

Real Estate Finance & Investment

The weekly issue from **Real Estate Finance Intelligence**

www.realestatefinanceintelligence.com

Kayne Anderson Moves Deeper Into Senior Housing, Medical Office



Al Rabil

Kayne Anderson Real Estate Advisors is moving more deeply into the senior housing and medical office sectors after jumping on what it saw as opportunistic investments during the second half of 2013. “I think we’re at the tip of the iceberg for medical office and senior housing. You have 11,000 Americans turning 65 every day for the next 22 years,” said **Al Rabil**, managing partner.

The firm, a substantial investor in the student housing sector, works with partners to identify, execute and manage senior housing and medical office acquisitions and invests via a series of private equity funds. It has committed about 50% of its most recent fund, the \$750 million *Kayne Anderson Real Estate Partners III*. “We are not saying that you can throw a dart and make money in the medical office and senior housing sectors, but one of our sayings is—find demand and let it run over you—and that is the dynamic that you have in healthcare related real estate today,” he said.

Senior housing and medical office have a lot in common. “Both of these sectors will continue to see dramatic demand increases and it will be challenging for new supply to keep pace,” Rabil said. “The development timeframes in both sectors is much longer than traditional core sectors such as multifamily and office due to difficult entitlement processes in both sectors and a lack of lenders willing to lend on speculative developments.”

The company just closed on five senior housing properties in Texas comprising 1,053 units, bringing Kayne Anderson’s senior housing portfolio to 2,983 units, and Rabil anticipates the acquisition of another 500-600 units this year. On the medical office side, Kayne has closed on approximately one million square feet in the past eight months with joint venture partner **MB Real Estate** and anticipates closing on an additional two million square feet of medical office properties this year.

Medical office is a highly fragmented market. The sector is also being affected by changing reimbursement rates that emphasize outpatient centers over inpatient services. “The 65 and older population is the biggest user of medical office services around the country,” Rabil added. “If you look at annual physician office visits per person, there are eight per year for people over 65 and four per year for people under 65. If the statistics stay consistent, just the change in the age of the population will require 100 million more doctor visits per year.”

The senior housing space is also extremely fragmented. “The current generation of senior citizens has affluence that will allow them to afford different options. The sector has evolved dramatically over the past 20 years and will evolve over the next 20 years,” Rabil said.

FAST FACT

► It has committed about 50% of its most recent fund, the \$750 million *Kayne Anderson Real Estate Partners III*.

Reprinted with permission of Real Estate Finance Intelligence