The Potential of Senior Housing Development and Investment in Mexico

by

María Fernanda Sánchez Attolini

Civil Engineer

Universidad Anáhuac México Norte

Submitted to the Program in Real Estate Development in Conjunction with the Center for Real Estate in Partial Fulfillment of the Requirements for the Degree of Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology

February, 2017

Signature of Author Signature redacted

María Fernanda Sánchez Attolini
Master of Science in Real Estate Development
Center for Real Estate
January 13th, 2017

Certified by Signature redacted

Professor Albert Saiz
Daniel Rose Associate Professor of Urban Economics and Real Estate, Department of Urban Studies and Center for Real Estate

Accepted by Signature redacted

Professor Albert Saiz
Daniel Rose Associate Professor of Urban Economics and Real Estate, Department of Urban Studies and Center for Real Estate

The Potential of Senior Housing Development and Investment in Mexico

by

María Fernanda Sánchez Attolini

Submitted to the Program in Real Estate Development in Conjunction with the Center for Real Estate on January 13th, 2017 in Partial Fulfillment of the Requirements for the Degree of Master of Science in Real Estate Development

Abstract

Worldwide, the elder population is growing— the number of people aged 60 years or over will be 1.4 billion by 2030, an increase of 56% from 2015. As a growing economic force, the elderly will require more specialized services such as housing, health care, transportation, pension plans, and public spaces adapted for their use. Mexico is no exception; by 2030, an estimated 30.5 million Mexicans will be over the age of 60, making up 22.2% of the total population. Accompanying cultural shifts mean that families are no longer well equipped to care for elders as they have been in the past, and government and nonprofit services designated for seniors don't ensure them a high quality of life. This study presents a business plan that creates a private, profitable, service-enriched housing development that will cover specific needs of housing and assistance for elders that require assistance with daily activities as well as those with dementia that require round-the-clock assistance. The mission of the business, besides creating a profitable development, is to create a secure facility that enhances the quality of life for residents by implementing the "best practices" used by experienced Assisted Living and Memory Care developers and operators in the United States.

Thesis Supervisor: Professor Albert Saiz
Title: Daniel Rose Associate Professor of Urban Economics and Real Estate, Department of Urban Studies and Center for Real Estate

Acknowledgement

My eternal gratitude to my mother, for always supporting me, making me resilient in the face of any adversity and making sure I accomplish my dreams. To my father, R.I.P., for encouraging me to be consistent and take risks. To my brother, for being there whenever I need him.

Secondly, I am extremely thankful with Professor Albert Saiz, for supporting me as my thesis advisor and always encouraging me to never give up throughout my journey.

I am grateful to be a part of the Center for Real Estate family. It would not be easy to accomplish this without their support.

Table of Contents

Chapter 1: An Introduction to Senior Housing and the Elderly

Introduction

The increasing population of people aged 65 and older is gathering worldwide attention. In the United States the Baby Boom generation is a topic of constant and increasing interest; by 2020 an estimated 55 million people, 16% of the total population, will be 65 or older.[1] As their needs and desires change, so too do the businesses targeting them. Today the Senior Housing industry in the United States generates $63.3 billion in revenue every year and is expected to grow at a rate of 6.1% within the next five years.[2]

Mexico is facing a similar demographic evolution. The population is aging rapidly, life expectancy continues to increase, and fertility rates have fallen. By 2030, the number of seniors (people over the age of 65) is estimated to be 23 million, representing 16.8% of the total population, according to a study from the National Population Bureau of Mexico (CONAPO). A study conducted by National Health Institute and the National Aging Institute (ENASEM)[3] points out that, because the country is less economically and socially developed, elders in Mexico will face more health problems due to illnesses that affect them earlier in life.

The rise in the number of seniors necessitates a national discussion of the needs and desires of the senior Mexican population. This shift requires the public and private sector to make changes in the existing policies in pension plans, medical care, housing, among others.

Because of the increasing number of seniors and the frequent illnesses that affect them, this population will soon be in dire need of facilities that can provide both housing and medical care.

The Elderly

The OECD defines the elderly population as people aged 65 and over. Members of this population are also known as seniors.

In 2017, people born in 1952 and after will be considered a senior or an elder. According to a 2012 Urban Land Institute report,[4] never in the history of the world have so many people been older than 65 at the same time, nor have so many been as healthy and active or likely to live so

[1] "Population Division" - Census Bureau 2010, accessed December 2016 https://aoa.acl.gov/Aging_Statistics/future_growth/future_growth.aspx
[2] "Retirement Communities in the US" – IBISWorld Industry Report, August 2016
[3] "Estudio Nacional de Salud y Envejecimiento en México", 2012
[4] "Housing in America: The baby boomers turn 65" - John K. McIlwain – Urban Land Institute, 2012

long. Therefore, the aging population has to be studied by the public and private sectors to better understand and address the needs of people over 65.

Disability Limitations

As people age, they inevitably lose aspects of function, which detracts from their independence and quality of life. The elderly population will gradually face limitations in the activities of daily living by an increase in disabilities such as difficulty in hearing, vision, cognition, mobility, self-care, among others, and increase in chronic conditions.

Originally proposed by Sidney Katz and his team at the Benjamin Rose Hospital in Cleveland, Ohio, Instrumental Activities of Daily Living ("IADLs") and Activities of Daily Living ("ADLs")[5] are terms used in healthcare to refer to people's daily self-care activities. To measure disability limitations "IADLs" and "ADLs" have to be evaluated.

Both are defined in Figure 1.

Figure 1.

Instrumental Activities of Daily Living "IADLs"	Activities of Daily Living "ADLs"
- Meal preparation - Shopping for daily necessities - Money management - Telephone use - Housekeeping - Transportation	- Personal Hygiene - Dressing - Eating - Toilet use - Mobility around living environment - Taking medication

Often individuals with more than one limitation in their ADLs have severe cognitive impairments cause by diseases such as Alzheimer's or other forms of dementia.

Needs and desires

The elderly, a growing consumer force, have needs and desires that need to be addressed. These new needs include housing, long-term assistance and support services, convenience services, health care, financial security as well as social desires. Currently, there are few services that help seniors meet those needs, so new services specifically targeting the elderly population must be

[5] "Functional assessment in geriatrics: a review of progress and directions" - Katz, S., & Stroud, M. W., 3rd. (1989).

created. The housing and living environment can ensure safety and quality of life for seniors. Specialized housing facilities can greatly ease seniors' ADLs and help facilitate their IADLs.

Senior Housing

As people age, they become more dependent on others to perform their daily activities. A senior's dependence on others may arise gradually or come after a sudden health change. The particular needs vary person-to-person depending on their specific health issues, physical ailments, and financial limitations. Additionally, seniors encounter many social challenges as they age, including the change of family structure, such as losing a partner or in which adult children have moved to another and social environment, and intrapersonal limitations, which inhibit the elder's ability to move independently due to the lack of places adapted for seniors' physical needs.

Different housing solutions can help seniors depending on the complexity of their needs, either by modifying the homes they already live in or by relocating them to specialized facilities. Senior housing types can be defined according to the level of care provided.

Senior care services can consist of one or more three businesses: housing, convenience services, and health care. These businesses may converge to provide all of an older person's basic needs in a single facility. Developers can draw resources from each field and bring them together as an integrated product or service.

Senior housing is more than a simply place in which elderly people live— it includes amenities or services intended to make seniors' lives easier. The developers of senior housing must understand that the location is crucial; the facility has to be close to shopping, transportation, healthcare, and other community services [[such as?]]. The facilities thesmselves have to be designed with seniors' needs in mind, but their décor must also make residents feel at home.

The Services

Services are what distinguish the senior housing from any other form of housing. Some may include:

- Restaurants/dining facilities
- Periodic housekeeping
- Laundry services
- Game rooms
- Fitness center
- Tennis

- Golf
- Pool
- Barber shop
- Beauty salon
- On-site banks

The extent of the amenities plus the location of the facility differentiate the developments intended for wealthy and middle-income population targets. Modern and luxury facilities are already changing the perception of senior housing from affordable refuges for the old to a new and desirable way of living.

The payment for the services is often included in a monthly fee charged to the resident. That fee also covers rent or supplements the deposit or purchase price. The economies of scale require that all residents purchase certain basic services, such as three meals per day to cover the cost of kitchen staffing and construction. A la carte services enable individual residents to customize a service package to meet their individual wants and needs.

Convenience services such as assistance with daily living activities must be distinguished from healthcare services such as high skilled nursing or hospital-like treatment since these involve specific regulations that apply to hospitals and increase a business' liability.

Health Care or Assisted Living

A sharp dividing line exists between facilities that only offer housing and convenience services and those that venture into the business of providing residents with health care and physical assistance. Assisted living and memory care services are the only convenience and assistance services that do not include nursing services, which residents might find at a hospital.

Asset Type by Service Level

Independent Living

Independent living is designed for seniors that require little or no assistance for daily living activities and want to live in an environment that allows them greater social contact with other seniors. These facilities provide services that ease the daily burden of activities such as meal preparation, housekeeping, laundry, and general maintenance of the living environment. The individuals living in this kind of facility are physically and mentally able to take care of all the activities of daily living, but they prefer to live in a facility in which services are provided.

Assisted Living

Assisted living is a housing solution for seniors that require assistance to perform daily living activities but who don't need complex medical care or supervision. It is designed for seniors who, in addition to daily living activities, need assistance with medications and require safety supervision 24 hours per day. Assisted living can also provide a housing solution for seniors with early symptoms of Alzheimer's.

Nursing Home

A nursing home provides housing for seniors that have medical conditions that are too complex to handle at other facilities and need assistance 24 hours per day. After a hospital, nursing homes generally provide the highest level of medical care. Nursing homes can also provide short-term accommodations for seniors recovering after a medical procedure due to an injury or illness.

Memory Care

Memory care provides a serviced housing solution to seniors suffering from Alzheimer's or dementia. It offers 24-hour-per-day support. Memory care facilities are often an independent wing within an assisted living or nursing home facility with locked and secure areas to prevent patients from wandering off or get lost. These facilities are designed to keep residents safe while also providing them with activities that stimulate their minds.

General Characteristics per Asset Type

	Independent Living	Assisted Living	Nursing Home	Memory Care
Property	- Senior friendly apartments or condos - Wheelchair friendly	- Service oriented living complex - Designed to provide complex assistance services	- Designed to provide complex hospital-like assistance services	- Often in a separated area within an assisted living or nursing home facility

Units	- Include kitchen or Kitchenette - Generally do not include furniture	- Include Kitchenette - Generally do not include furniture	- Include hospital beds	- Include furniture

Services per Asset Type [6]

	Independent Living	Assisted Living	Nursing Home	Memory Care
Meals per day	Yes*	3 or more	3 or more	3 or more
Personal Care	No	Yes	Yes	Yes
Laundry Services	Yes*	Yes	Yes	Yes
Housekeeping	Yes	Yes	Yes	Yes
Transportation	Yes*	Yes	Yes	Yes
Medication Management	No	Yes	Yes	Yes
Incontinence care	No	Yes	Yes	Yes
Alzheimer Care	No	Depends on property	Depends on property	Yes
Diabetes Management	No	Mostly Yes	Yes	Depends on property
Care giver on site	No	Yes	Yes	Yes
Nurses on Site	No	Depends on property	No	Depends on property
Physician on site	No	No	Yes	No

*Available upon user request depending on operational management

[6] A Place for Mom http://web28.streamhoster.com/apfmdev/apfm_ebook_guide-to-senior-housing_final.pdf

Chapter 2: The Elder Population in Mexico

Demographic Context

An aging population in Mexico has profound implications for the country. As life expectancy rises and fertility rates fall, a greater proportion of Mexico's population is elderly, which means the country's social and economic structure is undergoing a fundamental shift. The following demographic context is based in a study conducted in 2014 by the CONAPO.

The base population

Mexico's population was an estimated 122.2 million in mid-2016, comprised of 50.7% women and 48.8% men. The working age population, defined as those aged 15-64, makes up 65.7% of the overall population.

An aging population

The elderly population is growing in Mexico. Between 2010 and 2030, the elderly population is expected to increase by 228%.

	2010	2020	2030
Total population	114,289,406	125,016,451	137,477,524
Elder population as percentage of total population	**6.20%**	**7.80%**	**16.80%**
Elderly population	7,058,363	9,772,004	23,130,490

Fertility rates

Past fertility rates can predict the present and future rates of growth of their older populationsFor example the elderdy population growth rates between 2010 and 2030 reflects the fertility rates prevailing 65 years ago, when the cohorts of people aged 65 or older were born. Between 1950 and 1955 the fertility rates in Mexico were about 5 children per woman.

A decline in fertility rate means that in the present and future fewer young people will be able to support the growing number of seniors.

In 2000, the fertility rate was 2.51 children per woman, but that dropped to 2.23 in 2010. Fertility rates are expected to drop even further by 2030 to just 2.07. That would be a total decrease of 17.5 percent in a 30-year period.

