to have you back. You've accomplished a lot, you and your team. You're in 10 states, 2500 employees, 4000 beds, and senior housing. I mean, it doesn't happen by sitting around, letting the grass grow on your feet. By no means, did he put in a ton of work. We had a great show and we talked about many things around that asset class. You laid out many things that are so important to any entrepreneur in real estate. I wanted to have some time with you to talk about what the future looks like. I know you all are not just haphazardly buying whatever, whenever, and wherever just because. I know you're putting some time into what you think the future holds, right? That's what we all want to know. And I know you already showed me your crystal ball there. Literally, you already showed it to me. If you're watching this on YouTube, you can see it right now, he's holding it up. So, I want

to know what you all are thinking and, you know, let's dive back into those demographic trends in senior housing, but also real estate in general.

AB: Yeah, you bet. And Whitney, I'm excited to be back on the show. Thanks for having me. So you want me to answer this first question? Just our thoughts on real estate?

WS: Yeah, let's dive in, just demographic trends, and maybe focus on senior housing, and we'll move into some other things but in real estate in general, as well.

AB: Great. So, I'm gonna go ahead and just squint into the future. As everybody knows, it's anybody's guess as to what it might look like in real estate. But, there are just some general economic mechanics that happen that you just know about, things like interest rate changes, and changes to demographics. Those are things that you can absolutely look at to then measure, well, how's that worked in the past? And then, how might that work in the future. So, you know, we're in an interesting time. In the last ten years, it's been like from 2012 to 2022, you could just draw a straight line of progression in real estate. Anybody that you knew that was in real estate was just showing that it was working well for them and that performance was going great. As everybody knows, real estate runs in cycles. We're clearly in a cycle right now. That's always a little bit challenging but also creates a ton of opportunity if you know where to look. If you're thoughtful about how to go forward when we look at just the general trends in real estate, one thing that we're seeing that's interesting is obviously, that the cost of the build is not coming down right now. But, to some degree, it's getting softer.

We believe that's going to come down a little bit already, starting to see some slowing down in terms of supply-chain-related to lumber, for example. So, today in The Wall Street Journal, it just talked about how there's a 30% reduction in lumber getting shipped into the US. That's a good indicator that things are probably coming down. Obviously, interest rates moving up will have an absolute effect on slowing down a few things. One is making deals pencil related to building new stuff. Also, a recent price expectation needs to match up in line. So, we generally believe that things will come back down related to cost.

But now on the flip side, the positive things that are going up are rents. For example, I'm here in Salt Lake City, average rent two years ago went up by 26%. And this is me talking to Greystar which is a massive multifamily operator in the space. This year, it was like mid-teens, that's not slowing. I think a lot of cities in the country had that same effect. In fact, we have a property 100-unit multifamily project in Spokane where we're seeing those kinds of double-digit increases as well. So, those are on the positive side.

But then, you flip back over to the negative. Your payroll and your utilities and property taxes are all going up as well. That will just ultimately balance out when we look at the future from a real estate standpoint. One we think that diversification is always good. In as much as we do our best to make investments, the reason why we try to get diversified is that we don't always get it right. And so, it's good to have partners and diversification. Also, in general, in times like this, if you're uncertain, lower leverage helps a little bit more downpayment and equity into deals helps. And then the last thing is just we sort of generally believe in just dollar cost averaging your way in which is just keep doing deals each time. And there's going to be something that's a little bit different when you're doing your underwriting and just be very thoughtful and honest with yourself about the assumptions that you're making whether those makes sense going forward.

So, that's our crystal ball. It's not saying that it's, we definitely know that things are changing, and therefore we think there are opportunities. And so to take advantage of that, we think a little bit lower leverage when you're coming in, a little bit more diversification, and then thoughtful in the areas that we're investing in. I don't know if you agree with that, that sort of thinking.

WS: No, that's great. No doubt about we hope costs come down a little bit from materials and interest rates are probably, they have slowed things down, I think, as far as transactions. But I think it will take a while for, you mentioned like price expectations to align, you know. If you are a seller, and you were about to list a project, and you're kicking yourself, why didn't I list three months ago? Or six months ago? Why didn't I do that? And I think you're kicking yourself so

much. Now it's like, no, I'm still going to try to get it, I'm still going to try to get that same price. And it's probably not going to happen today, right?

