

Real Estate Report

SPRING 2017

2017 NAIOP UNIVERSITY CHALLENGE



The student development plan, termed The Gateway, consisted of retail, multi-family apartments, a shared parking garage, and green space.

Real Estate students Cavan Finn, Madeline O'Donnell, Aidan Perry, Elliott Siefert, and Caitlyn Sheehy competed in the annual NAIOP University Challenge. The subject site for this year's competition was the site of the old Thunderbird Motel, located on the north side of the Mall of America, in Bloomington, Minnesota. Students presented their development plan to a panel of six judges. Although they didn't win, they presented a very detailed and impressive plan.

To make the most of the trip, students visited the Mortenson Development headquarters in Minneapolis. They wrapped up with a visit to the Destination Medical Center Economic Development Agency in Rochester that is planning an \$8 billion redevelopment plan for downtown Rochester.



STAY CONNECTED!

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realestate.uni.edu

UPCOMING EVENTS

**JULY
25**

**Principal Real Estate Investors
Intern presentations,**
Des Moines, Iowa

**AUG
21**

Fall classes start

**AUG
24**

**Rho Epsilon Informational
Meeting**

**SEP
15**

**Case Studies in Complex
Valuation seminar,**
Cedar Rapids, Iowa

**SEP
21**

Women's Forum,
Des Moines

**SEP
27**

**Iowa Commercial Real Estate
Expo, West Des Moines, Iowa**

**OCT
5**

**Real Estate Advisory Council
Meeting**

**OCT
6**

**22nd Annual Rho Epsilon Golf
Outing**

**OCT
7**

Homecoming

**DEC
16**

Commencement

PROGRAM UPDATES



As I write this during the last week of the spring semester, I wonder where has the school year gone. It has gone by in a rush, but has been a good year.

Your real estate program continues to grow and flourish. The number of real estate majors is now at the highest level since 2009, at 150 majors. The number of internships available for students and permanent jobs for graduates is tremendous. Furthermore the variety of companies and career types are providing awesome opportunities for our students and graduates. Over a dozen companies presented to Rho Epsilon during this spring semester. All were actively recruiting for internships and permanent jobs or both. Speakers came from as far away as Omaha, Chicago, Kansas City, Cedar Rapids, Des Moines and Waterloo/Cedar Falls.

Our most exciting news is our faculty recruiting efforts were successful and resulted in the hiring of Dr. Hainan Sheng. She completed her Ph.D. this spring and will be joining us in August in time for fall classes. She will be teaching Real Estate Finance and the Options and Futures course.

We had a very successful Monopoly Tournament at the Embassy Club West in West Des Moines in April. Participation was the largest so far with about 70 industry professionals and roughly a dozen students locked in fierce competition for the winning trophy. Many thanks to Steve Bruere and his crew at People's Company for their efforts in organizing and coordinating the evening. Our thanks also to the sponsors of the tournament including People's Company, NAI Optimum, Gator Excavating, Sue Clark Real Estate Services, Hubbell Realty Company, Central Bank, Nelsen Appraisal Associates, and Diligent Development. With their help about \$6,000 was raised for your real estate program.

The real estate scholarship selection committee awarded \$29,000 in scholarships to 18 students for the 2017-2018 academic year. Thanks to Gene Nelsen for chairing the committee and special thanks to all the donors for their monetary support of our students. For your information, a \$1,500 scholarship enables the student to work about 10 less hours per week during the school year.

The real estate advisory Council welcomed three new members at our spring meeting. They are Eric Schmit of AEGON Asset Management



Real Estate students Andrea Hughson and Alanna Verner didn't pass go at this year's annual Monopoly Tournament.

in Cedar Rapids, Rochelle Dotzenrod of Wells Fargo Bank in Minneapolis, and Scott Jessen of Citadel Partners in Dallas, Texas. All three are UNI grads and we are excited to have them as part of the advisory council.