Life Expectancy

The number of people turning 65 each year is growing. But, more importantly, seniors also are living longer than they were expected due to improving living conditions and increased health attention and care. Longer lifespans are a financial challenge for seniors who had saved for retirement as well as the government that is subsidizing their income. Between 1950 and 2015 the life expectancy increased from 47 to 75 years old.

The average life expectancy in 2010 was 74.3 years for both sexes, and it is expected to be 76.0 and 77.2 years in 2020 and 2030 respectively. Life expectancy varies by sex — the average life expectancy in 2010 was 77.2 for the woman and 71.9 for the men. By 2030, on average, women are expected to reach 79.5 years, while men 73.3.

Migration

Economic and social changes driven by the country's development and an increase in individual autonomy have increased the rate of national migration. Between 2005 and 2015, development in urban centers across the country have created more jobs, fueling migration within Mexico. The cities that grew the most were Ciudad de México, Baja California Sur, Quintana Roo, Colima, Nayarit, and Queretaro.

Dependency ratio

According to the Population Division of the United Nations, the total dependency ratio is a commonly used measure of potential support needs.

The dependency ratio is based of the population aged below 20 and above 65 years, when this individuals tend to rely upon the working-age population for financial support, which may be provided directly through family transfers, or indirectly through public transfer programmed.

This ratio is an indicator of the elder population and youth that are dependent on the productive population. The dependents will be the individuals aged from 0 to 19 years old and those aged 65 years or over.

The dependency ratio is calculated as follows:

$$dependency\ ratio = \frac{elder\ population + youth\ population}{productive\ population} * 100$$

The youth dependency ratio is the number of persons 0 to 19 years per one hundred persons aged 20 to 64 years. The elder dependency ratio is the number of persons aged 65 years or over per one hundred persons aged 20 to 64 years.

Changes in dependency ratios highlight shifts in demographics of the population. By 2030 the elderly dependency ratio will be an estimated 60.8. That means that of each 100 inhabitants, 38 will be dependent, and 44.8% will be elderly.

POPULATION SHARE BY GROUPS OF AGE 2010, 2020, 2030

Age		2010	2020	2030
0-14	Population	33,870,635	32,651,689	28,869,834
	% of Total	**21.40%**	**19.60%**	**18.00%**
15-64	Population	73,360,408	82,592,758	85,477,200
	% of Total	**46.40%**	**49.50%**	**53.30%**
65+	Population	7,058,363	9,772,004	23,130,490
	% of Total	**6.18%**	**7.82%**	**16.82%**
Total Population		**114,289,406**	**125,016,451**	**137,477,524**

DEPENDECY RATIO BY GROUPS OF AGE 2010, 2020, 2030

Age		2010	2020	2030
0-14	Population	33,870,635	32,651,689	28,869,834
	Dependency ratio	**46.17**	**39.53**	**33.77**
15-64	Population	73,360,408	82,592,758	85,477,200
65+	Population	7,058,363	9,772,004	23,130,490
	Dependency ratio	**9.62**	**11.83**	**27.06**
Total Population		**114,289,406**	**125,016,451**	**137,477,524**
Total Dependecy ratio		**55.79**	**51.36**	**60.84**

Cultural and Family Context

In developed countries that have an established long-term elder care system, relatively few seniors are economically, physically, and emotionally dependent on their families--they are financially supported by private means and public systems. In Mexico, families bear the burdens of caring for seniors because there is no long-term elder care system and a large informal economy means that most seniors are left with few funds for retirement.

It is common cultural practice for the elderly to live with partners, adult children, or other family members, especially if they are of middle- or lower-income. In past years, this was more common and sustainable since families were larger. In 1950, for example, women had an average of five children, and fewer women were in the workforce. So when an elder relative was in need of housing or care, it was not much of a burden to add them to the household.

Recently, however, Mexico has been facing a socio-cultural shift that has made it challenging for relatives to take care of the elders. More people are moving away from their extended families into cities; more individual independence, especially among women who have entered the workforce, and fewer children per family means there are fewer family homes to which elders can go. As Mexico transitions into an individualistic culture as is found in the U.S. and some European countries, the family becomes less integrated, which means that elder care becomes more complex, leading to national increasing demand to changes in policy related to care services and housing.

Life as an elderly person can be difficult. Many face isolation, loneliness, health issues, and limited care assistance, all while living in environments that do not aid their mobility. Others lack access to basic public healthcare because most informal jobs do not provide health insurance, and few government programs exist to help them. Private healthcare is out of the question for most of the population due to the high prices.

A survey among Mexican adults ages 18 to 50 found that 54% did not have any savings or pension funds. Most seniors do not know where or how will they live when they reach old age, and those who do believe that they will rely on one or more members of their family. The ENASEM conducted in 2015[7] showed that between 80% and 90% of the surveyed working age adults are willing to economically support their elder relatives.

The Elder Current Housing Situation

To ensure the wellness and safety of seniors, their homes must facilitate the ADLs and IADLs. Fitting a home with rails, grips, non-slip surfaces, elevators or ramps can make seniors more independent. The ENASEM survey conducted in 2015 found that an average of 1.4 seniors live within a typical household, but only 12% of the households had adaptations for the seniors.

In 2015, 86.5% of the elderly population was affiliated to at least one public or private health service.

[7] Estudio Nacional de Salud y Envejecimiento en México (ENASEM)

In 2014, 36% of the elderly population had at least one limitation or health issue that inhibited their daily activities. Mobility issues were most common.

Laws and Regulations

National laws require states to provide social, public, and private assistance services to the senior population in situations of risk and vulnerability such as health problems or limitations on performing Activities of Daily Living. In Mexico, To open a new senior facility, the National Health Department must issue a permit according to the national official standards in the **NOM-031-SSA3-2012**[8]**.**

In Mexico, compared to the U.S. or other countries in which the senior living industry is better established, companies have to meet fewer requirements to receive an operating permit for a facility that provides temporary and permanent services.

The entity has to present to the National Health Department following in order to receive approval for operation:

- Notice of operation and notification of health responsibility
- Rules of Procedure
- Administrative technical manuals
- Working program
- Internal civil protection program, which shall comply with the provisions of the General Law on Civil Protection, without prejudice to other provisions in this regard
- Nutritional Program according to the profile of the user, when the service is provided inside the establishment
- Administrative records of the senior
- Incorporation into the "Directorio Nacional de Instituciones de Asistencia Social del Sistema Nacional para el Desarrollo Integral de la Familiar"
- Mechanisms for handling complaints and suggestions from users and their families;
- Have up-to-date emergency numbers readily available: police, fire, ambulance, hospitals, toxicological centers, civil protection, Mexican Red Cross

The services that a permament stay, or long term-term care, facility has to must provide housing, meal preparation, social activities, medical attention, psychiatric services, legal counsel and, physical, recreational, cultural, and productive activities.

[8] NORMA Oficial Mexicana NOM-031-SSA3-2012, Asistencia social. Prestación de servicios de asistencia social a adultos y adultos mayores en situación de riesgo y vulnerabilidad.

A short-term care facility must provide adequate nutrition plan and prevention, health promotion, cultural, fitness, recreational, productive and stimulation activities.

The infrastructure must be planned with seniors in mind, providing them with the appropriate spaces to lead dignified, safe, and productive lives. The facility's design, furniture and equipment should include the necessary elements to achieve a comfortable environment. The facilities should have sufficient dimensions to comfortably accommodate residents and employees; the administrative area, made up of offices, reception, lobby, access and sanitary facilities, should be properly ventilated and illuminated according to the capacity of the establishment and its structure.

Chapter 3: Business Case

Project Description

Introduction

From this evidence, it's clear that the market for senior housing in Mexico is different than in other countries. In Mexico, housing is reactive—seniors move into facilities after a medical issue has occurred that has impeded their daily lives, restricting their autonomy (in other countries, housing is more preventive, and seniors move in before such an event has occurred). Until seniors and their loved ones learn about the value of preventive housing, the market for elder care will continue to be reactive, resulting in greater losses to autonomy and lower quality of life.

This business plan envisions development of an urban assisted living facility that becomes the place of choice for the elderly. The facility must provide exceptional care at a reasonable price for residents with special needs to perform daily activities as well as those with dementia-related diseases or need day care. The most important idea is to implement best practices derived from decades of work in similar facilities in other countries to create a secure facility that enhances the quality of life for residents. The facility would be located in an urban central area in Mexico City, which is the country's most important city and contains its highest concentration of elderly people. Public transportation, health services and convenience services such as supermarkets, pharmacies, restaurants, among others, will be accessibly nearby the facility.

The Concept

The development will consist of a single building that contains both an assisted living and memory care housing facility of approximately 3,800 square meters (40,850 square feet). It will have a capacity of 80 units along with supporting common areas and amenities to meet the needs of the residents.

The facility will provide assisted living, memory care, and day care services. It will be designed and operated to provide help to residents with their ADLs as well as their IADLs depending on their individual needs. Each resident will live in his or her own rental apartment within the facility, will receive three meals per day, will have access to all amenities, and will be able to participate in activities to improve their health and wellbeing. The memory care residents will have additional support from shared trained caregivers, and the residents (or their families) will be able to hire personal caregivers to provide individualized care.

The project targets single occupancy units, but some assisted living units could be suitable for a couple to share. Residents would simply be asked to pay an extra charge to cover the costs of an additional occupant.

The location will be in an upper-middle class neighborhood, where zoning permits allow vertical housing. A location with desirable community services such as transportation, shopping, healthcare, and cultural and recreational activities will be key.

The business plan assumes land costs are between $17,000 and $27,000 MXN per square meter. For urban housing developments, land is more expensive, and seller financing or land contribution is difficult to get since most individuals and corporations prefer to sell their property. In Mexico in particular, assets are passed down between generations; children or grandchildren of the land's original buyers may have to decide what to do with their assets. The project assumes that land will have to be purchased to start this development, ideally with the option of purchasing adjacent land for phasing purposes, even though this business plan only contemplates the development of a single facility.

The developer will provide 10% of the funds required and will raise 90% from an equity investor. The equity required is $32.5 million MXN, which will be used to secure the land and and the financing that will cover 80% of the development costs. The estimated development cost of the facility is $95.5 million MXN, including land, hard costs, soft costs and FF&E (furniture, fixtures, and equipment).

The assisted living, memory care and day care services will be provided by an independent operating company, referred to here as OPCO. OPCO will be responsible for managing the day-to-day operations related to the services provided to the existing and potential residents. The facility will cover all the expenses related to the operation of the facility and the property, and OPCO will have a distribution seniority of 5% of the cash available for distribution (EBITDA).

The project objective is to provide a housing option for the elderly population and to also generate stable jobs for the local economy. Once the property is stabilized the project will provide more than 55 jobs.

The Rental Structure

The ownership of an assisted living and memory care facility can be very complex since different models or fee structures may be involved. For an untapped market like Mexico, a rental structure would be easiest for consumers to understand, at least at first, because it is simpler. By requiring monthly commitments on a yearly basis, residents and their loved ones have more flexibility and control over their budget.

The rental structure should be divided into unit rental and services determined by level of care, depending on whether the resident lives in assisted living or memory care. The monthly fee should cover fixed costs such as building maintenance, food preparation, and administrative costs.

The rental structure will require a one-year minimum commitment; either party should be able to terminate the contract each year. The resident will be required to have two guarantors. A partially refundable deposit of the first month's rent will be required, and 75% will be returned to the resident or his or her family should they decide not to renew and to move out of the facility. The deposit will not be refunded if the resident or its guarantors cease the payment of the monthly obligation and a penalty for damages will be charged.

Each assisted living unit will be furnished by the resident. Facilities in the U.S. have found this to be very important so that the resident feels at home. The memory care units will be furnished by the facility for user safety.

The rental structure can be very flexible based on what each user needs. For example, a user should be able to put home equity into a grantor trust for future use as rental payments and can ask for his money back if he leaves the facility. Every contract should be given the option to renew or terminate each year and the user must have a guarantor with real estate assets appraised at double the payment requested.

The Services

The facility will provide housing, personalized assistance for the ADLs, and health services for its residents. The services for the assisted living and memory care residents will include the following:

1. 24-hour assistance: Assistance will be provided as needed to help each resident perform all ADLs. The staff will monitor the health situation of each resident and will report this to their families on a monthly basis. In special situations, such as a change in the resident's needs or limitations, the family will be informed immediately.
2. Access to medical care: The facility will provide a geriatric specialist, an assistant doctor, a head of nursing, nurses, and caregivers on a daily basis. Nurses will be available during the night as well.

3. Resident care staff: The facility will provide resident services, community relations, nutrition, and dinning coordination to enrich and ensure an excellent quality of life for the residents.
4. Wellness therapy and health programs: The facility will provide wellness, health, and exercise programs according to each occupant's level of need. Participation in the programs will be optional for each resident but will be highly recommended.
5. Amenities: TV rooms, gym and recreational spaces will be provided.
6. Three meals a day: The facility will provide three meals per day to all the residents in a central dining room. Food services for visitors will be available.
7. Transportation will be provided within a special range, including hospital, clinics, or other services required by the residents.

The memory care residents will have these additional services:

1. Mind therapy: Provided to treat residents' existing status in order to delay the progression of their illness.
2. Specialized dining room: The residents will have a separate dining room.