AB: If you're a seller, and you're sitting looking at your property, and you realize, I just got through COVID, and I hit this kind of high valuation point, and it's coming back down. So their choice is one of two. It's either I sell now and take a little bit of a haircut on what I could have gotten in the summer, or I wait like three or four years. It's like, do I kick the can forward pretty far? Or do I just try to take this high point? Because in general, it'll probably come down and back up. That's how we look at it when we are working with sellers. And you know, that's what they're thinking in the back of their head is, you know, do I exit now? Or do I have to kind of wait a while?

WS: Yeah, that's a good talking point, too, when you're talking to a seller and thinking through that. I wanted to ask you, where do you get your information? Is there a specific, few websites or a few places where it's like, hey, I want to see this every day, or at least once a week or our team pulls this information together that helps us to see what interest rates are or what the Feds doing or whatever it may be? What's important to you, and where does it come from?

AB: So, I start every day with the Wall Street Journal. There's usually a section that's just related to somewhat just broad economic stuff, lots of places which you can find that information. And then generally, the places that I like to get information that is widely available. One is, if you work with brokers, for example, oftentimes, they'll have like a newsletter that their brokerage company sends out. And those are actually really good, just market information. It's free. And it's pretty relevant to the industry. That's one. The second one is also banks and debt-related institutions that are dealing with real estate. For example, I get a weekly report that comes from basically a bank where they just line out where they think interest rates are. Even though my contact is just dealing within a specific region, they are usually using the research that they get from their head guy on the national level that they roll out. Those are actually really helpful. Then, I think the best way to get information that's going to be quicker than anything, is just talking to people. And it's really just people that are in the know in the industry, in the area that you're looking at. So, when we look at, for example, this morning, we have a property in

Spokane. We use Greystar as our manager and they're the largest manager in the country and so they have a lot of knowledge. In talking to them about what they're seeing, they give a lot of very good local color and feedback related to that market. That's, in my opinion, is the best way because they're going to tell you things like what leads are looking like, lead flow, what people are seeing in terms of when they're comparing your property versus another. And that's way better than anything that you can get from a research report or The Wall Street Journal. But you combine all that together, and then you get a nice sort of top-down approach to the research. If that makes sense.

WS: Yeah. No, that's great. I always love hearing about where people are getting their information. I think it's a great point that I don't think I've heard before on the show. I do this some but I haven't even thought about like suggesting this. Like we have a lender or two that like writes a report every week. And that is pretty helpful. You know, like, they just started sending it to me. I tried to look through it, you know, when they send it, but there are some helpful things in there. Obviously, they have different data points and so many people in the industry they're connected to that they can draw all that from. That's a great point. I'm glad you said that.

AB: I don't know, the last few years, it was like it wasn't that helpful, because you get these things and the interest rate looks exactly the same. And you're just plugging in your assumptions. And then now it's like every week, it's super helpful because it's just changing so quickly. And so, sometimes these things are helpful. Sometimes they're not. Right now, debt-related stuff is incredibly helpful, in my opinion.

WS: You know, what do you see? Like, how specific is some of that to senior housing versus just real estate in general? How do you think through some of that?

AB: Pretty consistent. So, senior housing is just multifamily on steroids. You've got your multifamily fees but then you're adding food and care and activities and transportation. You're paying for the utilities or cable.

WS: A lot more employees.

AB: Yeah, and then instead of two employees, you've got 100. But the main base of it, the foundation is, it's actually a multifamily project. Because of that, all the same math and metrics that go into owning a multifamily project are the same thing that you do for senior housing. So, many of the reports are very similar. Now the actual valuations and interest rates changed a little bit and then some of the leverage related to purchasing a property but the actual formulas and math behind it are exactly the same.

WS: What would you say if somebody is a little hesitant about investing in senior housing even like right now? And why senior housing? Obviously, that's your bread and butter, so that's why I want to hear it from you. Because you know, that space so much better than I ever will. You know, I'm your investor on the phone, Adam, why should I invest in senior housing specifically? Not you as much but just like that asset class.

