

# Investment and Operational Assessment: 24-Unit Personal Care Home in Dalton, GA

[Ernie Anaya, MBA, NAR](#)

President, Senior Housing and Behavioral Health

Bull Realty, Inc.

10.07.2025

eanaya@bullrealty.com

## I. Executive Summary: Findings, Recommendation, and Risk Rating

The opportunity presented by the 24-unit licensed Personal Care Home (PCH) in Dalton, GA, warrants aggressive pursuit, confirmed by strong actual financial performance, a highly efficient operational structure, and strategic location. The **actual sales price is \$3,999,990**<sup>1</sup>, a price point that is below market, driving exceptional investment yields. Based on the actual delivered Net Operating Income (NOI) of **\$389,116.00**, the **Actual Acquisition CAP Rate is calculated at 9.73%** (see Section IV).

This acquisition CAP Rate is significantly higher than the national senior housing average of approximately 7.5%<sup>8</sup>, which confirms the sales price of \$3,999,990 represents a **favorable, lower valuation** relative to the asset's current income. The investment demonstrates substantial potential yield, with a projected Cash on Cash (CoC) return of 23.06% and a 5-Year Internal Rate of Return (IRR) of 67.6%. The facility is currently operating at **90% occupancy**. The investment is classified as **High-Yield/Moderate-Risk**.

### 1.1. Strategic Recommendation

The facility's strong occupancy, combined with the affluent local demographics (75+ average net worth \$1,088,741), confirms the asset's competitive market position. The asset's strategic value is substantially enhanced by the adjacent institutional investment made by Hamilton Medical Center/Vitruvian Health.<sup>2</sup>

## 1.2. Key Investment Highlights (Actual Delivered Financials)

- **Financial Performance:** The actual NOI of **\$389,116.00** supports a robust pro forma Debt Service Coverage Ratio (DSCR) of 1.61. The reported NOI has been adjusted to account for owner salary and expense add-backs.
- **Valuation:** The **\$3,999,990** sales price <sup>1</sup> is below market, evidenced by the high Acquisition CAP Rate of **9.73%** compared to the US senior housing average of 7.5%.<sup>8</sup>
- **Market Position:** The average rent of **\$3,440 per month** is competitively priced and below the average Georgia assisted living market rate (over \$4,000 per month).<sup>9</sup>
- **Financing Advantage:** The SBA 504 terms (25-year term, 15% down, 6.037% fixed rate) provide a significant advantage over conventional loans (see Section V).
- **Locational Premium (Healthcare Corridor):** Hamilton Medical Center's purchase of a **52,240 SF** flex facility on **22 acres** across the street establishes a long-term strategic advantage, likely improving demand through referrals.

## 1.3. Critical Focus Areas

- **Regulatory Compliance:** Georgia's Department of Community Health (DCH) regularly inspects PCH, ALF, and Skilled Nursing Facility (SNF) licenses, with all public records of infractions available on the **GaMap2Care** website.<sup>10</sup>
- **Standard Due Diligence:** The acquisition requires a standard period of due diligence applicable to any revenue-producing real property.

## 1.4. Due Diligence

The acquisition requires standard due diligence, focusing on:

1. **Compliance Verification:** Confirm the facility's adherence to state PCH regulations and staffing ratios, verifying that the public records on **GaMap2Care** align with the facility's strong compliance history. A search of the database for the past 12 months did not result in any reported issues.
2. **Financial & Transition Review:** Validate the reported NOI adjustments (owner add-backs) and finalize the terms of the owner-provided management transition program.

# II. Market Dynamics: Dalton, GA Senior Housing PMA Assessment

## 2.1. Regional Economic and Geographic Context

Dalton, GA, is anchored by a stable, long-standing economic base, known globally as the "Carpet Capital of the World," which employs more than 30,000 people in the Whitfield County area. Geographically, the facility benefits from a tranquil, rural setting while remaining highly accessible, located only two minutes from I-75.