Take note, the new homepage address for the real estate website is **realestate.uni.edu**. On it you will find the latest updates, information and photos of your real estate program.

PROGRAM UPDATES

UNIBusiness Loses One of their Own

A tribute to Nancy Fairbanks

Nancy Fairbanks, of Waterloo, passed away at home Friday, March 24 of natural causes. She was born January 9, 1956, in Moorhead, Minnesota, daughter of Leonard and Margaret Esser Hubrig.

Nancy was the first and only secretary for the Department of Finance and had the longest length of service with the University of anybody in the department. She was extremely well organized and good with details. You could always rely on her to answer any question and she worked hard to meet the needs of everyone.

One of the most endearing features about Nancy was the relationships she established with her student employees. She created a pleasant and respectful atmosphere that earned her the reputation of being a great leader. There were many times when cousins and siblings of Nancy's former students would turn to her for employment over other job opportunities on campus.

In addition to her administrative duties, she coordinated the activities of two very engaged advisory councils, facilitated certification courses for the Iowa Land Title Professional Program, and assisted with the many activities of Finance and Real Estate faculty, students and alumni. She was the go-to person in the Finance Department and her absence is felt every day.

Nancy left behind a son, Brock Fairbanks (Trina Hootman) of Vinton, Iowa; a daughter, Laura (Peter) Kockelkorn the Netherlands and her mother, Margaret of Waterloo.



New Faculty Spotlight - Hainan Sheng

Hainan earned her Ph.D. in finance from Texas Tech University and will start teaching both finance and real estate courses at UNI in the fall semester. Hainan has been an active researcher and has published papers in both real estate and finance journals. Over the years, she has been invited to give presentations at various national conferences as well as receiving three best paper awards. At the recent 2017 American Real Estate Society annual conference, one of her papers was granted the Best Paper Award in the Journal of Real Estate Portfolio Management. She was recently invited to present another paper at the upcoming Financial Management Association annual conference in Boston in October 2017.

PROGRAM INFLUENCERS



Brooke Trent, J.D.

Owner and Attorney-at-Law

Brooke Trent is a general practice attorney with primary practice areas in business law, including creditor's rights, contracts, real estate, estate planning and probate, elder law, such as guardianships and conservatorships.

She is actively and passionately involved in professional and community organizations including the Iowa State Bar Association's Real Estate Title Standards Committee. She also enjoys teaching opportunities which include serving as a presenter for organizations such as the Iowa Land Title Association's Certified Land Title Professional designation program, developed with the UNI Center for Real Estate Education.



Gene F. Nelsen, CCIM, MAI

President of Nelsen Appraisal Associates, Inc.

Since 1985 Gene has analyzed nearly all real estate types. He is a member of UNI's Real Estate Advisory Board, Appraisal Institute, and CCIM Institute, and is experienced in commercial, industrial, and residential real estate appraising. His experience includes valuation and consulting for property types including, office, industrial, retail, assisted/independent living, to name a few.

Gene is a graduate of the University of Northern Iowa and is involved in many professional organizations including, the Iowa Commercial Real Estate Association and is finishing a three year term on the Iowa Real Estate Appraiser Examining Board.



Hunter Norland

Real Estate & Finance Major

Hunter Norland is making waves in real estate and he's still a student! As president of Rho Epsilon he coordinated the golf outing and assisted in setting up speakers for weekly meetings.

"The UNI Real Estate Program has immensely helped me in my career. Rho Epsilon has given me a multitude of connections and is directly related to a job offer I received almost 2 semesters before graduation. I would highly recommend this organization to any student with an interest in real estate and would encourage them to participate in the variety of events held by Rho Epsilon. I attribute much of my current and future success to Rho Epsilon and the UNI Center for Real Estate Education."

TECHNOLOGY IN REAL ESTATE

Real Capital Markets (RCM) provides principals, exclusive listing brokers, mortgage bankers, and equity sources the most productive and cost effective way to acquire, dispose, finance and capitalize commercial real estate online. Since 1999 - 300,000+ Industry Professionals have Leveraged RCM to Transact Over \$1.8 Trillion in Commercial Property online.