AB: I've been in senior housing for a decade. In fact, in just about a week, we hit our 10-year mark. There are a couple of things that I, first off, you gotta remember, I look in the mirror every day "drinking the Kool-Aid", saying this is the best industry to be in. So, I am a little biased, but I will tell you a few things related to senior housing. One, it's a very need-driven business. As much as it's like a combination of real estate where people are looking for great rents with really nice amenities and good locations. And then on the other half, there's a healthcare component to it. What that means is if they're really looking for a good team that's going to take care of themselves or their mother or their loved one. That's a nice blend of those two when somebody's looking around. And because of that, that need-driven nature of the business, what we find is, is that in various economic conditions, there's always demand. That's probably number one.

But in terms of what I think are the three main drivers of growth in senior housing, the first is that baby boomers are aging. Baby boomers are still kind of in their 60s or 70s, our average age is 86 years old. And when you look at baby boomers, everybody thinks, okay, after World War 2, then people came home and they had a bunch of babies. And that's baby boomers. But

when you actually look at growth rates of births in the United States, it started in the late 30s, in the silent generation, 1936-1937. And that trend goes up for 20 years straight, and there's a little blip during World War 2. That's where they delineate between silent generation and baby boomers. So, when we look at it, if you just take 1937, which is when things started picking up (I'm doing that on my phone), so 1937 plus 86, which is our average age, that gets to 2023. So, we're sitting here in 2022, and we believe that's the very beginning of just a huge demographic growth. So, that's one, baby boomers are aging.

The second is just people living longer meaning somebody that was over 100 years old, 10, 15, even 20 years ago is just like an amazing thing. Of our 30 locations, you can find at least a handful people over 100, just every day, just that at the property. So, people are living longer. And then the last one is just the acceptance of senior housing, assisted living, independent living, memory care. You know, 20 years ago, it was maybe 8% of the population above 75 years old uses assisted living. Now, currently in the country, it's 13.5% that's continued to grow. In places where it's been around longer like Portland or Seattle, it's more like 20%. That's actually the largest growth factor. So, to button it up, baby boomers are aging, people living longer, larger utilization or penetration rate related to senior housing. And that trend is a 20-year growth trend and we believe it starts in about now. That's the gist of it.

WS: Yeah, that's incredible information. And I don't know that I've heard many of those things laid out that way. I have a grandfather that's 101, grandmother, 94. They still live at home, believe it or not. Though, we've had to work through some of that, or my mother is working through all that. But you know, I was thinking through this, and we don't have a ton of time to spend on this, but I just wanted to hear because you mentioned the health care part of it, I just wondered, because I don't know this business, but is the health care providers or that part of your business, which is so important, I mean, the care of these individuals is like your bread and butter, I would think, right? You want them to stay. You want the families to be happy and all that. And so, are those people on your staff? The healthcare portion? Are they employed by you? Or is that a third party? How does that work?

AB: That's a great question. So, the answer is yes. The 2400 employees that we have today, that includes everything from the general manager, in our case, it's called executive director, salespeople, business office manager, you have maintenance guys, a lot of that is similar to what you might see in a multifamily project. And then you layer on like a chef, sous chefs, servers, dishwashers, that's your dining room. And then you have like a few nurses like RNs and LPNs. And then they have med techs and CNAs that help care for folks. And they have activities, people that that actually run activities, do transportation. Those are all people on our staff that truly make a difference. We say that chandeliers don't give care, people do. So, there's a big component to the fact that even though the building is important, unlike multifamily, where it's incredibly important, the more important thing or equally important is also just the reputation of your staff and their ability to actually properly care for the people that live in our locations.

Now, we are private pay which means that people are usually moving out of their homes into assisted living where they get more of the services or independent living and it's more personal care. So, we're not doing anything like IVs or trachea or feeding tubes, none of that stuff. It's really just grooming, bathing, maybe help with escorting, things like that, that are more personal care, not necessarily medical related. I think that's a key component. You think about the average length of stay of our residents which is two and a half to three years and the types of care that they need. When people think of senior housing, they think of skilled nursing, kind of step away from a hospital, maybe not smells good and it's not the most exciting place to be. That's really not the case in senior housing today. It feels more like a cruise ship on land, that's a good way to think about it.

WS: That's a neat way to think about it right there. It is so much that community that you're building for the elderly, and one day, us. No doubt, it's gonna happen. I hope I get to grow old, right? Adam, that's great. I must change gears just a little bit here to a few final questions and more on the operation side. But, I wonder, what's your best source for meeting new investors right now?