The services will be provided based on the level of care needed, and should be charged per user according to a health screening performed before each resident is admitted, on an annual basis, and in the event of a major health incident.

Day care services will also be offered to individuals that require and desire the physical and mental stimulation the facility provides but will still live at home. The users will have access to all the amenities and will be provided with at least one meal per day. Ideally, these clients will decide to move into the facility once they are unable to live at home, have complications with their health, or enjoy the idea of a senior housing facility.

The number of resident care personnel in the facility will vary depending on the level of occupancy, while the number of administrative and basic services personnel will be fixed.

Legal and Agreements

All legal agreements made with the residents and their guarantors will be fully aligned with the Mexican law. Since Mexico has many fewer regulations for this kind of business than do other countries, all the agreements between the facility, OPCO, and other services companies will follow the best practices determined by facilities in the U.S. The leasing agreements will be made between OPCO and the residents and their guarantors.

Prior to formalizing any of the agreements, the potential resident must complete a full health screening and present their existing health conditions.

Project Development

Program

The project will consist of 80 units. 56 will be for assisted living residents and 24 will be for the memory care residents. All of the units will be flexible enough to convert to memory care if there is more demand for it or vice-versa.

DISTRIBUTION PROGRAM

Unit Type	Amount	Area (m2)	Area (SF)	Total Area (m2)	Area (SF)
Assisted Living	36	32	344	1,152	12,400
Assisted Living Suite	20	45	484	900	9,688
Memory Care	24	27	291	648	6,975
Kitchen	1	60	646	60	646
Dining Rooms	1	170	1,830	170	1,830
Amenities	1	370	3,983	370	3,983
Circulations	1	495	5,328	495	5,328
TOTAL AREA				**3,795**	**40,849**

Architectural Design

The units will be designed to accommodate the residents as they require more personal assistance. The units will be equipped with features such as skid-proof floors, elevated switches, electrical outlets that do not require bending or crouching, grab bars next to bathtubs and toilets, wide doors to accommodate wheelchairs, emergency call buttons, and other conveniences. The residents will be able to use their own furniture and be allocated a storage space for the possessions they have accumulated over a lifetime. Assisted living units will have kitchenettes inside their units to enable them to prepare simple meals, promoting an atmosphere of independence and self-direction.

The design of the facility's shared spaces and units will include extra lighting, automatic doors, wide corridor dimensions, specially positioned sinks and mirrors, ergonomic chairs that are easy to get out of, and other factors related to visual, auditory, ambulatory, and other impairments that may accompany old age. The complex will provide for security, recreational facilities, gardens, group meeting rooms, recreational rooms, TV rooms, and other amenities that provide a homelike atmosphere.

The units will be separated from high-visibility areas such as entranceways, lobbies, and common dining areas. Entrance areas and highly visible portions of the building will have an attractive design to promote a sense of independent living, luxury, and homelike atmosphere.

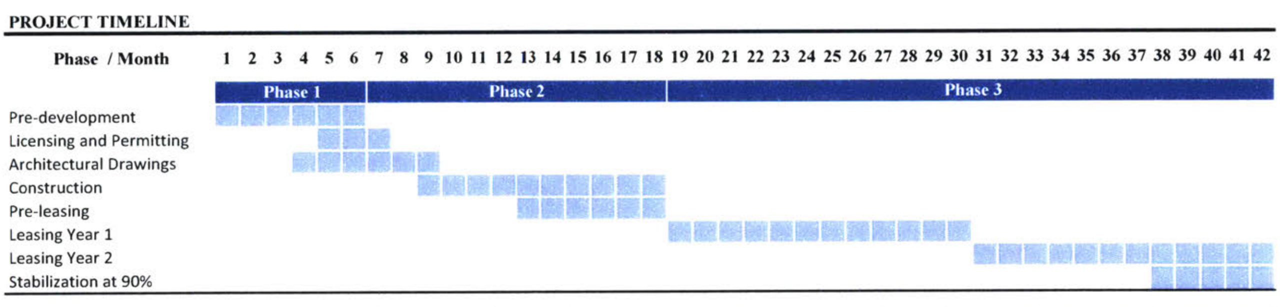
Project Timeline

The project will be developed and become operational in four phases.

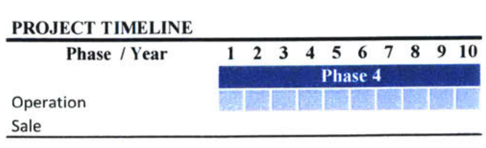
Phase 1. Pre-development Activities (6 months)
This phase will include pre-development activities such as raising capital and starting the architectural design. During this phase, the developers will begin applying for permits, as this process will take around three months.

Phase 2. Construction (12 months)
During this phase, permits will be secured and the architectural drawings will be finished. Value engineering will be taking place during the construction process. Pre-leasing will begin 6 months before opening the facility.

Phase 3. Leasing (24 months)
During this phase, the facility will be leased. 19 months into this phase, occupancy will reach stabilization at 90%.



Phase 4. Stabilized Property (10 years)
During this phase, the facility will be operated by OPCO and assumes the sale of the property at the end of year 10. The developer and the equity partner will continue to hold the mortgage to the property during this period.



Development Budget

The construction budget is a total $95,488,934 MXN, and is broken down as follows:

DEVELOPMENT BUDGET

Concept	Amount	%
Land	29,095,000	30.5%
Hard Costs	45,540,000	47.7%
Soft Costs	18,903,934	19.8%
FF&E	1,950,000	2.0%
Total	**95,488,934**	**100%** [9]

The land is estimated to cost $23,000 MXN per square meter. At an Floor Area Ration "FAR" of 3.0 the land required for the project will be approximately 1,265 square meters. The hard costs are calculated parametrically at $12,000 MXN per square meter. Soft costs are calculated parametrically as a ratio of the hard costs as follows:

SOFT COSTS

Concept	Amount	%	of Hard Cos
Licenses and Permits	3,816,040	4.0%	8.4%
Enviromental	100,362	0.1%	0.2%
Construction	1,105,509	1.2%	2.4%
Water Rights	506,373	0.5%	1.1%
Power Rights	875,889	0.9%	1.9%
Operation Permit Fee	1,227,907	1.3%	2.7%
Architectonic Design	2,280,960	2.4%	5.0%
Legal Fees	2,737,152	2.9%	6.0%
Advertisement and Marketing	5,702,400	6.0%	12.5%
Pre-Leasing	489,750	0.5%	5.5%
Insurance	1,596,672	1.7%	3.5%
Development Fee	2,280,960	2.4%	5.0%
Total	**18,903,934**	**19.8%**	**45.9%**

[9] Land prices and construction costs were provided in December 2016 by the company Consorcio Mexicano de Construcción y Desarrollo S.A. de C.V. a Mexico City housing construction company with more than 25 years of experience

The cost for FF&E (furniture, fixtures, and equipment) includes the equipment for the operations office, kitchen, amenities, dining room, and gym.

Memory care units will be sparsely furnished at an estimated cost of $25,000 MXN per unit.

Project Financing

The Loan

To build the facility, a non-recourse loan will be requested from the Sociedad Hipotecaria Federal S.N.C. (SHF), a public institution that provides construction and leasing loans to rental apartment projects. SFH will provide 80% of the cost for the land as well as hard and soft construction on an interest-only basis for 36 months at a fixed rate of 9.4%. The loan of $71,693,827.54 MXN will be replaced by a permanent loan at the end of the Phase 3. The permanent loan is estimated at 70% LTV amortized in 30 years at an interest rate of 6%. Both loans will be charged 1% of loan origination fees.

Even though the loan could be paid at the stabilization of the property, to be conservative this model assumes it will be paid at the end of Phase 3.

Project Sales

The aging Mexican population creates an implicit demand for assisted living and memory care housing services, but the need has not been met because the market is uneducated and few such facilities exist. This business plan targets the upper-middle class segment of the population that has fixed pensions and a home, or adult children that will be paying for the services.

Absorption

The project estimates that 15% of the units will be pre-leased before the opening of the facility at the start of Phase 3, which requires soon-to-be residents to pay only 50% of the refundable deposit. In the U.S. is common to have 30% of units leased before the facility opens. At month 12 of Phase 3, the facility will have leased 54% of its units and will reach the 90% of stabilization rate in month 18 of the same phase.

In order to attract clients and provide more flexibility, the business plan assumes that during Phase 3, residents or their guarantors will have the right to break their leasing agreement up to three months after it is signed and move out. In those cases, OPCO will reimburse 75% of the deposit to the resident or his guarantors and keep 25% to cover costs. The business plan also assumes that 30% of the residents will not renew their contract after one year and that these residents will receive 75% of their refundable deposit at the end of the leasing commitment.

ABSORPTION RATES

Concept	Year 1	Year 2
	Units per month	
Assisted Living	2	2
Assisted Living Suite	1	2
Memory Care	1	2
Total	**4**	**6**

Pricing

The pricing for the housing and assistance services will be:

PRICING

Concept	Monthly Rent	Annual Rent	Entrance Refundable Fee
Assisted Living	45,000	540,000	45,000
Assisted Living Suite	55,000	660,000	55,000
Memory Care	67,500	810,000	67,500

The pro forma assumes and annual rental increase of 4%, which is 50 basis points less than that of 5% of regular rental apartments in Mexico.

Marketing and Sales Strategy

Marketing

The marketing efforts will target both prospective residents and their loved ones. It will be directed to potential users that have presented limitations on ADLs or have memory and Dementia problems. During the construction phase, the marketing team will start educating the market, explain what assisted living and memory care housing and services are, and how can they increase the quality of life of the elderly. The two most important factors that residents seek in the U.S. for this kind of facility are privacy and quality of services. The facility will provide this, which will be made very clear during the marketing efforts. Also, the marketing will highlight the facility's central urban location.

The marketing team will find clients through geriatric doctors close to the location of the facility and among the organizations specialized in the elder and dementia care throughout Mexico.

Sales Strategy

The project incorporates six months of pre-leasing in Phase 2, during which the general manager and the assistant manager will do part of the sales and undergo training, all while earning full salaries plus a bonus of 30% of each deposit when they pre-lease a unit. The general manager and sales and marketing coordinator will be experienced individuals with a hospitality background. During Phases 3 and 4 the bonus will be 15% of their annual salary if occupancy goals are maintained each year.

Consumers leasing units before the facility opens would receive a special offer. Residents would only be required to pay 50% of their refundable deposit to ensure their place. For units leased during Phase 1, occupants will be eligible to receive 75% of their refundable deposit without penalty should the residents or their guarantors decide to leave the facility during the first three months after move-in.

Although the facility will offer some health services, the management staff must be trained for customer management, enhancing the experience of the resident and ensuring an excellent quality of life.

Development Risks

During the development phase, the primary risk will be securing the funds to purchase the land and finance the construction. Though today there are no special regulations for senior housing other than those mentioned in NOM-031-SSA3-2012, there is the possibility that stricter regulations will be issued before the facility begins operations, though the government has no current plan to change them. Nevertheless the facility will be designed to meet the highest standards from the U.S. markets.

As with all businesses, the senior housing facility can be affected by big economic events such as recessions. Should one of these occur, causing a decrease in the absorption rate or increase in the number of non-renewals, the facility will be flexibly designed to adapt to another business model.

Ineffective management is also a risk. Since this service is about managing people, senior housing is more likely to face problems shared by hotels than by hospitals. The management supervision and collaboration among the resident service providers will be crucial to create a good reputation for the service provided.

Operations

The business plan assumes a lease up period of 24 months to fill capacity and assumes two kinds of operating expenses: resident care operating expenses and the building operating expenses.

Resident Care Operating Expenses

OPCO will fully operate the facility upon its opening, but the resident care staff will grow as occupancy rises. The total number of full-time employees for the full stabilized property approximately will be 58.

The general manager and the sales and marketing manager will be hired six months prior to the end construction. During this period, these two employees will be trained and will work on the pre-leasing activities. The training will ensure that the executive staff has the knowledge and experience the jobs demand, and are able to manage the facility in the best interest of the residents. A member of the nursing staff must always (24 hours/day) be available to residents.

The resident services staff on duty will maintain order, safety, and cleanliness of the premises. They will prepare and serve meals, plan all the recreational activities, keep an adequate supply of clean linens, assist the residents in personal needs and recreational activities, and meet the other operational needs of the facility.

To attract experienced workers and retain talent, OPCO will offer competitive wages for its employees. The executive staff will receive a bonus for keeping the facility fully leased.

One of the most important talents to attract are the nurses and caregivers. These employees will earn salaries 30% above the median and will receive full compensation and paid vacations. In order to attract and retain quality employees, OPCO will provide a generous benefits package to all employees, including retirement, paid vacations and holidays, and flextime. The business plan considers continuing education for all staff, offering periodic training updates to ensure the core goal of maximizing quality.