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REAL ESTATE NEWS

The Senior Housing Boom

Chad Hade (Physics '97 and MBA '99) and Sarah Dorr (Real Estate and Finance '00),
LCS Companies

Senior housing continues to attract investment capital and has gained recognition as an asset class that should be considered in addition to the main four asset classes (multifamily, industrial, office, and retail). Key factors that have brought investors into the space are favorable demographic trends, resilience through the economic recession, and increasing availability that provides transparency around performance drivers and return fundamentals.

What is Senior Housing?

Senior housing is a unique asset class that blends the characteristics of multifamily, hospitality, and medical care generally for people over the age of 75. The product comes in all shapes and sizes, and is classified by the levels of care that are offered. The four main care types include:

- Independent Living (IL) - for residents who do not require assistance with Activities of Daily Living (ADLs). Residents live in an apartment or townhome setting and enjoy access to dining venues, housekeeping, linen service, transportation, and social and recreational activities.
- Assisted Living (AL) - for residents who require some assistance with ADLs. Residents have access to the same features as in IL but also receive support in some daily activities from trained care providers.
- Memory Care (MC) - for residents who have Alzheimer's disease or other forms of dementia. These units are located in a secured portion of the community to ensure resident safety. This level of care is higher than AL and includes special activity programming, behavioral care, customized dining, and nursing care delivered by specially trained staff.
- Skilled Nursing (SNF) – sometimes called Nursing Care (NC), is for residents needing the highest level of nursing care. Residents receive 24-hour nursing care and much more hands-on support. Residents can be permanent (or long-term) placements due to chronic conditions or they can be short-term stays as residents transition back to IL or AL following a medical procedure.



Properties can be freestanding with a single level of care or include two or more levels of care in combination. An example of a combined building would be a majority AL property that also has MC units. The most complete offering of living and care is provided within a Life Plan Community (may also be referred to as a CCRC), which will usually have a combination of all care levels (IL, AL, MC, SNF) in a single community. The advantage of the multiple levels of care within a facility is residents can live at the same community as they age and their care needs change.

REAL ESTATE NEWS

Underlying Operations Analysis

There are currently two primary revenue models in senior housing: rental and entry-fee. In both models the resident pays a Monthly Service Fee (MSF) that covers housing and a defined level of service. The MSF will increase as the resident moves up in care type (IL, AL, MC, and SNF) and there are often increases within each care type based on the number of services that are needed by the resident. Under the entry-fee model the resident will make a lump sum upfront payment (can range from \$200,000 to several million dollars) in addition to the MSF. By paying the upfront entry-fee the resident is securing a more favorable price on higher care levels (AL, MC, and/or SNF) in the future as their needs change. The entry-fee contracts vary widely in how much a resident is refunded with some contracts declining to 0% over time and other holding at a consistent refund amount up to 100%, although most of the market caps at 90% refundability. The level of refund and the amount of future care level coverage available to resident will impact the amount of the up front entrance fee.

Historically, MSFs have increased on average 3% - 5% on an annual basis, with certain geographical regions seeing higher or lower gains due to local market factors. With the current influx of new supply, these MSF increases may temper some. MSFs can vary significantly by region but the following

are some general ranges: IL - \$2,000 to \$4,000; AL - \$3,500 to \$5,500; MC - \$5,000 to \$7,500; and SNF - \$7,000 to \$15,000.

Like any real estate property there are expenses for taxes, insurance, utilities, repairs and maintenance, and management. Additionally, there are expenses for food/beverage, wages & benefits, housekeeping, marketing/advertising, and resident activities. These additional expense categories are the key to understanding operational performance in senior housing, especially wages & ben-

The Baby Boomer generation is contributing 10,000 more people to the 65+ age category every day.



efits and food/beverage. Wages & benefits costs can account for 40% to 60% of the total expenses and have to be carefully managed to remain profitable. The increased labor costs are heavily influenced by a highly skilled and often government-regulated staff to cover care needs of residents, providing housekeeping services, and having a full service kitchen and in some cases multiple dining venues. The service of providing dining also increases overall expenses as you essentially have a restaurant business operating within your senior housing operation.

