

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

THE ANNUAL “LOOK BEHIND...AND LOOK AHEAD” PART II: SENIOR LIVING FINANCE ACTIVITY

In last week's issue of *Z-News* we looked at what occurred over the past year while predicting what to expect as we look ahead in the new year. This issue of *Z-News* will review the 2023 municipal bond issuance, capital markets, interest rates, and the nearly 30 transactions Ziegler led this past year.

We won't forget 2023 and how the unpleasantness of 2022 spilt over with still high gas prices, household expenses more than most could endure, and inflation closing out the year at 3.4%. We also experienced another year of rising short-term interest rates, which drove the market to unpredictable levels — leaving deals in limbo or on hold for a period of time. Overall, it was a year to remember, reflect on, and prepare for positive momentum ahead.

According to *The Bond Buyer Daily Report* (01/02/2024), total municipal bond issuance in 2023 was \$380.0 billion, only \$11.1 billion (2.8%) less than 2022.

Ziegler successfully priced more than a few deals in the first half of 2023, and proficiently completed the remaining deals by year's end. The first deal of the year was with **Bethany Home Society (CA)** for a \$49,560 million expansion. Ziegler went on to complete an additional 10 bond financings, more than 15 bank transactions, a private placement, and a taxable acquisition financed in 2023. This reflects a year-end combined total of nearly \$1.6 billion in not-for-profit senior living bond financings and bank transactions. Ziegler's 2023 tax-exempt bond financings for senior living represented roughly 65% market share reported by Refinitiv data. Overall, Ziegler's 30 transactions in 2023 amounted to roughly half of our 2022 issuance.

Ziegler was pleased to represent several new clients in 2023. Among those were: **Ararat Home of Los Angeles (CA)** for a bond financing in the amount of \$10.915 million to fund an acquisition; a new money bank placement for **EveryAge**

Obligated Group (NC) in the amount of \$31.960 million to develop BellaAge Hickory; Cinderella Bonds in the amount of \$85.0 million for **Mirabella at South Waterfront (dba Mirabella Portland (OR))** for new money and refinancing; and a bank placement for **Good Shepherd Home (OH)** in the amount of \$7.0 million for new money and refunding.

Ziegler assisted a few clients on bond financings in excess of \$100 million for purposes of funding new development: **Seafields at Kiawah Island (SC)** for a new community; **Emerald Heights (WA)** for an expansion, and **Westminster-Canterbury on Chesapeake Bay (VA)** for an expansion. There were also financings for a combination of refundings, new community development, new money for expansions and capital improvements: **Kendal at Ventura (CA)**, a BANs deal in the amount of \$29.0 million for a new community to be known as Enso Verdé; a \$22.340 million BANs deal for another new community by **Forefront Living (TX)** to be known as Bella Vida at La Cantera; among the bond financings were **Aldersly (CA)** for \$61.3 million; **Ohio Living Communities (OH)** in the amount of \$59.925 million; **Acts Retirement-Life Communities (PA/DE)** for \$68.530 million; and **Williamsburg Landing (VA)** in the amount of \$61.910 million in conjunction with a bank transaction for \$15.0 million for an expansion known as Anchor Cove.

There were more than 15 Ziegler-assisted direct bank placements including transactions for new project financings, Cinderella refundings, construction loans, lines of credit and taxable term loans, similar to what has taken place in recent years. Bank-related transactions are traditionally smaller in size than bond financings, but the 2023 average deal was more than \$27.0 million. This is less than the 2022 average deal of \$35.0 million. The bank deals ranged in value from \$6.0 million **Beacon Hill at Eastgate (MI)** to more than \$85.0 million **Mirabella Portland (OR)**.