AB: For meeting new investors. So, one interesting thing that we have is that even though it's a little uncertain, in the future, what we talked about, there is a ton of money on the sidelines that's trying to figure out how to actually invest in this economy. So, we're seeing it at every level where we have a few partners that are large institutional funds, multibillion-dollar funds that we work with, all the way down to we have properties, we have friends and family, individual investors. Everybody is reaching out saying, all right, I have some money to place, where do I place this? So, we try to, just like we think about diversification and the places that we invest, we also actually believe in diversification in our investment pool of people and institutions. So, that's something where we try to keep a wide net of relationships. Right now, we're seeing that it's a healthy time to raise and find new investors. And I think people, everyone will find that at every level.

WS: That's awesome. Any creative ways there, though, that you've been able to diversify and get in front of new people?

AB: Yeah, you know, I'll give you one tip. So, for a long time we raise from institutional investors, right. And then we decided to raise friends and family. Well, the key with friends and family is it's like 506(b), 506(c) kind of raising where there are some requirements around having an existing relationship and that sort of stuff. We had never done it before so, I read a couple of books about it. And then what I did is I just went on to my LinkedIn and look through everybody that I've sort of connected with over the years. I pulled out profiles of people that I thought might be interested in and I ended up with about 800 names of the 5,000 people right now that I'm connected to. Of those 800, I then, actually I didn't have the most recent contact information for everybody, I hired a group on Fiverr to then just go and plug in all of the contact information for everybody. Then, I used that as my starting point for raising friends and family. So, even though I had these connections, I didn't have a great database of where people work today, where I've met through working in New York, or in business school, through church, or just friends over the years. That was a really good way to start in what seems like a daunting task. And to skip a step that would have taken me quite a while, it's actually hire out the updating of contact information for everybody.

WS: What are some of the most important metrics that you track? It could be personally or professionally. either one.

AB: Sure, yeah. I'll do that on personal. I have something that I consider, I call it, the perfect day. Everybody's kind of planning for a perfect future. But it's really just now, this is where we're at today. So, I have just a handful of things that are simple that I want to get done every day. An obvious one is, so I'll tell you a few of them. One is, is working out at least 20 minutes a day. That's not a big deal, just getting sweaty in some way. That's one. The second one is I just write in a journal. So, at night, I typically have, there's a lot of apps for that. And then the third one, I try to get like a solid good night of sleep. The fourth one is I try to get some sort of direct sun exposure every day. I feel like if I just do those things, that usually is the good foundation for having a really good day. Now, I still want to make sure that I'm having good connections with my kids and my family and then just showing up to work. But, I feel like the best way to show up is to just do those kinds of self-care things. That the first, if I can just check those off, say, hey, that's a perfect day. So, it might be different for everybody what that perfect day might look like. But that's fine.

WS: Yeah, no, that's awesome. Do those things that you just mentioned, and you're gonna have a better day, and probably be a lot more productive. It's the consistency over time, right? They seem like small things but they're actually things that most people don't get around to doing or creating habits around. That's incredible. On that thought, and maybe you just answered but I want to ask anyway, some habits that you're disciplined about that have produced the highest return for you.

AB: Let's see, there's a few. One that I learned when I was trying to raise money, even though I had met friends, just over the years, I'm 40 now, so you just meet people over time. What I found was when we decided to go out and raise friends' and family money, that people that were good friends, but I might not have talked to for four or five years, it was a really odd conversation to call up and the first thing I'm talking about is investing in a deal. It didn't feel very genuine. That was about two years ago. I realized that I had fallen away from just a key habit which is just keeping in touch with people. So, I just make sure that I have it on my

calendar where I just have a certain amount of time every day that's just really dedicated to making sure that I'm touching base with people that I haven't talked to in a while just in a genuine way. We don't have any investments that come up that often but it's also just a good habit. And quite frankly, it's more fun to just keep up with friends that you've just known over the years. So, that's a habit that actually part of my perfect day.

WS: What's the number one thing that's contributed to your success?