Expenses traditionally have seen annual increases comparable to those in revenues, with operating margins $((\text{Revenue} - \text{Expenses}) / \text{Revenue})$ therefore remaining fairly constant. Operating margins will vary by care level with the following general ranges: IL - 30% to 40%+; AL - 25% to 40%; MC - 15% to 30%; and SNF - <10%. Operating margins for a Life Plan Community, as a combination of the full continuum of care, will range from 10% to 30%.

Market – The Silver Tsunami

The Baby Boomer generation is contributing 10,000 more people to the 65+ age category every day. The number of Americans ages 65 and older is projected to more than double from 46 million (15% of the population) to over 98 million (24% of the population) by 2060. Although the residents that are seeking senior housing options are in their late 70s and early 80s, the expansion in the 65+ population today is estimated to create a need for 100,000 units of senior housing per year to be built between 2025 and 2040 to keep up with the demand (American Seniors Housing Association, 2016 Market Brief).

According to the NIC Investment Guide Fourth Edition, the U.S. has approximately 23,400 investment-grade senior housing properties containing 3 million units. The total value of this investment-grade seniors housing and care property market is estimated at \$372 billion (assuming a \$165,000

Percentage of Units Operated by Number of Properties Operated in the Top 99 Metropolitan Markets						
As of 4Q15						
	Majority IL	Majority AL	Majority MC	Majority SNF/NC	All Senior Housing & Care	CCRC*
Operates Single Property	19%	25%	17%	32%	30%	35%
Operated by Chain: 2-9 Properties	26%	23%	28%	30%	29%	31%
Operated by Chain: 10-24 Properties	14%	14%	9%	13%	14%	16%
Operated by Chain: 25+ Properties	40%	37%	46%	24%	27%	17%
Total	100%	100%	100%	100%	100%	100%
*CCRCs are separate category and are included within Majority IL, Majority AL, Majority MC, and Majority SNF/NC.					Source: NIC MAP® Data Service	

REAL ESTATE NEWS

price per unit for seniors housing properties and an \$81,000 price per bed for nursing care properties).

Today operators that have fewer than 9 properties control 45% to 66% of the units, depending on majority level of care (See table on previous page), so the asset class remains relatively fragmented.

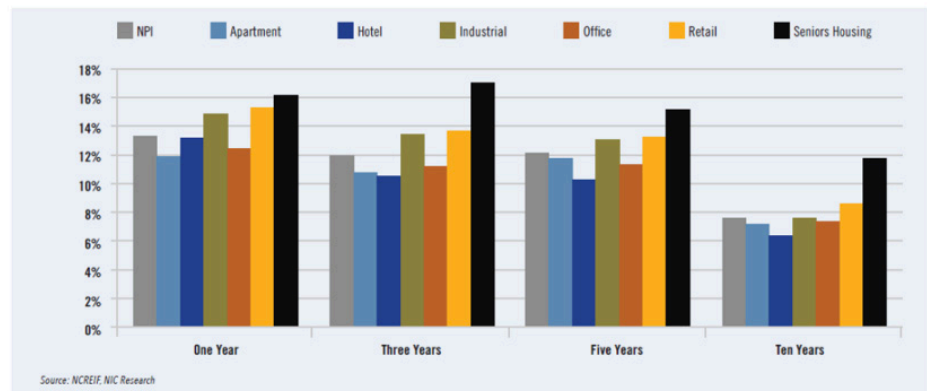
Investment Performance

Senior Housing outperformed the main four property types over the last decade from 4Q2005 to 4Q2015 based on NCREIF data. According to the NCREIF Property Index (NPI), a quarterly unleveraged composite total return for private commercial real estate properties held for investment purposes only, the nominal returns on the seniors housing properties outperformed the nominal performance return measurements for the broad NPI as well as for the other individual NPI indices in the 1-year, 3-year, 5-year, and 10-year.