RESIDENT CARE OPERATING EXPENSES

Concept	Monthly Cost	Annual Cost	% of Total Cost
EMPLOYEES & SALARIES	762,500	9,150,000	49.5%
EMPLOYEE RELATED EXPENSES	186,175	2,234,100	12.1%
OTHER OPERATING EXPENSES	591,933	7,103,200	38.4%
RESIDENT CARE OPERATING EXPENSES TOTAL	**1,540,608**	**18,487,300**	**100%**

The resident care operating expenses will break down as follows:

RESIDENT CARE OPERATING EXPENSES

EMPLOYEES & SALARIES

Concept	Amount	Monthly Salary	Monthly Cost	Annual Cost	% of Total Cost	Notes
Administrative Staff	**3**	**118,000**	**118,000**	**1,416,000**	**7.7%**	
General Manager	1	75,000	75,000	900,000		
Marketing and Sales Coordinator	1	35,000	35,000	420,000		
Assistant	1	8,000	8,000	96,000		
Resident Services Staff	**4**	**100,000**	**100,000**	**1,200,000**	**6.5%**	
Services Manager	1	35,000	35,000	420,000		
Community Relations Coordinator	1	25,000	25,000	300,000		
Nutrition Coordiantor	1	25,000	25,000	300,000		
Dining Coordinator	1	15,000	15,000	180,000		
Food Service Staff	**9**	**35,750**	**68,000**	**816,000**	**4.4%**	
Chef	1	25,000	25,000	300,000		
Cooking	4	6,500	26,000	312,000		
Dishwasher	4	4,250	17,000	204,000		
Health Services	**42**	**91,400**	**476,500**	**5,718,000**	**30.9%**	
Chief Doctor	1	30,000	30,000	360,000		
Assistant Doctor	1	15,000	15,000	180,000		
Nurse Coordinator	1	15,000	15,000	180,000		
Nurse - Day	20	11,050	221,000	2,652,000		4 residents per nurse
Nurse - Night	10	12,350	123,500	1,482,000		8 residents per nurse
Caregiver	9	8,000	72,000	864,000		3 MC residents per nurse
Total	**58**	**345,150**	**762,500**	**9,150,000**	**49.5%**	

EMPLOYEE RELATED EXPENSES

Concept	Monthly Cost	Annual Cost	% of Total Cost	Notes
Bonus and Other Fees	**71,500**	**858,000**	**4.6%**	
Bonus	16,500	198,000		
Legal Fees	15,000	180,000		
Accounting Fees	15,000	180,000		
Training Fees	25,000	300,000		
Benefits and Compensation	**114,675**	**1,376,100**	**7.4%**	
Total	**186,175**	**2,234,100**	**12.1%**	

OTHER OPERATING EXPENSES

Concept	Monthly Cost per Unit	Monthly Cost	Annual Cost	% of Total Cost	Notes
Meal Preparation	**3,550**	**283,960**	**3,407,520**	**18.4%**	
Meal Cost	2,865	229,200	2,750,400		3 meals per day
Guest Meals	287	22,920	275,040		6 monthly guest meals per resident
Kitchen Supplies	220	17,600	211,200		
Linen	48	3,840	46,080		
Utensils Replacement	130	10,400	124,800		
Housekeeping	**2,217**	**177,333**	**2,128,000**	**11.5%**	
General	1,767	141,333	1,696,000		3 residents per housekeeper
Cleaning Supplies	450	36,000	432,000		
Wellness Programs	**600.50**	**48,040.00**	**576,480.00**	**3.1%**	
Entretainment	250.00	20,000	240,000		
Activities Supplies	60.00	4,800	57,600		
Seasonal Decorations	3.50	280	3,360		
Market Place	12.00	960	11,520		
Transportation	275.00	22,000	264,000		
Marketing	**388**	**31,000**	**372,000**	**2.0%**	
Events	125	10,000	120,000		
Marketing & Advertisement	263	21,000	252,000		
Telecom and TV	**120**	**9,600**	**115,200**	**0.6%**	
Other Expenses	**525**	**42,000**	**504,000**		
Total		**591,933**	**7,103,200**	**38.4%**	

Building Operating Expenses

The operation of the building will be outsourced; management will develop incentives for all staff to continually improve the quality of operations. The budget considers the following operating expenses[10]:

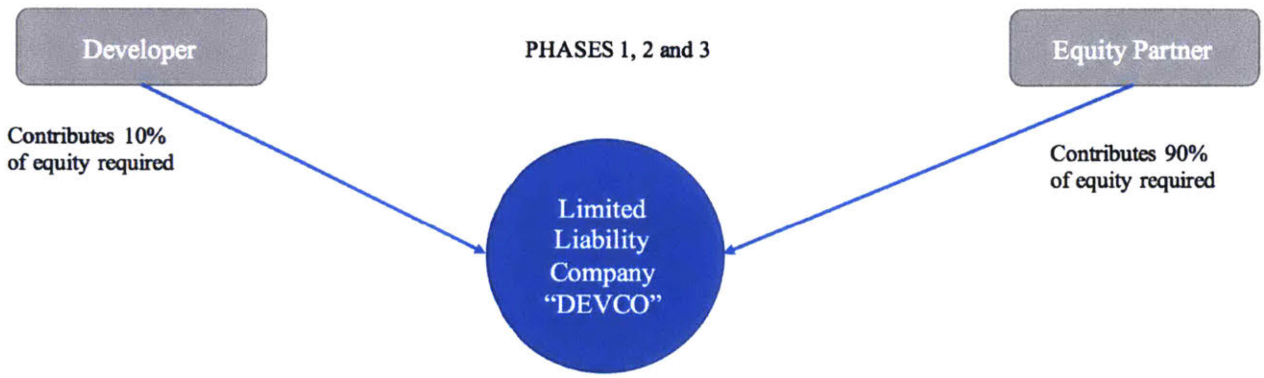
BUILDING OPERATING EXPENSES

Concept	Monthly Cost per	Monthly Cost	Annual Cost	% of Total Cost	Notes
Payroll	**1,636**	**130,905**	**1,570,864**	**24.7%**	
Administrative	248	19,840	238,080		Fixed cost
Security	600	48,000	576,000		Fixed cost
Maintenance	469	37,500	450,000		Fixed cost
Cleaning	243	19,440	233,280		Fixed cost
Landscaping	32	2,592	31,104		Fixed cost
Window Cleaning	17	1,333	16,000		Fixed cost
Trash Removal	10	800	9,600		Fixed cost
Fumigation	18	1,400	16,800		
Repairs & Maintenance	**2,127**	**170,141**	**2,041,690**	**32.0%**	
General - Units	1,276	102,080	1,224,960		Fixed cost
Building	701	56,061	672,730		Fixed cost
Elevator Mainteinance	150	12,000	144,000		Fixed cost
Utilities - General	**200**	**16,000**	**192,000**	**3.0%**	
Electricity	180	14400	172,800		Fixed cost
Water	10	800	9,600		Fixed cost
Generator Fuel	2.5	200	2,400		Fixed cost
Phone (Office)	3.75	300	3,600		Fixed cost
TV (Common Areas)	3.75	300	3,600		Fixed cost
Utilities - Units	**1,423**	**113,867**	**1,366,401**	**21.4%**	
Electricity	310	24,800	297,600		Variable by units occupied
Gas	626	50,041	600,490		Variable by units occupied
Water	488	39,026	468,312		Variable by units occupied
Fixed Expenses	**1,236**	**98,918**	**1,187,021**	**18.6%**	
Insurance - Extended	651	52,042	624,499		Fixed cost
Real Estate Taxes	336	26,877	322,522		Fixed cost
Property Management	250	20,000	240,000		Fixed at $250 MXN per unit
Other Administrative Expenses	**13**	**1,040**	**12,480**	**0.2%**	**Fixed cost**
BUILDING OPERATING EXPENSES TOTAL	**6,636**	**530,871**	**6,370,456**	**100%**	

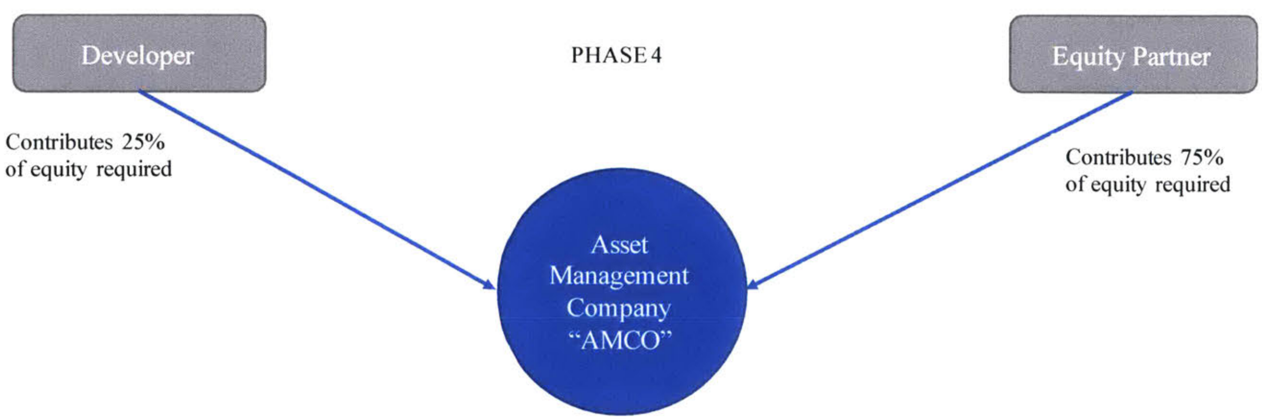
[10] Expenses provided by Facility Management Group of JLL México

Management and Ownership

The promotor of the business will be the "developer". The developer will be responsible of all the pre-development and development activities of Phase 1, Phase 2 and Phase 3. The developer will create a joint venture with an equity partner through an LLC for the construction and leasing of the facility. A loan to cost of 80% loan, denominated the bridge loan, that will cover the rest of the construction costs.



At the end of Phase 3, when the bridge loan is liquidated, the developer and the equity partner will continue to hold the asset for 10 years through another LLC that will be solely used for the management of the property. The property will get a mortgage of 70% of the value of the property. The developer will be responsible for contributing 25% of the equity required.



The equity partner has seniority on the cash flow available for distribution. The developer will be rewarded for the success of the project with a Promote, of 20% of the gains pari-passu after paying of the capital and after achieving an IRR of 30% at the end of Phase 3, or the sale of the facility.

Performance Metrics

The returns before taxes will be measured in two ways:

1) For the development and leasing of the project (Phases 1, 2, and 3), assuming the property is sold at the end of Phase 3 to an asset management institution
2) For the consolidation of development, leasing, and management of the property (all Phases)

Unlevered Returns

UNLEVERED RETURNS						Required Equity	95,458,934 MXN
DEVELOPMENT AND LEASING				**PHASE 1, 2, 3**			**NOTES**
Project		Equity Partner		Sale Cap Rate		**10%**	Sale is assumed at end of
IRR	**24%**	IRR	**32%**	Net Sale Price	$	**164,400,889**	year 3, end of Phase 3
Multiple	**1.9x**	Multiple	**1.7x**	Sale at year		**3**	
				Developer Fee	$	**2,280,960**	* For purposes of this
		Developer					metric, the Equity Partners
		IRR	**44%**				and the Developer recover
		Multiple	**1.7x**				their investment pari-passu
CONSOLIDATED				**ALL PHASES**			**NOTES**
Project		Equity Partner		Sale Cap Rate		**10%**	Sale is assumed at end of
IRR	**17%**	IRR	**18%**	Net Sale Price	$	**251,929,054**	year 3, end of Phase 3
Multiple	**4.7x**	Multiple	**3.8x**	Sale at year		**13**	
				Developer Fee	$	**2,280,960**	* For purposes of this
		Developer					metric, the Equity Partners
		IRR	**13%**				and the Developer recover
		Multiple	**3.6x**				their investment pari-passu

Levered Returns

LEVERED RETURNS						Required Equity	32,524,350 MXN
DEVELOPMENT AND LEASING				**PHASE 1, 2, 3**			**NOTES**
Project		Equity Partner		Sale Cap Rate		**10%**	Sale is assumed at end of
IRR	**78%**	IRR	**42%**	Net Sale Price	$	**164,400,889**	year 3, end of Phase 3
Multiple	**5.6x**	Multiple	**2.9x**	Sale at year		**3**	
				Developer Fee	$	**2,280,960**	If the project has an IRR
		Developer					above 30% the Developer
		IRR	**86%**				will be rewarded with a
		Multiple	**4x**				15% promote after both
							recover their capital
CONSOLIDATED				**ALL PHASES**			**NOTES**
Project		Equity Partner		Sale Cap Rate		**10%**	Sale is assumed at end of
IRR	**53%**	IRR	**35%**	Net Sale Price	$	**251,929,054**	year 3, end of Phase 3
Multiple	**10.7x**	Multiple	**8x**	Sale at year		**13**	
				Developer Fee	$	**2,280,960**	For Phase 4, the developer is
		Developer					required to contribute 25%
		IRR	**49%**				of the required equity
		Multiple	**19.4x**				

Financial Data & Pro Forma

The exhibits enunciated below present all financial data and pro-formas of the project.

Absorption Rates and Revenues (months 13 to 24)
First year of Leasing

This exhibit presents the assumption of how the units will be leased monthly and the revenues they will generate during the first year of the leasing period (Phase 2) accordingto the business plan.

