

ZIEGLER INVESTMENT BANKING

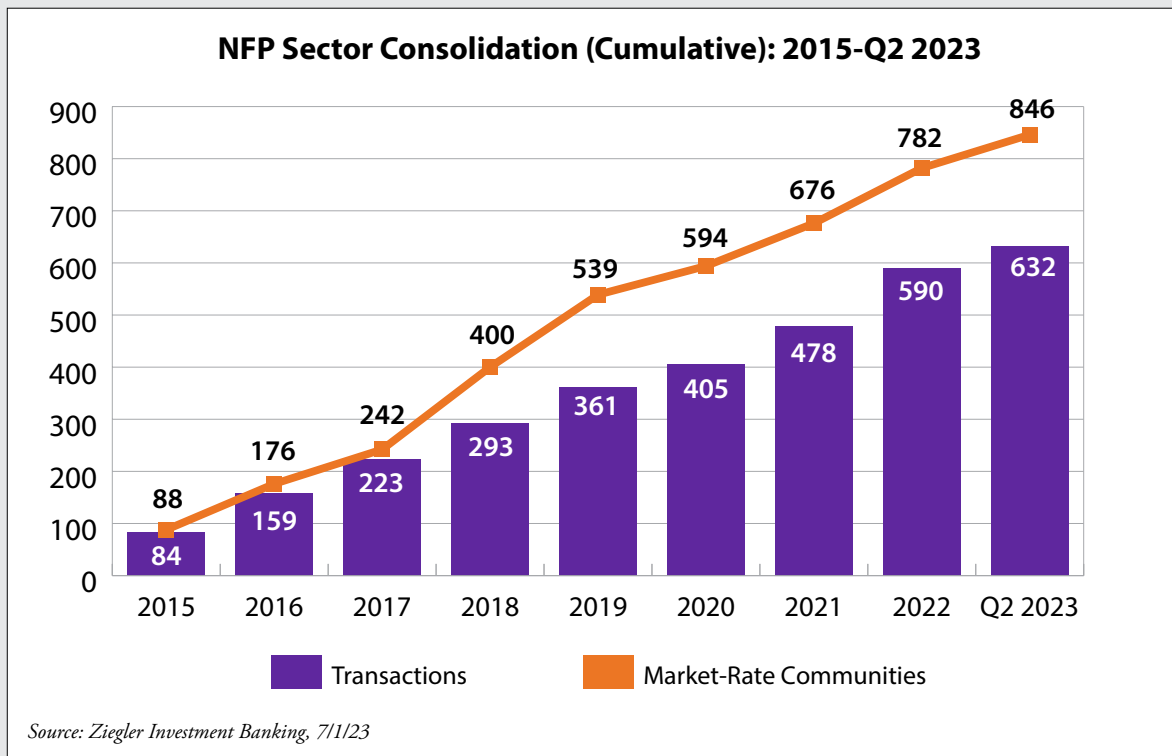
SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

2023 MID-YEAR NOT-FOR-PROFIT SENIOR LIVING M&A UPDATE

We are at the midpoint of 2023 and wanted to provide an update on the not-for-profit senior living & care trends related to merger and acquisition activity. We continue to see record-level activity and organizations exploring the benefits of a potential affiliation with another not-for-profit, as well as scenarios where a disposition/sale may be the most logical alternative. These discussions take the form of both proactive organizations looking to gain scale and resources from a position of strength, and unfortunately, organizations in situations that may be in some form of financial distress with limited options. Today, common drivers for these discussions include workforce challenges, the complexities of the healthcare (skilled nursing) marketplace, CEO turnover, and for some, significant expense pressures.

Since 2015, we have tracked nearly 850 not-for-profit, market-rate senior living communities that have changed hands. When looking at some of the larger mergers, such as Evangelical Lutheran Good Samaritan Society joining Sanford Health, this number jumps to well over 1,000 communities.