More recently, for the 12 month period ending 3Q2016, the total return index for seniors housing was 13.1%, more than the NPI's return of 9.2% and the apartment sector's return of 8.5%. However, industrial total returns nearly matched senior housing at 12.5%.

With 10,000 people a day turning 65, the baby boomer generation is creating a demographic trend that will drive demand for senior housing over the next 20 years. This demand is fueling significant interest in the senior housing and care space as investors and operators alike try to capture a share of the market. Although demand will be a driver, success in the asset class requires a unique blend of experience in hospitality, health care, and serving seniors. Investing in senior housing can be a lucrative opportunity provided you carefully manage the business risks and ever changing regulatory environment while creating an inviting, active, and safe living environment for the seniors that you serve. ■

NCREIF Annualized Total Returns Across Select Property Types
As of 12/31/2015



INDUSTRY TRENDS

New Inventory

With the increase in investment capital and growing number of developers entering the senior housing space, there has been an increase in product over the last couple of years. In fact, 2016 saw the largest increase in senior housing inventory on record. This increased inventory has raised question for some about overbuilding in the space. Several factors to consider about overbuilding are that not all markets have seen the same levels of new inventory and although the AL market has seen a significant amount of new product the IL market has not seen as large of an increase. The general guidance, like any real estate product, is for investors and developers to understand the construction pipeline and barriers to entry for market where you are reviewing acquisitions or development of new properties.

Regulatory Risk

Senior housing communities and operations are often subject to local and federal regulatory oversight. The level of oversight will vary by market and levels of care offered at the community. Having an experienced operator that can mitigate exposure to this regulatory oversight in the higher care levels is extremely important. In addition you need to be able to track changes that will impact state mandated reserves, entry fee refund repayment time frames, government medical payment programs (Medicare and Medicaid) as these can all have significant impact on cash flow.

Labor Force

Senior housing communities employ a number of different types of employees from servers in the dining room to licensed care staff. For employees in the dining areas and housekeeping there has been upward pressure on wages with many markets adopting higher minimum wage levels. Also, the growing number of seniors that will require care and the number of people retiring from the care field are creating significant competition among operators for qualified professionals. The result is that communities must have an environment that retains qualified staff and operations must be able to absorb higher wages & benefits and be willing to provide greater training.



ALUMNI SPOTLIGHT

Shane Boyer

Project Coordinator, SHYFT Collective

When it came time to select a college, Shane knew from the start that UNI was going to be his home away from home due to its strong business program, centralized campus, and proximity to his hometown of Cedar Rapids, Iowa. However, he had no idea that the Real Estate department is where he would truly feel at home.

During his sophomore year, Shane found himself looking for more. Originally an accounting major, he decided to attend a Rho Epsilon meeting to check out what the Real Estate program was all about. After walking out of the meeting, Shane knew he had found the answer to his search. A year and a half later, he was graduating with a double major in Finance and Real Estate.

Post-graduation, Shane accepted a position with SHYFT Collective as a Project Coordinator in their Des Moines, Iowa office. SHYFT Collective provides a uniquely packaged suite of services that support organizations through planning, design, project execution, and facility relocation to upgrade their work environments. In this role, he assists clients in understanding their real estate options by analyzing finance statements, evaluating and extrapolating expenses, and establishing run rates.

Additionally, Shane works with clients and colleagues conducting property inspections and overseeing the construction process on projects ranging from multi-family housing to corporate real estate renovations. The goal of his work is to help clients determine their best real estate solution. Shane enjoys working at SHYFT Collective as they are heavily involved in commercial real estate in the Des Moines area and beyond.