AB: One thing is, so progress isn't linear. As much as you'd want to just draw a nice straight line and just say, oh, yeah, things are going great. And success is different for everybody. I think just consistency is just so important. It's just easy to get discouraged or disillusioned by something and changing path quite a bit especially during these different volatile times. But if you look back over the arc of a period of time, you'll just realize that it's actually going the right direction. Just consistency and moving forward and making sure you have the right goals that are gonna make you happy. That's what I would say.

WS: If you had to be consistent in like just one or two things, you could only tell us one or two things, what would they be?

AB: One is just showing up. I like the concept of showing up. You can be there physically, but I mean, showing up there just mentally, and if you're going to be dedicating time to doing something, show up, do it right. That's one. And then, that goes for work, as well as for home. Everything that you're doing in your house. Those are two of my main priorities. I've got five kids, they're really young right now. And so, as much as I could spend just 80 hours a week at work, I have to just shut it off and go. I'm going to show up. So, that home showing up for me is there are times where I know are just key in my kids' lives. That's usually and it's not necessarily a quantity time, it's just like, I've got to be there when they're going to school or I have to be there when they're in bed, I can shift some of the work that I'm doing to later or earlier, but I'm going to make sure that those times are wide open because they're key in my kid's life. So, showing up and just being there physically and mentally.

WS: I love that. I appreciate your importance on that and elaborating on that I talk often. I actually just recommended a book, I'm recommending it more and more to people now. I met a guy recently at a conference, the author of this book, his name's Jim Shiels. He wrote the book called The Family Board Meeting. It's very short and to the point, and it needs to be for busy entrepreneurs, right? It really lays out some meeting cadences for your children, for you and your kids, and having to set quality one-on-one time. You know, for me, if I'm not purposeful with it, and put it on the calendar, think about it, it may not happen. And you think, oh, no, I don't want to be that structured with my kids or, you know, I just want to be more available. Well, fine, but most of us don't get around to doing that. But what I found is, when they know that time is coming, the more they're excited about it. And they just love that hey, dad, he set this time aside for me? Anyway, now, I won't spoil it all but there are some other things in there that he talks about just to make that a very special time. So, I encourage you to look it up as well. Adam, how do you like to give back?

AB: Giving back is obviously something that you do personally. One thing that, so, our three-year-old has Down Syndrome. So, we're trying to do things related to that. It's something that's new to me which is just this community that's fantastic. But, it still needs a fair amount of help. A lot of what we do related to giving back has to do with that community. And then we're just working on ways, and I don't want to talk about it just yet, but we are working on ways in which in our business, which is senior housing, we're seeing a lot of abilities to be able to work with kids with special needs. Right now, there's a lot of good services related to kids with special needs all the way up until they get about 20 and have to leave school, and then it's a little unclear as to what's going to happen after that. So, our goal is just to try to make more available, more opportunities in work and social connections with kids with special needs. We feel like we can do that with our business that we have right now. So, that's what we're working on right now. And I'm pretty excited about it. But more to come on that.

WS: That's incredible. It seems, with your system that you have now, I mean, between senior housing and health care, connection, all these things, that's incredible that how you're going to be used for that as well. So, Adam, I am grateful for your time and having you on the show. You've been amazing, you just provided so much information and transparency, and just to

your ability to scale and grow and what you all have gone through to get there. I mean, as I said, it just doesn't happen by accident to have 2500 employees and be in ten states. So, it's very impressive and just grateful for that. But even your outlook on the real estate market and senior living, specifically, I think what you said around that, too, was so helpful for many that are contemplating, you know, should I consider senior living? And there are probably other things we can ask there, no doubt about it. But I think it's so helpful how you elaborated on that. Tell the listeners how they can get in touch with you and learn more about you.

AB: So, there are two ways. One, you can always reach out to me on LinkedIn. It's just Adam Benton. If you look up Stellar Senior Living, you'll find me. Happy to connect and happy to talk about more about senior housing or about real estate in general. And then the second way, our website which is StellarLiving.com. We do have an investor portal. You just fill out your name and you can schedule a time and we can talk to you. If you just want to learn more about senior housing or if you have a deal that you want to look at, we're happy to connect and give you feedback on that.

[END OF INTERVIEW]

[OUTRO]

WS: Thank you for being a loyal listener of the Real Estate Syndication Show. Please subscribe and like the show. Share with your friends so we can help them as well. Don't forget, go to LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day.

[END]