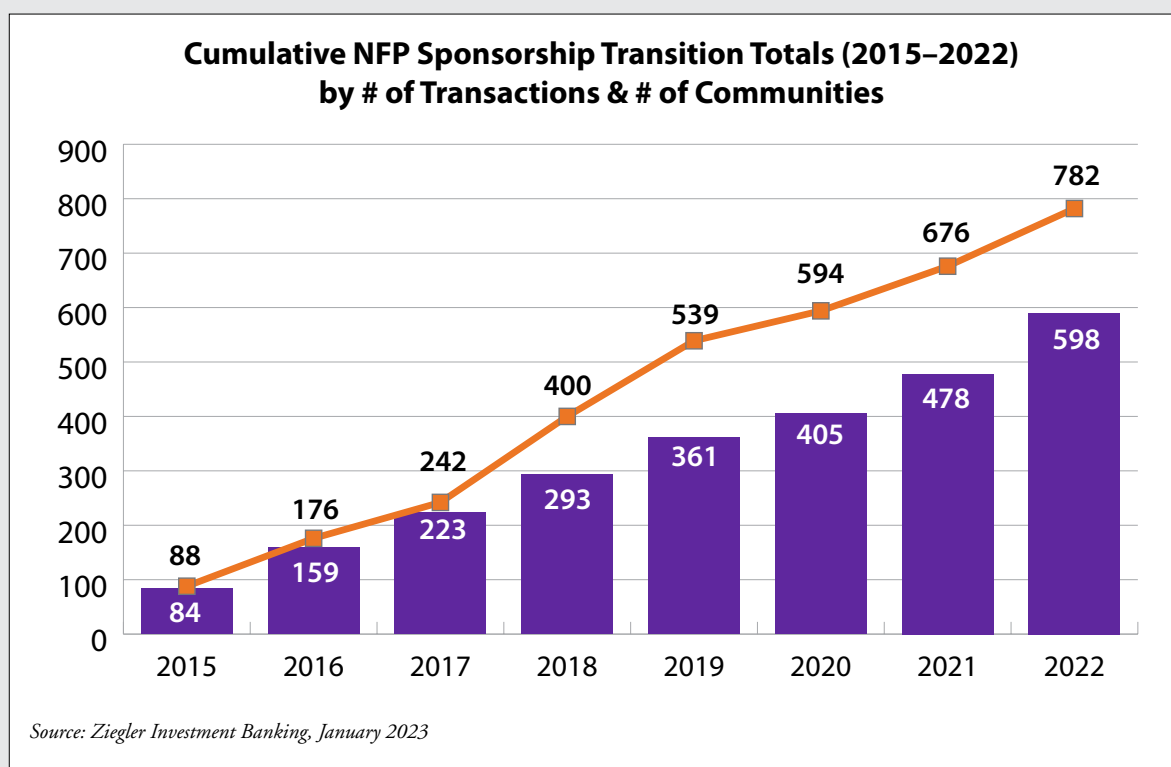


FEATURED ARTICLE

2022 YEAR IN REVIEW: NOT-FOR-PROFIT SPONSORSHIP TRANSITION ACTIVITY

Each year, we use the initial weeks of Ziegler *Z-News* to reflect on the year behind us and what to anticipate for the year ahead. The past two weeks we focused on the debt volume this past year and also what trends we can expect to be most impactful as we venture throughout 2023. Ziegler has also compiled year-end data for Not-for-Profit Sponsorship Transition activity. Specifically, this refers to the Not-for-Profit Senior Living organizations that have affiliated with one another, communities that have been sold to for-profit entities, communities that have perhaps even been acquired by Not-for-Profits from the For-profit sector, and lastly, those Not-for-Profits that closed their doors this past year.

The graph below provides insight into the activity this past year, along with the last several years, going back to 2015. Last year saw what will be record activity in the Not-for-Profit Senior Living Sector. Nearly 110 communities changed hands across slightly more than 70 transactions. It should be noted that in the first quarter of the year, we often uncover additional transactions that closed prior to the year-end, figures that will be integrated into future updates.

**ZIEGLER**

One North Wacker Drive | Suite 2000
Chicago, IL 60606

B.C. Ziegler and Company | Member SIPC & FINRA

CONTACT US

800 366 8899
askziegler@ziegler.com



CAPITAL :: INVESTMENTS :: ADVICE

There are some definite patterns to note, some that are similar to what has been observed in recent years, but others that have emerged that are worthy of paying attention to.