Shane's recommendations to future Real Estate students is to get involved early and compete in competitions like the NAIOP University Challenge and the Real Confidence Challenge. Shane participated in these competitions for two consecutive years while at UNI. The competitions gave him real world experience so that he could showcase his talents to future employers. He feels that being involved in the Rho Epsilon executive board allowed him to begin networking with major players in many of the commercial real estate markets surrounding UNI. These relationships gave him multiple opportunities to work with top companies in the industry. "I am extremely lucky to be able to go into a commercial real estate convention and see alumni and other professionals with whom I have built relationships. I whole heartedly attribute this to the Center for Real Estate Education at UNI and my involvement in Rho Epsilon. These relationships were all cultivated before I stepped foot into the job market and helped open many doors for me professionally."

Shane currently resides in Johnston, Iowa and enjoys pheasant hunting with his dad and his German Shorthair Pointer, Finn. He also enjoys golfing with friends and watching his favorite sports teams compete.



"Dr. Cox runs a top tier program that provides students with real world experience in the classroom that puts them a step ahead of their competition when entering the job market."

ALUMNI SPOTLIGHT

Rochelle Dotzenrod

Vice President, Wells Fargo

Rochelle Dotzenrod (Real Estate, Finance '04) currently works at Wells Fargo in their Community Lending and Investment department, providing lending for affordable multi-family housing including construction / permanent loans, tax-credit equity financing, and bond financing.

Rochelle shared that she “had a great family life growing up – my father and mother started a small business when I was in middle school. Observing the start-up and continued work around the business gave me an appreciation and understanding of hard work.” It is also what prompted her to pursue a degree in business.

Prior to graduating in May 2004, Rochelle participated in the student exchange program and studied in Auckland, New Zealand for a semester. In addition, she participated in a nine-month internship with Principal Real Estate Investors in Des Moines, Iowa. During this internship, she worked with the commercial debt originations team; she went on to accept a full time position with Principal after graduation.

She moved to Minneapolis twelve years ago, and transitioned into the banking sector, where she has held various roles including commercial real estate construction financing, procuring CMBS, and for the last eight years, providing financing for affordable housing. “What I really like about the finance and banking sectors is that you have to be a salesperson – you must be able to sell the company, the product, and you additionally need to have strong intellectual and analytical skills. I also love that when combining the mission of providing affordable housing, it makes me feel good about the impact I am having on communities. I can show my children what I do and we talk about it. My children have been to loan closings, attended grand opening speeches, and, most recently, my daughter accompanied me on a site visit for a new project.”

In addition to her position with Wells Fargo, she also co-manages a program that provides mentoring and training to 25 analysts in Wells Fargo, participates in diversity events and presentations at the bank, and participates on UNI's Real Estate Advisory Council.

Rochelle gives credit to her husband, Jacob, for providing support for her as she manages her career (as well as his own) and family. The couple lives in Plymouth, Minnesota, with their children, Stella and Liam, and their dog, Cher.



“What I really like about the finance and banking sectors is that you have to be a salesperson – you must be able to sell the company, the product, and you additionally need to have strong intellectual and analytical skills.”

❖ Are you a UNI Real Estate alum with an interesting career story, or do you know any alumni who should be considered for a spotlight feature? If so, email Art Cox at arthur.cox@uni.edu with your alumni spotlight suggestions.



Congratulations Scholarship Recipients

2017-2018 Academic Year

Every year, the UNI Real Estate students are blessed with tremendous support from individuals, companies, and professional associations who provide extensive scholarship funding for the students. For the 2017-2018 academic year a total of \$29,775 was awarded to 18 deserving real estate students. For the last several years, we have been able to offer support to every student who applied and was eligible. We thank our generous donors and recognize the recipients of their generosity.