Generally, an Assisted Living and Memory Care facility pre-leases 30% of the units, to be conservative the business plan assumes that 15% of the units will be pre-leased. For marketing and sales purposes all the pre-leased units will pay only 50% of the refundable deposit fee.

During the first year, two Assisted Living units, one Assisted Living Suite unit and 1 Memory Care unit will be leased monthly. The rents for the first year will be:

Concept	Monthly Rent	Annual Rent	Entrance Refundable Fee
Assisted Living	45,000	540,000	45,000
Assisted Living Suite	55,000	660,000	55,000
Memory Care	67,500	810,000	67,500

It is also assumed that 30% of the residents or their guarantors would decide to move out of the facility during the first three months of their stay. For marketing and sales purposes, their leasing agreement will allow this and they will be refunded 75% of their original deposit.

Due to pre-leasing activities the occupancy at the end of the first month will be 16%, at the end of the year the occupancy is expected to be 59%.

Absorption Rates and Revenues (months 25 to 36)
Second year of Leasing

This exhibit presents the assumption of how the units will be leased monthly and the revenues they will generate during the second year of the leasing period (Phase 2) accordingto the business plan.

During this period two Assisted Living units, two Assisted Living Suite units and two Memory Care unitswill be leased monthly. The rental pricing for the second year, according to an annual inflation rate of 4%, will be:

PRICING

Concept	Monthly Rent	Annual Rent	Entrance Refundable Fee
Assisted Living	46,800	561,600	46,800
Assisted Living Suite	57,200	686,400	57,200
Memory Care	70,200	842,400	70,200

It is also assumed that 30% of the residents or their guarantors would decide to move out of the facility during the first three months of their stay. For marketing and sales purposes, their leasing agreement will allow this and they will be refunded 75% of their original deposit.

The leasing agreement renewal rate will be 70%; meaning that 30% of the users will not renew their contracts; they also will be refunded 75% of their original deposit.

The occupancy at the end of the first month of the second year will be 60%. The property will reach stabilization at a rate of 90% at the end of the month 19 of the leasing period or month 33 of the overall project. At the end of the second year of leasing the occupancy is expected to be 95%.

In the U.S. generally it takes 13 months to reach stabilization, to be conservative the business plan takes six months more since it is a new market for the services.

Leasing Period Pro-Forma (months 13 to 24)
First year of Leasing

This exhibit presents the assumption of how the revenues and expenses will be accured monthly during the first year of leasing. During this first year of leasing some expenses will be variable according to the number of residents.

The revenues broken down in:

- Refundable Deposit (Entrance Fee).
- Rental Income generated by the monthly rents of Assisted Living, Assisted Living Suites and Memory Care units.

- Other Revenues generated by the guest meals, estimated to be 6 per resident per month and will be priced at $200 MXN.
- Day Care Revenues assumed to be 30% of the moved-in residents and will be priced at $15,000 MXN per month. The Day Care clients will be a maximum of 24, 30% of the number of total units.
- Loss to Consesions are generated by the resident move out before the third month after move-in and refund of their original deposit.
- Bad Debt is estimated to be 0.5% of the monthly Rental Income.

The Expenses are broken down in:

- Payroll Expenses including:
    - Administrative which will be fixed and include all the salaries related to the management.
    - Resident Services which include the salaries of the resident service management, this expense is variable according to the number of resident of the facility, at year one of leasing 50% of the staff will be hired. The Services Manager, responsible of all of the residents service, will be in charge of the community relations. The Nutrition Coordinator will also coordinate the dining room operations and will be responsible to ensure quality nutrition for all the residents.
    - Food Services include all the salaries related to the preparation of meals. In the first year the facility will operate with 50% of the personnel, this will include the Head Chef.
    - Health Services which include all the salaries related to the meals preparation. These expenses will be variable as well the during the first year Chief Doctor and the Nurse Coordinator will be providing their services. The Nurses and Caregivers will be hired according from to the number of residents (both Assisted Living and Memory Care) and will be calculated at four residents per Day Nurse, eight residents per Night Nurse. The Caregivers will be calculated at 3 Memory Care residents per Caregiver. At the end of the first year of leasing the facility is expected to have ten Day Nurses, five Night Nurses and four Caregivers.
    - Bonuses and other Fees which are fixed include bonuses of 15% of the annual salary of the management personnel (assuming they fulfill all the occupancy requirements), Legal Fees, Accouting Fees and Training Fees.
    - Employee Benefits and Compensation which are variable and are calculated at 15% of the total of the salaries of the hired personnel.

- Other Operating Expenses including:
    - Meal Preparations will be are variable according to the number of residents.

- Housekeeping and Cleaning Supplies will be variable according to the number of residents. Four Housekeepers will be hired per unit occupied and at the end of the first year of leasing ten housekeepers will be working in the facility. The Housekeepers will be responsible for the cleaning of the units and the food services dinning facilities.
- Office Expenses will be variable and will cover the expenses the office may incur.
- Marketing Expenses will be fixed and for the first year of leasing will be $252,000 MXN to attract more residents.
- Wellness Program Expenses will be variable according to the number of residents in the facility.
- Telecom Expenses will be variable according to the number of employees OPCO has at that time.
- Business Taxes estimated to be 12% of the Total Revenue.

- Building Operating Expenses will be mostly fixed as if the building is completely leased, except for the Utilities of the units.
  - Payroll include sadministrative, security, mainteinance, cleaning and landscaping staff as wells as window cleaning, trash removal and fumigation services.
  - Repairs and Manteinance includes the maintenance for the building and each unit as well as the monthly elevator maintenance.
  - Utilities-General includes all the utilities to operate the building.
  - Utilies-Unit will be variable per the units occupied and account for the average electricity, gas and water to service each unit.
  - Insurance
  - Real Estate Taxes
  - Property Management which is fixed and estimated to be $240,000 MXN per year.

Leasing Period Pro-Forma (months 25 to 36)
Second year of Leasing

This exhibit presents the assumption of how the revenues and expenses will be accured monthly during the second year of leasing. During this second year of leasing the staff will be complete even though the facility is not yet stabilized, nevertheless, the expenses related to the occupany will be variable. All the expenses are estimated with a 4% annual inflation according to the previous year.

The revenues are broken down in:

- Refundable Deposit (Entrance Fee).
- Rental Income generated by the monthly rents of Assisted Living, Assisted Living Suites and Memory Care units.
- Other Revenues generated by the guest meals, estimated to be 6 per resident per month.
- Day Care Revenues assumed to be 30% of the moved-in residents.
- Loss to Consesions are generated by the resident move out before the third month after move-in and refund of their original deposit.
- Loss to Non-Renewal generated by the resident non-renewal of their contract and refund of 75% of their original deposit.
- Bad Debt is estimated to be 0.5% of the monthly Rental Income.

The Expenses are composed of:

- Payroll Expenses including:
    - Administrative, which will operate at 100% as in the previous year.
    - Resident Services, which will operate at 100%. The facility will have a Services Manager, a Community Relations Coordinator, a Nutrition Coordinator, a Dining Coordinator and two drivers.
    - Food Services, which will operate at 100%.
    - Health Services, which will operate at 100%. The facility will have a Chief Doctor, Assistant Doctor and the Nurse Coordinator. The nurses number of nurses will be variable according to the number of residents. At the end of the second year of leasing the facility will operate with 19 Day Nurses, ten Night Nurses and eight Caregivers.
    - Bonuses and other Fees which are fixed include bonuses of 15% of the annual salary of the management personnel (assuming they fulfill all the occupancy requirements), Legal Fees, Accounting Fees and Training Fees.
    - Employee Benefits and Compensation which are variable and are calculated at 15% of the total of the salaries of the hired personnel.

- Other Operating Expenses including:
    - Meal Preparations which are variable according to the number of residents.
    - Housekeeping and Cleaning Supplies which are variable according to the number of residents. At the end of the first year of leasing 19 housekeepers will be working in the facility.
    - Office Expenses
    - Marketing Expenses
    - Wellness Programs Expenses
    - Telecom Expenses
    - Business Taxes

- Building Operating Expenses all of which are mostly fixed, except for the units utilities.
    - Payroll
    - Repairs and Manteinance
    - Utilities-General
    - Utilies-Unit
    - Insurance
    - Real Estate Taxes
    - Property Management

Pro-Forma Stabilized Asset
Phase 4 – 10 years

This exhibit presents the assumption of how revenues and expenses will be accured yearly during 10 years plus the following year Net Operating Income "NOI" to calculate the reversion value.

The occupancy is set at 95% during the stabilized asset period. All the revenues and expeses increase at an annual inflation rate of 4%.

The NOI for the whole period represents 31.2% of the Revenues.

The revenues are composed of:

- Refundable Deposit (Entrance Fee).
- Rental Income
- Other Revenues
- Day Care Revenues
- Loss to Consesions
- Loss to Non-Renewal
- Bad Debt
-

The Expenses are composed of:

- Payroll Expenses
- Other Operating Expenses including:
- Building Operating Expenses all of which are mostly fixed, except for the units utilities.

Unlevered Cash Flow

The Unlevered Cash Flow, before taxes, for the four Phases is presented in this exhibit. The revenues and expenses are presented as if no leverage was utilized neither for the construction nor for the hold period of the stabilized asset.

This exhibit presents the reversion value of the property of $252 million MXN at the time of sale of the asset, end of Phase 4, at a Capitalization Rate of 10%. The Selling Expenses, commisions to the brokers and others fees payable calculated at 2% leave a Net Cash Flow from reversion of $246.8 million MXN.

At year 5 of the stabilized period or year 8 of the whole 13 years investment period the capital invested is recovered. The whole investment period presents a project level IRR of 17% and a investment multiple of 4.7x.

Levered Cash Flow

The Levered Cash Flow, before taxes, for the four Phases is presented in this exhibit. It is divided in the Development Process (Phases 1, 2 and 3) and Hold Period of the stabilized asset (Phase 4).

During the Development Process it is assumed at year 0, $32.5 million MXN are invested in the project and the loan of $74.8 million MXN representing 80% of the development costs is secured. The interest-only loan at a rate of 9.4% has an origination fee of 1% of the total amount and must be paid by the project.

The business plan assumes that the stabilized asset will be sold at the end of year 3, end of Phase 2, to an asset management company. The reversion value of the property at Capitalization Rate of 10% will be $167.8 million MXN and the net Cash Flow from the sale would be $164.4 million MXN. The development project generates a 78% IRR and an investment multiple of 5.6x. The Developer is expected to earn a 15% Promote distributed pari-passu after the return to the Equity Partner reaches 30% IRR. The IRR for the developer is calculated after this assumption added to the developer fee recieved.

DEVELOPMENT AND LEASING				**PHASE 1, 2, 3**	
Project		Equity Partner		Sale Cap Rate	**10%**
IRR	**78%**	IRR	**42%**	Net Sale Price	**$ 164,400,889**
Multiple	**5.6x**	Multiple	**2.9x**	Sale at year	**3**
				Developer Fee	**$ 2,280,960**
		Developer			
		IRR	**86%**		
		Multiple	**4x**		

The business plan assumes the hold of the asset through a 10-year period by an asset management company owned by the Equity Partner and the Developer. A fixed 6% first lien non-recourse mortgage on the asset will cover 70% of the asset value over 10 years at an amortization period of 30 years, The mortgage origination fee is 1% of the loan. The remaining equity of $51.5 million MXN will be contributed 75% by the Equity Partner and 25% by the Developer.

At the end of Phase 4, the asset is assumed conservatively to be sold at a Capitalization Rate of 10%. The reversion value net of selling expenses will be $246.8 MXN after paying off the loan and the 5% Fee to OPCO will provide the project an IRR of 78% and an investment multiple of 5.6x for the whole investment period. The equity returns will break down as follow.

CONSOLIDATED				**ALL PHASES**		
Project		Equity Partner		Sale Cap Rate		**10%**
IRR	**53%**	IRR	**35%**	Net Sale Price	**$**	**251,929,054**
Multiple	**10.7x**	Multiple	**8x**	Sale at year		**13**
				Developer Fee	**$**	**2,280,960**
		Developer				
		IRR	**49%**			
		Multiple	**19.4x**			

Conclusion

As the proportion of elderly people grows worldwide, public and private sectors must create enterprises tailored to them. Because housing, health care, transportation, and finances are among their greatest needs, businesses adapted to the elderly must attend to them. The aging population as a consumer force creates opportunities for developers, health care companies, health assistance operators, and investors.

Assisted housing may be one of several solutions that will ease the societal pressure as more Mexicans transition to retirement and old age. Senior living services in Mexico may be an untapped market, but social and cultural shifts imply the rising demand. From the evidence presented in this study, it is clear that creating housing services targeting this population will create facilities that ensure the safety and quality of life of the elderly.

This study presents a business plan for a profitable development of an Assisted Living and Memory Care facility, with affordable prices for the Mexican community even though it will be designed and operated according to the best practices in the United States. The business plan presents very conservative assumptions since the business model is very innovative to the Mexican market. In strong markets as the U.S., rarely, residents that have once moved-in leave the property. Revenues are constant and expenses are not volatile, therefore, the net operating income of each property can be easily estimated.

