

FOLLOW THE MONEY IN RESIDENTIAL ASSISTED LIVING

How much can I make?

That is a common question I get when people come to the Academy to learn about Residential Assisted Living.

There are 2 directions that you can go.

- 1- Own the Real Estate and rent it to an operator
- 2- Own the Real Estate AND operate the Residential Assisted Living business as well.

If you own the home and lease it to an operator, you can get up to twice the fair market rent. As a real estate investor, that's going to change your positive cash flow from a few hundred dollars to potentially a few thousand dollars a month. Significantly better.

In addition, your tenant will want a longer lease. 3, 5 or even 10 years. They will not want to lose their lease. Typically they will also be a lower impact tenant that will take care of the property better than the average tenant. They are generating income and they will want the home to be kept up and well maintained to generate that income.

You may be asking, why would someone be willing to pay you up to twice the fair market rent for your home? Simply put, they will be making a huge profit so it works for them.

Location is the key. If you have the right location and the home is the "right" home for operating this business, then it is a win win situation. Many people can't or choose not to buy the location they operate their business in. Not everyone is a savvy real estate investor like you.

Zoning is one of the first considerations. Many people are surprised when they discover that this can be done in a residential neighborhood

even with an HOA. Knowing the best locations and then knowing the terms and the questions to ask are critical. Without that knowledge you will most likely make costly mistakes and get a simple response of “you can’t do that” from the town or city that your property is in. Knowledge is power.

The amount of rent you charge will depend on many factors including: what improvements are you willing to do, what are you willing to allow the tenant to do, length of the lease, rent concessions etc.

How much profit can the operator of the home make?

The national average for a private room in an assisted living facility is \$3,750 per month per person. If your home is licensed for 10 residents, that is \$37,500 in potential gross income.

If the expenses and the debt service total \$27,500, which is conservatively high, you are still netting \$10,000 a month in profit. If you focus on a “nicer” home you can charge higher than average rent. The expenses are virtually the same with just the potential increase in the debt service. If your debt service increases by \$3,000 a month and you can generate an additional \$10,000 to \$20,000 a month, that’s pretty simple math.

If you’re interested in learning more about the Residential Assisted Living opportunities, check out our website at www.RALAcademy.com