SCHOLARSHIP

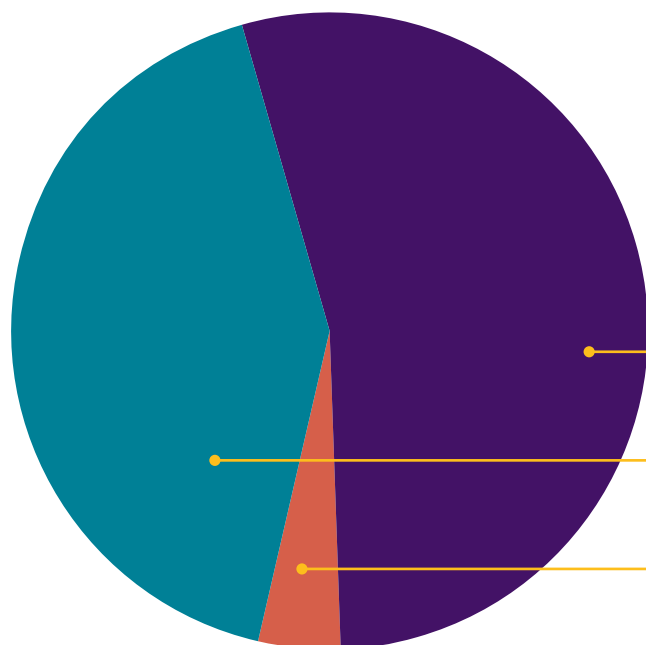
RECIPIENT

BOMA Iowa Chapter	Claire Reardon
CCIM Foundation	Cavan Finn, Dallas Imoehl, Austin Nauman
Gale and Pat Bonsall	Richard Lam
Steve and Lynn Graves	Rachael Smith
Iowa Chapter of the Appraisal Institute	Mckayla Klostermann
Iowa Chapter CCIM	Isaac Ehlers, Hunter Norland
Iowa-Nebraska Chapter of SIOR	Tanner Hedstrom, Justin Reuter
Iowa Realty	Nathan Wegmann, Claire Wenisch
Eric Johnson	Justin Reuter
Nelsen Appraisal Associates	Caitlyn Sheehy
Tom and Karol Nordstrom	Andrea Hughson
REALTOR Foundation of Iowa	Richard Lam, Aidan Perry
Rho Epsilon Student Real Estate Club	Tyler Dau, Jordan Hoefer



EVERY DOLLAR COUNTS

UNIBusiness Real Estate alumni make an impact on the real estate industry through generous donations. The funds are used to support student development, faculty support and community outreach.



Faculty Development & Support **50%**

Student Scholarship & Professional Development **43%**

Corporate, Community & Alumni Outreach **7%**

HOW WILL YOU GIVE BACK?

All donations, including volunteer time and club participation, help shape the success of our real estate graduates. Below are some ways you can help.

Share Your Success

Rho Epsilon speakers, mock interview assistance, golf outing attendees, networking fair participants. To volunteer your time, contact Arthur Cox:

✉ arthur.cox@uni.edu

Support Student Experiences

Online cash donations for the Center for Real Estate Education to support travel, supplies, stipends and other expenses.

Donate now at:

✉ realestate.uni.edu/about

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Business Administration

UNIBusiness provides a demanding education to students from Iowa and around the world. Our graduates' distinctive advantage resides in the unique blend of qualities they offer: essential business knowledge, contemporary professional skills, and traditional work values. Our educational intent is to develop graduates who are prepared to meet the global leadership challenges of the 21st century.

Several major projects are identified below, while other opportunities for contributing are also available. Please enter your donation amount in the boxes below to donate to one of these projects, or click "Take me directly to the giving page" to contribute to any other project (enter the project name or gift intention in the area marked "Please specify designation" in the "Other" category). Your support is greatly appreciated!

Donation Amount	Project	Project Description
\$ 0	220819	Real Estate Program Quasi-Endowed Gift Account
\$ 0	222541	Mutual of Omaha Bank's Real Estate Student Development Fund

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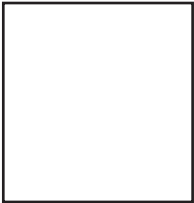
Center for Real Estate Education

Real Estate Report

SPRING 2017



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