The existing financing environment is also extremely positive for this kind of investments. The Mexican Law is encouraging developers to build apartments for rent, Lenders are required by law to provide interest only loans of around 80% of the development costs. The loans cover the construction and the leasing periods.

This study presents that with $32.5 million MXN ($1.5 million USD[11]), an 80-unit Assisted Living and Memory Care development can be built over one year, leased over two years and operated over 10 years providing the investors with returns on equity investment of 35% and the developers with a 49% IRR. Charging at least $540,000 MXN ($25,000 USD) per resident annually the operating company can provide top quality assistance and housing services, and also be profitable.

Although this business idea comes with high risks, the prospective investment returns are substantially higher. Being one of the first players on an untapped market and providing high-quality services can build up exceptional reputation, which is key in the business sector. There are enormous opportunities for growth, having in mind the best practices of more developed countries this business model can become the spearhead of future developments.

[11] Calculated at an Exchange Rate $21.6 MXN per $1 USD

Exhibits

- This page intentionally left blank -

Absorption Rates and Revenues (months 13 to 24)

First year of Leasing

ABSORPTION AND REVENUES LEASING - PHASE 3												
Month	January	February	March	April	May	June	July	August	September	October	November	December
Month No.	13	14	15	16	17	18	19	20	21	22	23	24
Assisted Living												
Absorption												
Start Month - Units Leased	0.0	6.0	8.0	10.0	10.2	11.6	13.0	14.4	15.8	17.2	18.6	20.0
Move Ins	6.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Move Outs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Move Outs (3 months)	0.0	0.0	0.0	(1.8)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
End of Month - Units Leased	6.0	8.0	10.0	10.2	11.6	13.0	14.4	15.8	17.2	18.6	20.0	21.4
Month Net Absorption	6.0	2.0	2.0	0.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Occupancy	17%	22%	28%	28%	32%	36%	40%	44%	48%	52%	56%	59%
Revenues												
Refundable Entrance Fee	270,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Rental Income	270,000	360,000	450,000	459,000	522,000	585,000	648,000	711,000	774,000	837,000	900,000	963,000
Loss to Concession	0	0	0	(273,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)
Refundable Fee	0	0	0	0	0	0	0	0	0	0	0	0
Assisted Living Subtotal	**540,000**	**450,000**	**540,000**	**275,625**	**581,625**	**644,625**	**707,625**	**770,625**	**833,625**	**896,625**	**959,625**	**1,022,625**
Assisted Living - Suites												
Absorption												
Start Month - Units Leased	0.0	3.0	4.0	5.0	5.1	5.8	6.5	7.2	7.9	8.6	9.3	10.0
Move Ins	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Move Outs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Move Outs (3 months)	0.0	0.0	0.0	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
End of Month - Units Leased	3.0	4.0	5.0	5.1	5.8	6.5	7.2	7.9	8.6	9.3	10.0	10.7
Month Net Absorption	3.0	1.0	1.0	0.1	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Occupancy	15%	20%	25%	26%	29%	33%	36%	40%	43%	47%	50%	54%
Revenues												
Entrance Fee	165,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Rental Income	165,000	220,000	275,000	280,500	319,000	357,500	396,000	434,500	473,000	511,500	550,000	588,500
Loss to Concession	0	0	0	(83,531)	(9,281)	(9,281)	(9,281)	(9,281)	(9,281)	(9,281)	(9,281)	(9,281)
Loss to Non-Renewal	0	0	0	0	0	0	0	0	0	0	0	0
Assisted Living - Suites Subtotal	**330,000**	**275,000**	**330,000**	**251,969**	**364,719**	**403,219**	**441,719**	**480,219**	**518,719**	**557,219**	**595,719**	**634,219**
Memory Care												
Absorption												
Start Month - Units Leased	0.0	4.0	5.0	6.0	5.8	6.5	7.2	7.9	8.6	9.3	10.0	10.7
Move Ins	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Move Outs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Move Outs (3 months)	0.0	0.0	0.0	(1.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
End of Month - Units Leased	4.0	5.0	6.0	5.8	6.5	7.2	7.9	8.6	9.3	10.0	10.7	11.4
Month Net Absorption	4.0	1.0	1.0	(0.2)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Occupancy	20%	21%	25%	24%	27%	30%	33%	36%	39%	42%	45%	48%
Revenues												
Entrance Fee	270,000	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500
Rental Income	270,000	337,500	405,000	391,500	438,750	486,000	533,250	580,500	627,750	675,000	722,250	769,500
Loss to Concession			0	(182,250)	(11,391)	(11,391)	(11,391)	(11,391)	(11,391)	(11,391)	(11,391)	(11,391)
Loss to Non-Renewal	0	0	0	0	0	0	0	0	0	0	0	0
Memory Care Subtotal	**540,000**	**405,000**	**472,500**	**276,750**	**494,859**	**542,109**	**589,359**	**636,609**	**683,859**	**731,109**	**778,359**	**825,609**
Total												
Absorption												
Start Month - Units Leased		13.0	17.0	21.0	21.1	23.9	26.7	29.5	32.3	35.1	37.9	40.7
Move Ins	13.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Move Outs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Move Outs (3 months)	0.0	0.0	0.0	(3.9)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
End of Month - Units Leased	13.0	17.0	21.0	21.0	24.0	27.0	30.0	32.0	35.0	38.0	41.0	44.0
Month Net Absorption	13.0	4.0	4.0	0.0	2.9	3.1	3.3	2.5	2.7	2.9	3.1	3.3
Occupancy	16%	21%	26%	26%	30%	34%	38%	40%	44%	48%	51%	55%
Revenues												
Entrance Fee	705,000	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500
Rental Income	705,000	917,500	1,130,000	1,131,000	1,279,750	1,428,500	1,577,250	1,726,000	1,874,750	2,023,500	2,172,250	2,321,000
Loss to Concession	0	0	0	(539,156)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)
Loss to Non-Renewal	0	0	0	0	0	0	0	0	0	0	0	0
	1,410,000	**1,130,000**	**1,342,500**	**804,344**	**1,441,203**	**1,589,953**	**1,738,703**	**1,887,453**	**2,036,203**	**2,184,953**	**2,333,703**	**2,482,453**

Absorption Rates and Revenues (months 25 to 36)

Second year of Leasing

ABSORPTION AND REVENUES
LEASING - PHASE 3

Month	January	February	March	April	May	June	July	August	September	October	November	December
Month No.	25	26	27	28	29	30	31	32	33	34	35	36
Assisted Living												
Absorption												
Start Month - Units Leased	21.4	22.5	23.6	24.7	25.8	26.9	28.0	29.1	30.2	31.3	32.4	33.5
Move Ins	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Move Outs	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Move Outs (3 months)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
End of Month - Units Leased	22.5	23.6	24.7	25.8	26.9	28.0	29.1	30.2	31.3	32.4	33.5	34.6
Month Net Absorption	2.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Occupancy	63%	66%	69%	72%	75%	78%	81%	84%	87%	90%	93%	96%
Revenues												
Refundable Entrance Fee	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600
Rental Income	1,053,000	1,104,480	1,155,960	1,207,440	1,258,920	1,310,400	1,361,880	1,413,360	1,464,840	1,516,320	1,567,800	1,619,280
Loss to Concession	(30,375)	(30,375)	(30,375)	(31,590)	(31,590)	(31,590)	(31,590)	(31,590)	(31,590)	(31,590)	(31,590)	(31,590)
Refundable Fee	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)	(10,125)
Assisted Living Subtotal	**1,106,100**	**1,157,580**	**1,209,060**	**1,259,325**	**1,310,805**	**1,362,285**	**1,413,765**	**1,465,245**	**1,516,725**	**1,568,205**	**1,619,685**	**1,671,165**
Assisted Living - Suites												
Absorption												
Start Month - Units Leased	10.7	12.1	13.5	14.9	16.0	17.1	18.2	18.3	18.4	18.5	18.9	19.3
Move Ins	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.0
Move Outs	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Move Outs (3 months)	(0.3)	(0.3)	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.3)	(0.3)	(0.3)
End of Month - Units Leased	12.1	13.5	14.9	16.0	17.1	18.2	18.3	18.4	18.5	18.9	19.3	18.7
Month Net Absorption	2.6	1.4	1.4	1.1	1.1	1.1	0.1	0.1	0.1	0.4	0.4	(0.6)
Occupancy	61%	68%	75%	80%	86%	91%	91%	92%	92%	94%	96%	93%
Revenues												
Entrance Fee	110,000	114,400	114,400	114,400	114,400	114,400	57,200	57,200	57,200	57,200	57,200	0
Rental Income	692,120	772,200	852,280	915,200	978,120	1,041,040	1,046,760	1,052,480	1,058,200	1,081,080	1,103,960	1,069,640
Loss to Concession	(9,281)	(9,281)	(9,281)	(37,125)	(38,610)	(38,610)	(38,610)	(38,610)	(38,610)	(9,653)	(9,653)	(9,653)
Loss to Non-Renewal	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)	(12,375)
Assisted Living - Suites Subtotal	**780,464**	**864,944**	**945,024**	**980,100**	**1,041,535**	**1,104,455**	**1,052,975**	**1,058,695**	**1,064,415**	**1,116,253**	**1,139,133**	**1,047,613**
Memory Care												
Absorption												
Start Month - Units Leased	11.4	12.8	14.2	15.6	16.7	17.8	18.9	20.0	21.1	22.2	22.3	22.4
Move Ins	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Move Outs	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Move Outs (3 months)	(0.3)	(0.3)	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
End of Month - Units Leased	12.8	14.2	15.6	16.7	17.8	18.9	20.0	21.1	22.2	22.3	22.4	22.5
Month Net Absorption	2.6	1.4	1.4	1.1	1.1	1.1	1.1	1.1	1.1	0.1	0.1	0.1
Occupancy	64%	59%	65%	70%	74%	79%	83%	88%	92%	93%	93%	94%
Revenues												
Entrance Fee	135,000	140,400	140,400	140,400	140,400	140,400	140,400	140,400	140,400	70,200	70,200	70,200
Rental Income	898,560	996,840	1,095,120	1,172,340	1,249,560	1,326,780	1,404,000	1,481,220	1,558,440	1,565,460	1,572,480	1,579,500
Loss to Concession	(11,391)	(11,391)	(11,391)	(45,563)	(47,385)	(47,385)	(47,385)	(47,385)	(47,385)	(47,385)	(47,385)	(47,385)
Loss to Non-Renewal	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)	(15,188)
Memory Care Subtotal	**1,006,982**	**1,110,662**	**1,208,942**	**1,251,990**	**1,327,388**	**1,404,608**	**1,481,828**	**1,559,048**	**1,636,268**	**1,573,088**	**1,580,108**	**1,587,128**
Total												
Absorption												
Start Month - Units Leased	44.0	47.4	51.3	55.2	58.5	61.8	65.1	67.4	69.7	72.0	73.6	75.2
Move Ins	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	4.0	4.0	3.0
Move Outs	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Move Outs (3 months)	(1.2)	(1.2)	(1.2)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.5)	(1.5)	(1.5)
End of Month - Units Leased	47.9	51.3	55.2	58.5	61.8	65.1	67.4	69.7	72.0	73.6	75.2	75.8
Month Net Absorption	47.9	3.9	3.9	3.3	3.3	3.3	2.3	2.3	2.3	1.6	1.6	0.6
Occupancy	60%	64%	69%	73%	77%	81%	84%	87%	90%	92%	94%	95%
Revenues												
Entrance Fee	338,600	348,400	348,400	348,400	348,400	348,400	291,200	291,200	291,200	221,000	221,000	163,800
Rental Income	2,643,680	2,873,520	3,103,360	3,294,980	3,486,600	3,678,220	3,812,640	3,947,060	4,081,480	4,162,860	4,244,240	4,268,420
Loss to Concession	(51,047)	(51,047)	(51,047)	(114,278)	(117,585)	(117,585)	(117,585)	(117,585)	(117,585)	(88,628)	(88,628)	(88,628)
Loss to Non-Renewal	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)
	2,893,546	**3,133,186**	**3,363,026**	**3,491,415**	**3,679,728**	**3,871,348**	**3,948,568**	**4,082,988**	**4,217,408**	**4,257,545**	**4,338,925**	**4,305,905**

Leasing Period Pro-Forma (months 13 to 24)