**ZIEGLER**

One North Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

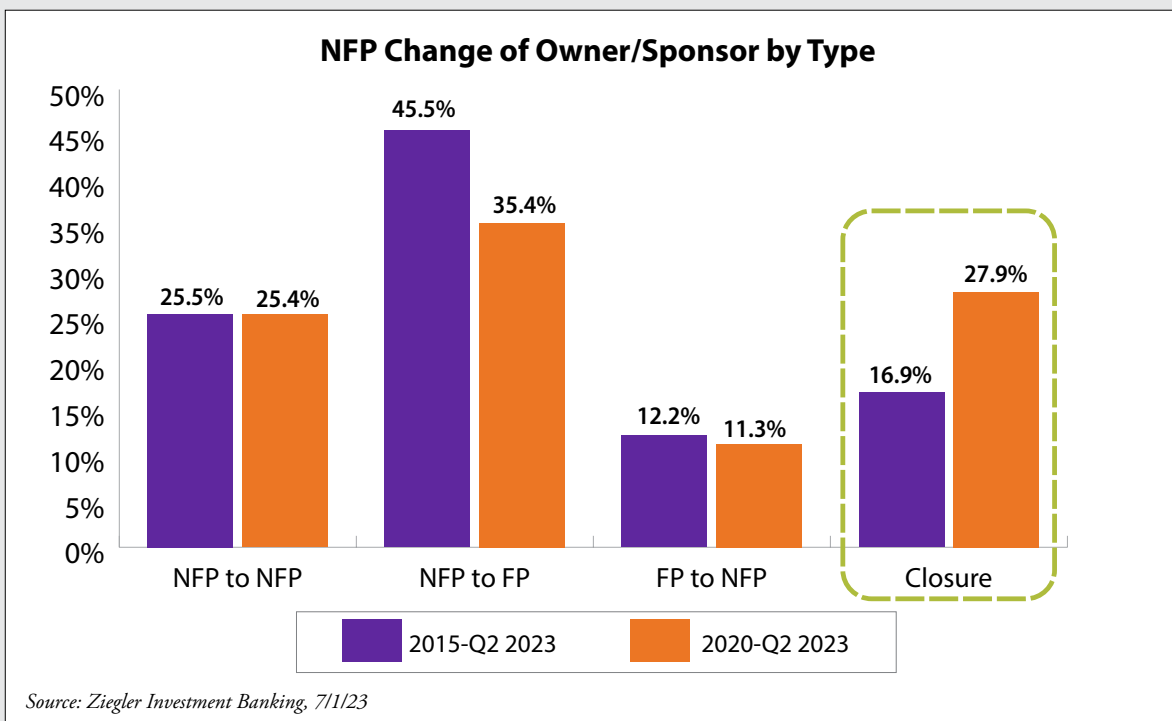
800 366 8899
askziegler@ziegler.com



One-Quarter of New Sponsors are Not-For-Profit

A trend that has fairly been consistent over the past number of years is that only about one-quarter of the communities in transition transfer to another not-for-profit sponsor. Life Plan Communities are the most likely to remain not-for-profit unless it is a situation of financial distress where there is a sale and a competitive bidding process whereby the new sponsor/owner is generally the one with the highest bid. Since 2015, roughly 46% of not-for-profit changes have been not-for-profits being acquired by buyers from the private sector. This pattern has been most notable among freestanding nursing homes. Only roughly 10% of not-for-profit nursing homes that look for a new sponsor/owner end up going to another not-for-profit.

It is also worth noting the increased number of closures in recent years. This number has jumped since 2020 when the COVID-19 pandemic hit and placed disproportionate pressures on nursing home providers. Additionally, as we sit here in 2023, pandemic-related funds from the government are no longer available and that, coupled with workforce and expense pressures, some providers, often freestanding nursing homes, have made the decision to cease operations. The graphic below highlights the dramatic increase in the proportion of closures among not-for-profits in recent years.



For organizations looking to expand, we know many not-for-profits have specific positions who are charged with growth, business development and M&A activity. This is one of the more common growth strategies among today’s not-for-profit providers, along with continued reinvestment and expansions of existing communities. We will continue to see these proactive not-for-profit organizations scan the market for potential partners in search of like-minded providers whereby an affiliation can be a win-win for both.

Ziegler has committed to providing support for not-for-profit providers who are exploring their options for partnerships, affiliations, and dispositions. For those who may be observing signs of distress and limited options for moving forward, we strongly encourage being proactive and not waiting until the only options are an asset sale, bankruptcy or even closure. Above and beyond tracking the data, Ziegler has resources for initiating these conversations at the board level, checklists and similar tools that can be helpful, and case studies that can often provide perspective.

If you have questions about the information included in this issue of *Z-News* or related items, we encourage you to reach out to the Ziegler representative in your region. For those who may have specific needs related to mergers, sales and/or affiliations, you can reach out to Ziegler’s Sponsorship Transition team led by Stephen Johnson (sjohnson@ziegler.com).

LISA McCracken
 DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
lmccracken@ziegler.com

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JULY 18, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
HumanGood California Obligated Group (CA)	Fitch	A- Stable	Affirmed Rating Affirmed IDR*	7/11/23
Philadelphia Presbytery Homes dba HumanGood Pennsylvania Obligated Group (PA)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	7/11/23
Jerome Home (CT)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	7/12/23
Carleton Willard Village (MA)	S&P	A- Negative	Affirmed Rating Revised Outlook	7/13/23
The Evergreens (NJ)	Fitch	A- Stable	Upgraded Rating Upgraded IDR*	7/17/23
The Evergreens (NJ)	Fitch	NR	Withdrew Rating Withdrew IDR*	7/17/23

Copyright © 2023, S&P Global Market Intelligence

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings LTD. and its subsidiaries

* IDR – Issuer Default Rating

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

INTEREST RATES/YIELDS

WEEK ENDING JULY 14, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.51%	3.54%	3.45%
Senior Living 30-Yr "A"	5.10%	5.10%	5.03%
Senior Living 30-Yr "BBB"	5.50%	5.50%	5.42%
Senior Living Unrated	6.25%	6.30%	6.20%
Senior Living New Campus	7.40%	7.40%	7.16%
SIFMA Muni Swap Index	2.20%	3.23%	2.64%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.90%	5.93%	2.39%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	07/14	Last week
Prime Rate	8.25	8.25
Federal Funds (weekly average)	5.07	5.07
90 Day T-Bills	5.39	5.36
30-Day Commercial Paper (taxable)	5.13	5.11
Libor (30-day)	5.33	5.25
SOFR	5.06	5.06
7 Day Tax-Exempt VRDB	2.20	3.23
Daily Rate Average	1.88	3.06

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.63	5.73	1 Year	3.03	5.28	4.88	4.03	3.43	3.13
5 Year	3.95	5.40	5 Year	2.60	4.95	4.55	3.70	3.20	2.75
7 Year	3.86	5.46	7 Year	2.55	5.00	4.70	3.85	3.25	2.75
10 Year	3.76	5.61	10 Year	2.59	5.29	4.89	4.09	3.39	2.84
30 Year	3.90	6.35	30 Year	3.51	6.51	6.06	5.26	4.51	3.91

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.66	3.64	+0.02
11 Bond Index	3.56	3.54	+0.02
Revenue Bond Index	3.94	3.92	+0.02
30 Year MMD	3.51	3.54	=0.03
Weekly Tax-Exempt Volume (Bil)	5.54	0.25	+5.29
30 Day T/E Visible Supply (Bil)	9.82	7.73	+2.09
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	115.6	113.5	+2.10

Source: Bloomberg