- **For-Profit Active Acquirers:** Since 2015, roughly 46% of the Not-for-Profit (NFP) Communities that have changed hands have been acquired by For-profit (FP) owners and operators. The majority of these transactions have been in the form of freestanding NFP nursing homes and communities that are financially distressed to the point where it is too difficult for another NFP to come in and take over sponsorship and operations.
- **Increase in Closures:** Since the onset of the pandemic, the number of closures of nursing homes in particular have been widely talked about. The Ziegler data affirms this trend. Of all the NFP closures going back to 2010, roughly 70% have been nursing homes. Of the remaining 30%, they tend to be communities that have dated physical plants requiring substantial reinvestment, often in financial distress, and often in rural areas or highly competitive urban settings.
- **Increase in NFPs Acquiring:** The one trend that shows signs of proactive growth and organizational sophistication is acquiring a FP community with an asset purchase. We are observing more examples of this among organizations that have the resources to undertake such an acquisition and the ability, in many cases, to participate in a competitive bidding process with other NFPs and FP entities. In 2022, we had a record number of these types of transactions. This shows that many NFP organizations are adding resources and doing the work at the board level to quickly respond to these situations when they arise.
- **Affiliation as a Strategy:** Do not mistake all affiliations as examples of organizations in financial distress. That is not the case. There have been a number of transactions whereby a community, or even a system, could sustain itself into the future with an affiliation or merger, but yet the benefits of greater scale and combined horsepower outweigh a “go it alone” approach for the future. We observe this in a number of cases whereby there is a retiring CEO and the board explores an affiliation as a form of succession planning rather than conducting a formal search for a new executive. These healthy organizations in transition are some of the more likely communities to stay with another Not-for-Profit, rather than be sold to the private sector.

Ziegler’s Sponsorship Transition team is actively engaged in a number of these affiliations, acquisitions and dispositions, as well as in helping organizations scan their marketplace to understand where these opportunities might exist. Throughout the year, Ziegler will continue to produce additional research materials on trends, as well as educational pieces that boards and leadership teams can use as they discuss these potential scenarios.

If you have questions related to the topics mentioned in this article or are looking for additional support related to Sponsorship Transitions, we encourage you to please contact the Ziegler banker in your region or reach out to Stephen Johnson (sjohnson@ziegler.com) who leads the Sponsorship Transitions practice within the firm.

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

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JANUARY 16, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Saint Anne's Retirement Community (PA)	Fitch	BB+ Negative	Affirmed Rating Affirmed IDR* Revised Outlook	1/10/23
Brethren Hillcrest Homes (CA)	Fitch	NR	Withdrew Rating and IDR*	1/10/23
Loomis Communities (MA)	S&P	BBB Stable	Affirmed Rating	1/12/23
Capital Manor (OR)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	1/13/23

Copyright © 2023, S&P Global Market Intelligence

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

* IDR – Issuer Default Rating (FitchRatings)

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

INTEREST RATES/YIELDS

WEEK ENDING JANUARY 13, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.26%	3.50%	3.07%
Senior Living 30-Yr "A"	4.85%	5.10%	4.48%
Senior Living 30-Yr "BBB"	5.25%	5.50%	4.87%
Senior Living Unrated	6.05%	6.25%	5.61%
Senior Living New Campus	7.15%	7.20%	6.50%
SIFMA Muni Swap Index	2.50%	3.13%	1.34%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.40%	5.45%	2.15%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING


LIVING BRANCHES
Lansdale, Pennsylvania

Bank Direct Purchase
New Money / Refunding

\$19,021,925
January, 2023

MARKET REVIEW

MONEY MARKET RATES

	01/13	Last week
Prime Rate	7.50	7.50
Federal Funds (weekly average)	4.32	4.32
90 Day T-Bills	4.47	4.48
30-Day Commercial Paper (taxable)	4.34	4.25
Libor (30-day)	4.45	4.39
SOFR	4.30	4.31
7 Day Tax-Exempt VRDB	2.50	3.13
Daily Rate Average	2.06	3.04

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.14	5.14	1 Year	2.45	4.65	4.20	3.55	2.75	2.50
5 Year	3.53	4.78	5 Year	2.20	4.50	4.05	3.35	2.60	2.30
7 Year	3.49	4.89	7 Year	2.24	4.64	4.24	3.54	2.74	2.39
10 Year	3.44	5.14	10 Year	2.33	4.83	4.43	3.88	2.93	2.53
30 Year	3.57	5.87	30 Year	3.26	6.01	5.56	5.01	4.16	3.66

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.45	3.66	-0.21
11 Bond Index	3.35	3.56	-0.21
Revenue Bond Index	3.73	3.94	-0.21
30 Year MMD	3.26	3.50	-0.24
Weekly Tax-Exempt Volume (Bil)	2.95	1.15	+1.80
30 Day T/E Visible Supply (Bil)	7.46	4.83	+2.63
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	116.5	118.7	-2.20

Source: Bloomberg