First year of Leasing

PRO-FORMA
LEASING - PHASE 3

Month	January	February	March	April	May	June	July	August	September	October	November	December
Month No.	13	14	15	16	17	18	19	20	21	22	23	24
OCCUPANCY												
Total Units Occupied	13	17	21	23	25	28	31	33	37	39	41	45
Average Occupancy	16%	21%	26%	26%	30%	34%	38%	40%	44%	48%	51%	55%
REVENUES												
Entrance Fee	705,000	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500	212,500
Rental Income	705,000	917,500	1,130,000	1,131,000	1,279,750	1,428,500	1,577,250	1,726,000	1,874,750	2,023,500	2,172,250	2,321,000
Other Revenues	15,600	20,400	25,200	27,600	30,000	33,600	37,200	39,600	44,400	46,800	49,200	54,000
Day Care	58,500	76,500	94,500	103,500	112,500	126,000	139,500	148,500	166,500	175,500	184,500	202,500
Loss to Consesions	-	-	-	(179,718.75)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)	(51,047)
Loss to Non-Renewal	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debt	(3,525)	(4,588)	(5,650)	(5,655)	(6,399)	(7,143)	(7,886)	(8,630)	(9,374)	(10,118)	(10,861)	(11,605)
Total Revenues	**1,480,575**	**1,222,313**	**1,456,550**	**929,789**	**1,577,304**	**1,742,411**	**1,907,517**	**2,066,923**	**2,237,729**	**2,397,136**	**2,556,542**	**2,727,348**
EXPENSES												
Payroll Expenses												
Administrative	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Resident Services	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000
Food Service	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Health Services - Basic	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Health Services - Personel	64,535	83,777	103,019	111,306	122,260	137,358	149,790	160,744	179,985	188,273	199,227	218,469
Bonus and Other Fees	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500
Employee Benefits & Compensation	68,805	68,805	68,805	68,805	68,805	68,805	68,805	68,805	68,805	68,805	68,805	68,805
Subtotal Payroll Expenses	**442,840**	**462,082**	**481,324**	**489,611**	**500,565**	**515,663**	**528,095**	**539,049**	**558,290**	**566,578**	**577,532**	**596,774**
Operating Expenses												
Meal Preparation	46,144	60,342	74,540	81,639	88,738	99,386	110,035	117,134	131,332	138,431	145,530	159,728
Housekeeping/Cleaning Supplies	7,204	9,421	11,638	12,746	13,854	15,517	17,179	18,288	20,504	21,613	22,721	24,938
Office Expense	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Telecom/TV Expense	9,900	11,100	12,300	12,900	13,500	14,400	15,300	15,900	17,100	17,700	18,300	19,500
Marketing Expense	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500
Wellness Programs Expense	121,781	159,253	196,724	215,459	234,195	262,298	290,402	309,137	346,609	365,344	384,080	421,551
Business Taxes	177,669	146,678	174,786	111,575	189,277	209,089	228,902	248,031	268,528	287,656	306,785	327,282
Subtotal Operating Expenses	**430,198**	**454,292**	**537,487**	**501,818**	**607,063**	**668,190**	**729,317**	**775,989**	**851,572**	**898,243**	**944,915**	**1,020,498**
Building Operating Expenses												
Payroll	130,905	130,905	130,905	130,905	130,905	130,905	130,905	130,905	130,905	130,905	130,905	130,905
Repairs and Maintenance	170,141	170,141	170,141	170,141	170,141	170,141	170,141	170,141	170,141	170,141	170,141	170,141
Utilities - General	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Utilities - Units	113,867	113,867	113,867	113,867	113,867	113,867	113,867	113,867	113,867	113,867	113,867	113,867
Other Administrative Expenses	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040
Insurance	52,042	52,042	52,042	52,042	52,042	52,042	52,042	52,042	52,042	52,042	52,042	52,042
Real Estate Taxes	26,877	26,877	26,877	26,877	26,877	26,877	26,877	26,877	26,877	26,877	26,877	26,877
Property Management	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Move In - Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Building Operating Expenses	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**	**530,871**
TOTAL EXPENSES	**1,403,910**	**1,447,246**	**1,549,682**	**1,522,301**	**1,638,500**	**1,714,725**	**1,788,283**	**1,845,909**	**1,940,734**	**1,995,693**	**2,053,319**	**2,148,143**
NOI	**76,665**	**(224,933)**	**(93,132)**	**(592,512)**	**(61,196)**	**27,686**	**119,234**	**221,014**	**296,996**	**401,443**	**503,223**	**579,205**

Leasing Period Pro-Forma (months 25 to 36)

Second year of Leasing

PRO-FORMA
LEASING - PHASE 3

Month	January	February	March	April	May	June	July	August	September	October	November	December
Month No.	25	26	27	28	29	30	31	32	33	34	35	36
OCCUPANCY												
Total Units Occupied	47	51	55	59	62	65	67	70	72	74	75	76
Average Occupancy	60%	64%	69%	73%	77%	81%	84%	87%	90%	92%	94%	95%
REVENUES												
Entrance Fee	338,600	348,400	348,400	348,400	348,400	348,400	291,200	291,200	291,200	221,000	221,000	163,800
Assisted Living	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600	93,600
Assisted Living Suite	110,000	114,400	114,400	114,400	114,400	114,400	57,200	57,200	57,200	57,200	57,200	0
Memory Care	135,000	140,400	140,400	140,400	140,400	140,400	140,400	140,400	140,400	70,200	70,200	70,200
Rental Income	2,643,680	2,873,520	3,103,360	3,294,980	3,486,600	3,678,220	3,812,640	3,947,060	4,081,480	4,162,860	4,244,240	4,268,42(
Other Revenues	59,155	64,022	68,890	73,008	77,126	81,245	84,115	86,986	89,856	91,853	93,850	94,598
Day Care	58,500	76,500	94,500	103,500	112,500	126,000	139,500	148,500	166,500	175,500	184,500	202,500
Loss to Consesions	(51,047)	(51,047)	(51,047)	(114,278)	(117,585)	(117,585)	(117,585)	(117,585)	(117,585)	(88,628)	(88,628)	(88,628
Loss to Non-Renewal	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688)	(37,688
Bad Debt	(13,218)	(14,368)	(15,517)	(16,475)	(17,433)	(18,391)	(19,063)	(19,735)	(20,407)	(20,814)	(21,221)	(21,342
Total Revenue	**2,997,982**	**3,259,340**	**3,510,898**	**3,651,448**	**3,851,921**	**4,060,201**	**4,153,120**	**4,298,738**	**4,453,356**	**4,504,084**	**4,596,053**	**4,581,661**
EXPENSES												
Payroll Expenses												
Administrative	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Resident Services	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000
Food Service	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000
Health Services - Basic	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Health Services - Personel	230,547	250,441	270,335	286,943	303,550	320,158	332,622	345,086	357,550	364,447	371,343	374,096
Bonus and Other Fees	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500	71,500
Employee Benefits & Compensation	114,675	114,675	114,675	114,675	114,675	114,675	114,675	114,675	114,675	114,675	114,675	114,675
Subtotal Payroll Expenses	**774,722**	**794,616**	**814,510**	**831,118**	**847,725**	**864,333**	**876,797**	**889,261**	**901,725**	**908,622**	**915,518**	**918,271**
Operating Expenses												
Meal Preparation	168,246	182,089	195,932	207,646	219,359	231,072	239,236	247,400	255,564	261,243	266,922	269,052
Housekeeping/Cleaning Supplies	26,268	28,429	30,590	32,419	34,248	36,076	37,351	38,625	39,900	40,787	41,673	42,006
Office Expense	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
Telecom/TV Expense	20,220	21,390	22,560	23,550	24,540	25,530	26,220	26,910	27,600	28,080	28,560	28,740
Basic	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Per UNIT	14,220	15,390	16,560	17,550	18,540	19,530	20,220	20,910	21,600	22,080	22,560	22,740
Marketing Expese	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Wellness Programs Expense	341,564	369,668	397,771	421,551	445,331	469,111	485,684	502,258	518,832	530,362	541,891	546,215
Business Taxes	359,757.89	391,121	421,308	438,174	462,231	487,224	498,374	515,849	534,403	540,490	551,526	549,799
Subtotal Operating Expenses	**989,056**	**1,065,697**	**1,141,161**	**1,196,339**	**1,258,708**	**1,322,013**	**1,359,866**	**1,404,042**	**1,449,299**	**1,473,961**	**1,503,573**	**1,508,812**
Building Operating Expenses												
Payroll	136,142	136,142	136,142	136,142	136,142	136,142	136,142	136,142	136,142	136,142	136,142	136,142
Repairs and Maintenance	176,946	176,946	176,946	176,946	176,946	176,946	176,946	176,946	176,946	176,946	176,946	176,946
Utilities - General	16,640	16,640	16,640	16,640	16,640	16,640	16,640	16,640	16,640	16,640	16,640	16,640
Utilities - Units	118,421	118,421	118,421	118,421	118,421	118,421	118,421	118,421	118,421	118,421	118,421	118,421
Other Administrative Expenses	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082	1,082
Insurance	54,123	54,123	54,123	54,123	54,123	54,123	54,123	54,123	54,123	54,123	54,123	54,123
Real Estate Taxes	27,952	27,952	27,952	27,952	27,952	27,952	27,952	27,952	27,952	27,952	27,952	27,952
Property Management	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800
Move In - Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Building Operating Expenses	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**	**552,106**
TOTAL EXPENSES	**2,315,884**	**2,412,419**	**2,507,778**	**2,579,563**	**2,658,539**	**2,738,453**	**2,788,769**	**2,845,409**	**2,903,130**	**2,934,689**	**2,971,198**	**2,979,189**
NOI	**682,098**	**846,921**	**1,003,121**	**1,071,885**	**1,193,381**	**1,321,748**	**1,364,350**	**1,453,328**	**1,550,226**	**1,569,394**	**1,624,856**	**1,602,472**

Pro-Forma Stabilized Asset

Phase 4 – 10 years

PRO-FORMA
STABILIZED ASSET - PHASE 4

Year	1	2	3	4	5	6	7	8	9	10	11
OCCUPANCY											
Total Units Occupied	76	76	76	76	76	76	76	76	76	76	76
Average Occupancy	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
REVENUES											
Entrance Fee	3,702,400	3,850,496	4,004,516	4,164,696	4,331,284	4,504,536	4,684,717	4,872,106	5,066,990	5,269,670	5,480,456
Rental Income	45,340,942	47,154,580	49,040,763	51,002,394	53,042,490	55,164,189	57,370,757	59,665,587	62,052,210	64,534,299	67,115,671
Other Revenues	1,003,292	1,043,424	1,085,161	1,128,567	1,173,710	1,220,658	1,269,485	1,320,264	1,373,075	1,427,998	1,485,117
Day Care	1,652,040	1,718,122	1,786,846	1,858,320	1,932,653	2,009,959	2,090,358	2,173,972	2,260,931	2,351,368	2,445,423
Loss to Consesions	(51,046.88)	(51,046.88)	(51,046.88)	(114,277.50)	(117,585.00)	(117,585.00)	(117,585.00)	(117,585.00)	(117,585.00)	(88,627.50)	(88,627.50)
Loss to Non-Renewal	(470,340)	(489,154)	(508,720)	(529,069)	(550,231)	(572,241)	(595,130)	(618,935)	(643,693)	(669,440)	(696,218)
Bad Debt	(226,705)	(235,773)	(245,204)	(255,012)	(265,212)	(275,821)	(286,854)	(298,328)	(310,261)	(322,671)	(335,578)
Total Revenue	**50,950,583**	**52,990,648**	**55,112,316**	**57,255,620**	**59,547,108**	**61,933,696**	**64,415,747**	**66,997,081**	**69,681,667**	**72,502,595**	**75,406,244**
EXPENSES											
Payroll Expenses											
Administrative	1,472,640	1,531,546	1,592,807	1,656,520	1,722,781	1,791,692	1,863,359	1,937,894	2,015,410	2,096,026	2,179,867
Resident Services	1,397,760	1,453,670	1,511,817	1,572,290	1,635,182	1,700,589	1,768,612	1,839,357	1,912,931	1,989,448	2,069,026
Food Service	848,640	882,586	917,889	954,605	992,789	1,032,500	1,073,800	1,116,752	1,161,422	1,207,879	1,256,195
Health Services - Basic	748,800	778,752	809,902	842,298	875,990	911,030	947,471	985,370	1,024,785	1,065,776	1,108,407
Health Services - Personel	3,959,404	4,117,780	4,282,491	4,453,790	4,631,942	4,817,220	5,009,909	5,210,305	5,418,717	5,635,466	5,860,884
Nurses - Day	2,220,829	2,309,662	2,402,049	2,498,131	2,598,056	2,701,978	2,810,057	2,922,459	3,039,358	3,160,932	3,287,369
Nurses - Night	1,110,415	1,154,831	1,201,024	1,249,065	1,299,028	1,350,989	1,405,029	1,461,230	1,519,679	1,580,466	1,643,685
Caregivers	628,160	653,286	679,418	706,595	734,858	764,253	794,823	826,616	859,680	894,068	929,830
Bonus and Other Fees	892,320	928,013	965,133	1,003,739	1,043,888	1,085,644	1,129,069	1,174,232	1,221,202	1,270,050	1,320,852
Employee Benefits & Compensati	1,431,144	1,488,390	1,547,925	1,609,842	1,674,236	1,741,206	1,810,854	1,883,288	1,958,619	2,036,964	2,118,443
Subtotal Payroll Expenses	**10,750,708**	**11,180,736**	**11,627,965**	**12,093,084**	**12,576,807**	**13,079,879**	**13,603,075**	**14,147,198**	**14,713,086**	**15,301,609**	**15,913,673**
Operating Expenses											
Meal Preparation	2,853,514	2,967,655	3,086,361	3,209,815	3,338,208	3,471,736	3,610,606	3,755,030	3,905,231	4,061,440	4,223,898
Housekeeping/Cleaning Supplies	445,506	463,326	481,859	501,133	521,179	542,026	563,707	586,255	609,705	634,093	659,457
Office Expense	524,160	545,126	566,931	589,609	613,193	637,721	663,230	689,759	717,349	746,043	775,885
Telecom/TV Expense	316,056	328,698	341,846	355,520	369,741	384,530	399,912	415,908	432,544	449,846	467,840
Basic	74,880	77,875	80,990	84,230	87,599	91,103	94,747	98,537	102,478	106,578	110,841
Per UNIT	241,176	250,823	260,856	271,290	282,142	293,427	305,165	317,371	330,066	343,269	356,999
Marketing Expese	386,880	402,355	418,449	435,187	452,595	470,699	489,527	509,108	529,472	550,651	572,677
Wellness Programs Expense	5,793,048	6,024,769	6,265,760	6,516,391	6,777,046	7,048,128	7,330,053	7,623,255	7,928,186	8,245,313	8,575,125
Business Taxes	5,980,267	6,219,477	6,468,256	6,726,987	6,996,066	7,275,909	7,566,945	7,869,623	8,184,408	8,511,784	8,852,255
Subtotal Operating Expenses	**16,299,430**	**16,951,407**	**17,629,463**	**18,334,642**	**19,068,028**	**19,830,749**	**20,623,979**	**21,448,938**	**22,306,895**	**23,199,171**	**24,127,138**
Building Operating Expenses											
Payroll	1,699,047	1,767,008	1,837,689	1,911,196	1,987,644	2,067,150	2,149,836	2,235,829	2,325,262	2,418,273	2,515,004
Repairs and Maintenance	2,208,291	2,296,623	2,388,488	2,484,028	2,583,389	2,686,724	2,794,193	2,905,961	3,022,199	3,143,087	3,268,811
Utilities - General	207,667	215,974	224,613	233,597	242,941	252,659	262,765	273,276	284,207	295,575	307,398
Utilities - Units	1,477,900	1,537,015	1,598,496	1,662,436	1,728,933	1,798,091	1,870,014	1,944,815	2,022,608	2,103,512	2,187,652
Other Administrative Expenses	13,498	14,038	14,600	15,184	15,791	16,423	17,080	17,763	18,473	19,212	19,981
Insurance	675,458	702,477	730,576	759,799	790,191	821,798	854,670	888,857	924,411	961,388	999,843
Real Estate Taxes	348,839	362,793	377,305	392,397	408,093	424,416	441,393	459,049	477,411	496,507	516,367
Property Management	259,584	269,967	280,766	291,997	303,677	315,824	328,457	341,595	355,259	369,469	384,248
Move In - Expenses	-	-	-	-	-	-	-	-	-	-	-
Subtotal Building Operating Expe	**6,890,285**	**7,165,896**	**7,452,532**	**7,750,633**	**8,060,659**	**8,383,085**	**8,718,408**	**9,067,145**	**9,429,830**	**9,807,024**	**10,199,305**
TOTAL EXPENSES	**33,940,422**	**35,298,039**	**36,709,961**	**38,178,359**	**39,705,493**	**41,293,713**	**42,945,462**	**44,663,280**	**46,449,811**	**48,307,804**	**50,240,116**
NOI	**15,895,133**	**16,530,938**	**17,192,176**	**17,879,863**	**18,595,058**	**19,338,860**	**20,112,414**	**20,916,911**	**21,753,587**	**22,623,731**	**23,528,680**