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Several clients tapped into bank transactions in 2023 for a variety of purposes, such as **Living Branches (PA)** with a bank placement and a construction loan totaling more than \$39.0 million. There were a number of bank placements for new money and refundings, such as **Pleasant View Retirement Community (PA)** in the amount of \$14.980 million; **Bishop Gadsden (SC)** for \$29.2 million; **Brazos Presbyterian Homes (TX)** in the amount of \$76.0 million; **Shenandoah Valley Westminster-Canterbury (VA)** for \$52.5 million; **Christian Health (NJ)** for \$20.0 million and **CHCC of Wayne (NJ)** (Sienna Village) in the amount of \$13.428 million; **Caring Community (WA)** in the amount of \$8.0 million; and **Willow Valley Communities (PA)** for \$35.0 million. Additionally, **Convivial Jacaranda Trace (FL)** privately placed \$10.500 million; and 110 West Main Street, LLC issued \$20.405 million to **Asbury Living & Obligated Group Members (PA/DE)** for a taxable acquisition in the amount of \$20.405 million.

The bank lending market grew more cautious due to pressure on bank balance sheets from rising interest rates. In addition, many banks developed a more guarded view of senior living sector credit due to challenges stemming from workforce pressure and inflation effects. Some banks focused largely on existing relationships and tightened terms for new construction projects due to inflation and supply. Yet, bank debt remained an attractive alternative in 2023 and we believe it will continue to remain attractive in 2024, particularly in regions of the country where competition among banks is strong.

Acute inflation fears in 2023 prompted significant increases in municipal bond fixed rates for most of the year. There were signs that the steep short-term rate increases led by the FOMC tempered inflation, leading to some moderating in the fourth quarter of 2023. With MMD hovering in the 3.40% to 3.60% range in early 2024, we are optimistic that baseline tax-exempt rates will level out and that stability will lead to continued improvement in credit spreads for senior living borrowers.

We encourage you to reach out to the Ziegler banker in your region to discuss options for the year ahead.

For more information regarding the structure and use of each of these 2023 issues, please see the Electronic Municipal Market Access <https://emma.msrb.org> system's website or contact the Ziegler banker in your area.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF FEBRUARY 16, 2024

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Southminster (NC)	Fitch	BB Stable	Affirmed Rating Affirmed IDR*	2/13/24
Ingleside at King Farm (MD)	Fitch	BB- Stable	Upgraded Rating Upgraded IDR*	2/14/24

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* 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 FEBRUARY 16, 2024

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.59%	3.57%	3.69%
Senior Living 30-Yr "A"	4.75%	5.00%	5.26%
Senior Living 30-Yr "BBB"	5.10%	5.40%	5.68%
Senior Living Unrated	6.45%	6.60%	6.60%
Senior Living New Campus	8.00%	8.00%	7.66%
SIFMA Muni Swap Index	3.60%	3.24%	3.42%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.98%	5.99%	2.39%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING


**THE UNITED METHODIST
RETIREMENT HOMES (UMRH)**
 Durham, North Carolina

North Carolina Medical Care Commission,
 Retirement Facilities First Mortgage Revenue Bonds,
 Series 2024

\$67,180,000

February, 2024

MARKET REVIEW

MONEY MARKET RATES

	02/16	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.38	5.38
30-Day Commercial Paper (taxable)	5.33	5.33
Libor (30-day)	5.43	5.43
SOFR	5.31	5.31
7 Day Tax-Exempt VRDB	3.60	3.24
Daily Rate Average	3.18	2.57

COMPARATIVE YIELDS
TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.57	5.07	1 Year	2.94	5.19	4.84	3.89	3.19	3.04
5 Year	4.21	5.06	5 Year	2.44	4.79	4.44	3.49	2.84	2.59
7 Year	4.24	5.39	7 Year	2.44	4.84	4.49	3.69	2.94	2.64
10 Year	4.23	5.68	10 Year	2.46	4.91	4.56	3.71	3.06	2.66
30 Year	4.41	6.31	30 Year	3.59	6.59	5.89	4.94	4.34	3.89

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.54	3.49	+0.05
11 Bond Index	3.44	3.39	+0.05
Revenue Bond Index	3.82	3.77	+0.05
30 Year MMD	3.59	3.57	+0.02
Weekly Tax-Exempt Volume (Bil)	3.73	4.89	-1.16
30 Day T/E Visible Supply (Bil)	5.35	5.52	-0.17
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	98.4	99.3	-0.90

Source: Bloomberg