## 2.2. Target Market Demographic (TMD) Affluence and Need

The Primary Market Area (PMA) demonstrates a strong capacity for private-pay senior housing. The average net worth for individuals aged 75 and above within the PMA is remarkably high at **\$1,088,741**. The combination of a high incidence of physical need among the senior population (34.4% experience ambulatory difficulty) and demonstrable wealth to pay for services creates the optimal environment for successful, profitable senior housing operations.

The facility's confirmed average rate of **\$3,440 per month** is strategically competitive within the local market, positioning it favorably against the average Georgia assisted living market rate, which is over \$4,000 per month.<sup>9</sup>

## 2.3. Validation of Unmet Demand Methodology

The market assessment employed the "unmet demand methodology" utilized by specialized senior housing groups.<sup>3</sup> The analysis projects a demand for 65 additional assisted living units by 2027 within the 5-mile PMA, representing an extraordinary **116.6% increase**. This rapid projected growth signals that the current supply of senior housing in the Dalton market is severely constrained relative to the substantial qualified demand. This projected supply gap provides robust support for the facility's long-term stabilization, sustained high occupancy (currently **90%+**), and future pricing power.

# III. Operational and Regulatory Deep Dive: The Personal Care Home Model

## 3.1. Georgia Regulatory Framework: PCH vs. Assisted Living Community (ALC)

The defining characteristic of this investment is its regulatory status as a 24-unit Personal Care Home (PCH). Georgia regulations require that both PCHs and Assisted Living Communities (ALCs) conduct a thorough **pre-admission assessment** of residents, typically performed by a nurse or physician, to determine the appropriate level of care. PCHs are licensed to serve residents who are ambulatory and do not require continuous medical or nursing care.<sup>4</sup> This facility operates within this structure and currently exceeds the required staffing levels.

The PCH licensing framework creates a significant operational cost advantage. While an ALF may be equipped to handle certain increased service needs, Georgia regulations require that once a resident's acuity reaches a specific level (such as becoming bed-ridden), they must be transitioned to a Skilled Nursing Facility (SNF). This crucial acuity limit is one of the main



The **9.73%** CAP Rate is favorable as it is significantly above the national US average for senior housing (approximately 7.5% to 7.6% <sup>8</sup>), indicating that the property is priced below the market's prevailing valuation for comparable income streams. The efficient operation structure results in an NOI Margin of **44.96%**.

Table: Investment Valuation and Key Performance Metrics (Actual Delivered)

<b>Metric</b>	<b>Value</b>	<b>Industry Benchmark Context</b>
Actual Gross Income (GI)	<b>\$865,442.00</b>	N/A
Actual Net Operating Income (NOI)	<b>\$389,116.00</b>	N/A
<b>Actual Sales Price (PP)</b>	<b>\$3,999,990 <sup>1</sup></b>	Below market valuation
Calculated Actual NOI Margin	<b>44.96%</b>	Above typical AL range (28%-40%) <sup>13</sup>
<b>Calculated Actual Acquisition CAP Rate</b>	<b>9.73%</b>	Favorable (high), compared to US average of 7.5% <sup>8</sup>
Pro Forma Cash-on-Cash Return (CoC)	23.06%	Exceeds typical senior housing range (7%-10%) <sup>12</sup>
Pro Forma Debt Service Coverage Ratio (DSCR)	1.61	Strong, exceeding standard requirement (1.25)

## **4.2. Deconstruction of Pro Forma Returns (IRR and Cash-on-Cash)**

The projected 5-Year IRR of 67.6% and the Cash on Cash (CoC) return of 23.06% are exceptionally high for the sector and are driven by the aggressive leverage inherent in the SBA 504 structure and the highly efficient operational margin. The high IRR projection hinges heavily on the aggressive terminal value assumption of a Projected Sales Price of \$8,436,000.

## V. Specialized Financing Risk: SBA 504 Loan Structure

### 5.1. SBA 504 Competitive Advantage and Terms

The SBA 504 loan structure offers substantial benefits over conventional commercial loans for this specific asset, making it the superior financing option. These advantages have been verified by an SBA Certified Development Company (CDC) at [www.ga504.com](http://www.ga504.com):

- **Loan Term: 25-year term** (Amortization and Term) versus a conventional commercial loan term of 10 years.
- **Equity Injection: 15% down payment** versus a conventional requirement of 30% or more.
- **Interest Rate:** A fixed interest rate of **6.037%** versus current conventional rates which are over 10% .