UNLEVERED CASHFLOW
CONSOLIDATED

Phase	PHASE 1	PHASE 2	PHASE 3						PHASE 4					
YEAR	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
Average Occupancy			**36%**	**81%**	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**	**95%**
CONSTRUCTION COSTS														
Land		(29,095,000)												
Hard Costs		(45,540,000)												
Soft Costs		(18,873,934)												
FF&E		(1,950,000)												
Loan														
TOTAL CONSTRUCTION COSTS		**(95,458,934)**												
REVENUES														
Entrance Fee			3,042,500	3,560,000	3,702,400	3,850,496	4,004,516	4,164,696	4,331,284	4,504,536	4,684,717	4,872,106	5,066,990	5,269,670
Rental Income			18,286,500	43,597,060	45,340,942	47,154,580	49,040,763	51,002,394	53,042,490	55,164,189	57,370,757	59,665,587	62,052,210	64,534,299
Other Revenues			423,600	964,704	1,003,292	1,043,424	1,085,161	1,128,567	1,173,710	1,220,658	1,269,485	1,320,264	1,373,075	1,427,998
Day Care			1,588,500	1,588,500	1,652,040	1,718,122	1,786,846	1,858,320	1,932,653	2,009,959	2,090,358	2,173,972	2,260,931	2,351,368
Loss to Consesions			(588,094)	(1,121,226)	(51,047)	(51,047)	(51,047)	(114,278)	(117,585)	(117,585)	(117,585)	(117,585)	(117,585)	(88,628)
Loss to Non-Renewal			-	(452,250)	(452,250)	(470,340)	(489,154)	(508,720)	(529,069)	(550,231)	(572,241)	(595,130)	(618,935)	(643,693)
Bad Debt			(91,433)	(217,985)	(226,705)	(235,773)	(245,204)	(255,012)	(265,212)	(275,821)	(286,854)	(298,328)	(310,261)	(322,671)
TOTAL REVENUE			**22,661,574**	**47,918,803**	**50,968,673**	**53,009,462**	**55,131,882**	**57,275,969**	**59,568,271**	**61,955,705**	**64,438,637**	**67,020,886**	**69,706,425**	**72,528,342**
EXPENSES														
Payroll Expenses			6,258,404	10,337,219	10,750,708	11,180,736	11,627,965	12,093,084	12,576,807	13,079,879	13,603,075	14,147,198	14,713,086	15,301,609
Operating Expenses			8,419,584	15,672,529	16,299,430	16,951,407	17,629,463	18,334,642	19,068,028	19,830,749	20,623,979	21,448,938	22,306,895	23,199,171
Building Operating Expenses			6,370,456	6,625,274	6,890,285	7,165,896	7,452,532	7,750,633	8,060,659	8,383,085	8,718,408	9,067,145	9,429,830	9,807,024
TOTAL EXPENSES			**21,048,443**	**32,635,021**	**33,940,422**	**35,298,039**	**36,709,961**	**38,178,359**	**39,705,493**	**41,293,713**	**42,945,462**	**44,663,280**	**46,449,811**	**48,307,804**
NOI			**1,613,130**	**15,283,782**	**17,028,251**	**17,711,423**	**18,421,922**	**19,097,610**	**19,862,778**	**20,661,992**	**21,493,175**	**22,357,606**	**23,256,613**	**24,220,539**
Commissions														
Tenant Improvements			50,021	112,802	132,650	137,956	143,474	149,213	155,182	161,389	167,845	174,558	181,541	188,802
Capital Reserve			120,000	120,000	120,000	124,800	129,792	134,984	140,383	145,998	151,838	157,912	164,228	170,797
TOTAL CAPITAL COSTS			170,021	232,802	252,650	262,756	273,266	284,197	295,565	307,387	319,683	332,470	345,769	359,600
PBTCF from Operations			1,443,110	15,050,980	16,775,601	17,448,667	18,148,655	18,813,413	19,567,213	20,354,605	21,173,492	22,025,136	22,910,844	23,860,939
PBTCF from Reversion														246,890,473
UNLEVED CASHFLOW		**(95,458,934)**	**1,443,110**	**15,050,980**	**16,775,601**	**17,448,667**	**18,148,655**	**18,813,413**	**19,567,213**	**20,354,605**	**21,173,492**	**22,025,136**	**22,910,844**	**275,789,993**
Cummulative		(95,458,934)	(94,015,825)	(78,964,845)	(62,189,244)	(44,740,577)	(26,591,922)	(7,778,509)	11,788,704	32,143,309	53,316,801	75,341,937	98,252,781	374,042,774

Levered Cash Flow

LEVERED CASHFLOW

DEVELOPMENT					
PHASE		**PHASE 1**	**PHASE 2**	**PHASE 3**	
YEAR		**0**	**1**	**2**	**3**
Required Equity		32,524,349.55			
Constuction Costs			(95,458,934)		
Loan			74,807,147		
Loan Origination Fee			748,071		
PBTCF from Operations			-	1,443,110	15,050,980
PBTCF from Reversion	Cap.Rate				164,400,889<Net of Selling Expenses 2%
UNLEVERAGED CASHFLOW			**-**	**1,443,110**	**179,451,868**
Interest Expense			(7,031,871.85)	(7,031,871.85)	(7,031,871.85)
Loan Repayment					(74,807,147.35)
LEVERED NET CASHFLOW			(26,935,587.21)	(5,588,762.34)	97,612,849.14

HOLD PERIOD												
PHASE							**PHASE 4**					
YEAR			**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Property Value		167,756,009										
Loan Amount	70% LTV	117,429,206										
Loan Origination Fee	1%	1,174,292										
Required Equity		51,501,095										
PBTCF from Operations			16,775,601	17,448,667	18,148,655	18,813,413	19,567,213	20,354,605	21,173,492	22,025,136	22,910,844	23,860,939
PBTCF from Reversion			-	-	-	-	-	-	-	-	-	251,929,054
UNLEVERAGED CASHFLOW	10%		**16,775,601**	**17,448,667**	**18,148,655**	**18,813,413**	**19,567,213**	**20,354,605**	**21,173,492**	**22,025,136**	**22,910,844**	**275,789,993**
DEBT SERVICE												
Beginning Balance			117,429,206	115,943,855	114,477,291	113,029,278	111,599,580	110,187,967	108,794,209	107,418,081	106,059,359	104,717,824
Finance Charge			8,531,104	8,423,195	8,316,651	8,211,454	8,107,588	8,005,036	7,903,781	7,803,807	7,705,097	7,607,636
Interest Charge	6%		7,045,752	6,956,631	6,868,637	6,781,757	6,695,975	6,611,278	6,527,653	6,445,085	6,363,562	6,283,069
Amortization	30		1,485,352	1,466,564	1,448,013	1,429,697	1,411,613	1,393,758	1,376,128	1,358,722	1,341,535	1,324,566
Ending Balance			**115,943,855**	**114,477,291**	**113,029,278**	**111,599,580**	**110,187,967**	**108,794,209**	**107,418,081**	**106,059,359**	**104,717,824**	**103,393,257**
LEVERAGED CASHFLOW			**8,244,497**	**9,025,472**	**9,832,005**	**10,601,959**	**11,459,625**	**12,349,569**	**13,269,712**	**14,221,329**	**15,205,747**	**268,182,357**
Loan Repayment												(103,393,257)
Operation Fee (OPCO)	5%		(412,224.84)	(451,273.60)	(491,600.24)	(530,097.94)	(572,981.24)	(617,478.45)	(663,485.58)	(711,066.44)	(760,287.37)	(13,409,118)
LEVERED NET CASHFLOW			**7,832,272**	**8,574,198**	**9,340,405**	**10,071,861**	**10,886,644**	**11,732,090**	**12,606,226**	**13,510,262**	**14,445,460**	**151,379,982**

PHASE	**PHASE 1**	**PHASE 2**	**PHASE 3**						**PHASE 4**					
YEAR	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
CONSOLIDATED LEVERED NET CASHFLOW	**-**	**(26,935,587)**	**(5,588,762)**	**97,612,849**	**7,832,272**	**8,574,198**	**9,340,405**	**10,071,861**	**10,886,644**	**11,732,090**	**12,606,226**	**13,510,262**	**14,445,460**	**151,379,982**
Cummulative		(26,935,587)	(32,524,350)	65,088,500	72,920,772	81,494,970	90,835,374	100,907,235	111,793,879	123,525,969	136,132,195	149,642,458	164,087,918	315,467,900

Bibliography

1. "Population Division" - Census Bureau 2010, accessed December 2016 https://aoa.acl.gov/Aging_Statistics/future_growth/future_growth.aspx
2. "Retirement Communities in the US" – IBISWorld Industry Report, August 2016
3. "Estudio Nacional de Salud y Envejecimiento en México", 2012
4. "Housing in America: The baby boomers turn 65" – John K. McIlwain - Urban Land Institute, 2012
5. "Functional assessment in geriatrics: a review of progress and directions" - Katz, S., & Stroud, M. W., 3rd., 1989
6. "A Place for Mom" http://web28.streamhoster.com/apfmdev/apfm_ebook_guide-to-senior-housing_final.pdf
7. Estudio Nacional de Salud y Envejecimiento en México (ENASEM)
8. NORMA Oficial Mexicana NOM-031-SSA3-2012, Asistencia social. Prestación de servicios de asistencia social a adultos y adultos mayores en situación de riesgo y vulnerabilidad.
9. Consorcio Mexicano de Construcción y Desarrollo S.A. de C.V.
10. JLL México - Facility Management Group
11. Banxico – Mercado de Cambio Tipo Cambiario http://www.banxico.org.mx/portal-mercado-cambiario/