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Las Vegas senior complexes sold

Developer gets \$243.5 million for nine local communities

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Carefree Senior Living, a local developer of apartments for adults 55 and older, has sold most of its Las Vegas properties to a national investment company in the city's largest-ever multifamily-housing deal.

Orion Residential of Chicago spent \$243.5 million to acquire nine Carefree communities totaling 2,219 units.

Excluded from the deal, which closed Wednesday, were Carefree's Willows development under construction in Summerlin and a project that Las Vegas-based Carefree is marketing and leasing in Sacramento, Calif.

For Carefree, the deal is an ending of sorts -- a cash-out for the 168 investors who began putting up money in 1981 to develop of a series of senior-adult neighborhoods that would start opening in 1995.

"(Investors) didn't force me into liquidation mode, but they very much set the direction of the company in that we needed to cash out many of our investments," said Ken Templeton, president of Templeton Development and managing member of Carefree Holdings. "Many of the investors are now in their 70s, and they're looking for assets to be a source of retirement income for them."

However, for Orion, which is financed partly through an affiliate of international real estate investor Starwood Capital Group, the Carefree communities are the first building block of what company executives say will become a \$1 billion senior-living portfolio within five years.

Before the Carefree purchase closed, Orion had a six-state chain of 11 properties -- none of them in Nevada and none of them focused on seniors. A combination of rising local home prices and positive growth forecasts convinced Orion managers they had found the right opportunity to buy into both Las Vegas and the active-adult sector.

"With housing prices as high as they are, that creates a lot of difficulty for seniors to find a quality living environment," said Scott Knauer, principal and chief investment officer of Orion. "Many seniors can't afford the Sun City house that sold for \$200,000 five years ago, and is selling for \$500,000 now. Carefree is one of the few options that's both affordable and high quality.

"Additionally, the growth in the Las Vegas market will not end anytime soon. Employment growth is phenomenal and population growth is exceptional. Las Vegas is now a top destination for retirees."

Because Orion is new to senior living, the investment company is partnering with Leisure Care, a Seattle-based manager and operator of retirement communities, to help oversee operations within Carefree neighborhoods.

Knauer said Orion had no plans for major remodeling at Carefree communities.

Michael Belnick, an apartment broker-salesman at Re/Max Central Commercial and publisher of the Apartment Insider newsletter, said Carefree's sale amount is in line with the prices that multifamily rentals across Southern Nevada are commanding.

Belnick said the average local sale price per unit in the first half of 2006 was \$104,000, slightly lower than the \$109,734 per unit Carefree sold for.

Before the Carefree deal, just two area apartment-community sales had surpassed the \$100 million mark since Belnick began tracking the market in 1993.

In 2005, the 680-unit Meridian at Flamingo Road and Koval Lane sold to a condominium converter for \$135.6 million, or \$199,411 per unit. And in May, Harrah's bought the 658-unit Desert Club on Koval Lane behind the Imperial Palace for \$165 million, or \$250,759 per unit. Harrah's has not revealed plans for the site.

Belnick said Carefree's high price didn't deter investors for several reasons.

First, seniors make up one-third of Southern Nevada's population growth. Second, Carefree offered an existing product with an established brand.

"(Investors) would think, 'I can't build apartments for the price I just paid,' " Belnick said. "Developers are not building that many more apartments here. And this is a quality niche product with a great reputation in town. (Carefree) is the dominant player in that niche."

Belnick said the market debut of a Starwood Capital-related entity reflects the Las Vegas market's growing maturity. Starwood Capital founder Barry Sternlicht also founded Starwood Hotels & Resorts, franchiser of the Westin and operator of the Aladdin. Today, the investment company and the hotel business run separately.

"Two-and-a-half years ago, we were a local economy. We've now gone from a local to a national to an international economy," Belnick said. "We're getting more sophisticated capital coming into this town, and we're getting an awful lot of attention in this community from local and international financial markets."

Templeton said he couldn't determine how much money Carefree's earliest investors made on their portions of the company. But records at the office of the Clark County Assessor show that Carefree built significant equity in its properties.

For example, Carefree Holdings bought a 5.41-acre lot near Sandhill and Desert Inn roads in 1995 for \$707,000. Now home to the 180-unit Carefree Sandhill, the property is assessed today at \$10.3 million. The 10-acre site Carefree bought near Lake Mead and Rampart boulevards in 1997 for \$2.4 million now houses the 242-unit Carefree Pueblo and is appraised at \$18.2 million. The company bought its 37.6-acre Carefree Villas parcel at Alexander Road and Allen Lane for \$1.5 million in 2001; today, the site carries a value of \$33.8 million.

Templeton created the Carefree concept in the late 1980s, after researching living options for his father-in-law. He found then that most apartments for seniors were government-subsidized and targeted toward renters with lower incomes. Templeton wanted a middle ground for retirees who had too much money to qualify for federal aid but not enough to live in pricier senior developments such as Sun City.

Though Templeton has unloaded most of Carefree's holdings, he said the company would complete and operate Carefree Willows, scheduled for completion in the first quarter, and Carefree Natomas in California. Carefree is also proceeding with construction of a community in Aurora, Colo.

In addition, Templeton Development is building the 143,000-square-foot Scottsdale Plaza office park at Pebble Road and Maryland Parkway.

Agents Garry Cuff and Doug Schuster of commercial real estate agency NAI Horizon brokered the Carefree Senior Living deal.

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