### 5.2. Analysis of Seller Standby Note and Down Payment Assistance

The proposal allows for the seller to finance 5% of the down payment as an incentive for the buyer, and this is **not a contingency** for the deal. The required SBA standby period for seller-held debt is **2 years**. This is a key advantage as it ensures the seller's participation is less restrictive and removes a common point of complexity found in other SBA debt structures.

Table: Proposed SBA 504 Financing Structure (Based on \$3,999,990 Sales Price)

Source	Percentage of Project Cost	Term	Implied Amount (Approx.)	Status/Risk
Senior Lender (Bank)	50%	25 Years (Amort.)		Standard Commercial Debt
CDC/SBA 504 Loan (Fixed)	40%	25 Years (Term)		Highly Favorable Rate (6.037%)
Borrower Equity (Cash)	10%	N/A		Required Base Equity
Seller Standby Note (Equity)	5%	5 Years (Balloon)		Confirmed 2-year standby period

Total Project Cost	105%			Assumes PP + Seller Note
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## VI. Catalytic Drivers and Risk Mitigation

### 6.1. Impact of Hamilton Medical Center/Vitruvian Health Proximity (The Healthcare Corridor)

The most compelling locational enhancement is the ongoing institutional expansion immediately adjacent to the facility, which creates a vital healthcare corridor. According to Whitfield County Records, **Hamilton Medical Center**, now rebranded as Vitruvian Health <sup>2</sup>, purchased a **52,240 square foot** flex facility on **22 acres** directly across the street from 510 Reed Road.

This institutional investment fundamentally re-rates the property's strategic value. Locating directly across from an expanding regional hospital creates a potential, high-volume referral pipeline, positioning 510 Reed Road as an essential component of the local healthcare ecosystem. This strategic co-location is the strongest external factor supporting the aggressive terminal valuation assumption (\$8,436,000 sales price) used to calculate the 67.6% IRR.

### 6.2. Risk Mitigation through Due Diligence

The acquisition requires a period of standard due diligence applicable to any revenue-producing real property. Given the operational strengths and financial advantages, the due diligence process should confirm the following:

- **Financial and Ownership Transition:** Verification of the NOI adjustments and finalization of the transition program provided by the owner.
- **Regulatory Compliance:** Confirming that the facility's services and resident profile strictly adhere to Georgia PCH rules <sup>4</sup>, and reviewing the public compliance records available on the DCH **GaMap2Care** website.<sup>10</sup>
- **Title and Survey:** Standard title and survey review, including confirming the property's Parcel ID (12-123-15-000) through Whitfield County records.<sup>7</sup>

## VII. Appendix: Sensitivity Analysis

### 7.1. Sensitivity Analysis (Stress Testing)

The financial projections rely on the continued operational efficiency and the success of the aggressive exit capitalization rate compression.

Scenario	NOI Margin	Acquisition CAP Rate (Actual)	Impact on Value	IRR Impact (Illustrative)
Brokerage Expected Case (Original Pro Forma)	51.35%	10.59%	Base Value (\$4.43M)	67.6%
<b>Current Actual Performance</b>	<b>44.96%</b>	<b>9.73%</b>	<b>Actual Sales Price (\$3.99M)<sup>1</sup></b>	Lower than Pro Forma
Moderate Expense Creep (Normalizing to Industry Low)	40.00%	8.01%	No Value Change (Fixed Price)	Significant Drop
Full Cash Equity Scenario (15% Cash Down)	44.96%	9.73%	No Value Impact	CoC Drops from 23.06% to 15%
Terminal Value Failure (High Exit CAP)	44.96% (Steady)	9.50% Exit CAP	Exit Value Reduced by \$1.3M	Substantial Drop

## Disclaimer

While the information is deemed reliable, no warranty is expressed or implied. Any information important to you or another party should be independently confirmed within an applicable due diligence period.

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