

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

## FEATURED ARTICLE

# NOT-FOR-PROFIT LIFE PLAN COMMUNITY FINANCIAL RATIOS AND MEDIANS

Last week, the 31st edition of the *Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities* was released. Ziegler is pleased to be a partner to CARE, along with Baker Tilly, on this annual publication.

The 2023 CARF ratios publication reflects fiscal years ranging from March 31 to December 31, 2022. Comparative data (single- and multi-site) for 17 separate financial ratios is presented by contract type and quartile rankings, going back as far as 1996.

The table below outlines a few key ratio medians broken out by single-site and multi-site organizations.



Ratio	Single-Site	Multi-Site
Net Operating Margin	1.98%	0.44%
Net Operating Margin-Adjusted	19.57%	18.27%
Days Cash on Hand	419	308
Debt Service Coverage Ratio	2.30	1.91
Average Age of Community (years)	12.28	11.46

Source: 2023 Financial Ratios and Trend Analysis (CARF)

In addition to the CARF report, Ziegler released the *Financial Ratio Medians for Not-for-Profit Entrance Fee CCRCs* by Ziegler Credit Surveillance and Analytics. The Ziegler Credit Surveillance and Analytics (ZCS&A) publication summarizes 19 different financial ratios across 132 not-for-profit CCRC borrower entities. The medians and quartiles are based on the fiscal year-ended 2022 audits. These ratios include organizations for which Ziegler has underwritten debt, as well as a select few others tracked by ZCS&A.

Of the 132 borrowers, 62 had debt rated in the investment grade categories, while 70 had non-rated debt or debt rated in non-investment grade rating categories. The full report also includes a multi- and single-site comparison. Forty-nine multi-site and 83 single-site borrowers were included. A summary of the median ratios by investment grade vs. non-investment grade, across a select group of metrics, is detailed below.

Ratio	Investment Grade	Non-Rated
Net Operating Margin	-1.30%	-1.60%
Net Operating Margin-Adjusted	19.30%	13.10%
Days Cash on Hand	438	206
Debt Service Coverage Ratio	2.51	1.47
Average Age of Plant (years)	12.60	12.10

Source: Financial Ratio Medians for Not-For-Profit Entrance Fee CCRCs (ZCS&A), August 30, 2023

**ZIEGLER**

One North Wacker Drive | Suite 2000  
Chicago, IL 60606

**CONTACT US**

800 366 8899  
askziegler@ziegler.com



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Finally, in addition to those featured above, Fitch Ratings also released their 2023 *Not-for-Profit Life Plan Communities Median Ratios*. This report provides an additional benchmarking tool for not-for-profit provider organizations. The 2023 report reflects financial medians for roughly 156 organizations.

For any provider organization, there are multiple benchmarks available for financial ratios. Providers need to understand the characteristics of the organizations in each report and determine which is the best fit for comparison purposes.

To access the 2023 Ratio Publications, individuals can click on the links below:

- *CARF Financial Ratios and Trend Analysis* publication with the detailed financial ratios and benchmarks, [click here](#)
- *Ziegler Financial Ratio Medians for Not-For-Profit Entrance Fee CCRCs* medians report, available on the [Ziegler website](#), to download the detailed information.
- Fitch Ratings *Median Ratios: Not-For-Profit Life Plan Communities* report, [click here](#) (an account is required to access the report and a cost may be involved)

If you have any specific questions about these reports or other related items, please reach out to the Ziegler representative in your region to learn more.

CATHY OWEN  
VICE PRESIDENT, SENIOR LIVING RESEARCH  
[cowen@ziegler.com](mailto:cowen@ziegler.com)

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

AS OF OCTOBER 16, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
United Methodist Retirement Homes (NC)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	10/10/23
Wesley Woods of Newnan-Peachtree City (GA)	Fitch	BB Stable	Downgraded Rating Downgraded IDR*	10/12/23

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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 OCTOBER 13, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	4.24%	4.39%	3.60%
Senior Living 30-Yr “A”	5.50%	6.08%	5.22%
Senior Living 30-Yr “BBB”	6.30%	6.48%	5.64%
Senior Living Unrated	7.15%	7.28%	6.45%
Senior Living New Campus	8.00%	8.18%	7.41%
SIFMA Muni Swap Index	3.19%	3.36%	3.07%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index <sup>†</sup>	6.40%	6.46%	2.16%

<sup>†</sup> Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

## MARKET REVIEW

## MONEY MARKET RATES

	10/13	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.50	5.50
30-Day Commercial Paper (taxable)	5.31	5.32
Libor (30-day)	5.44	5.45
SOFR	5.31	5.32
7 Day Tax-Exempt VRDB	3.19	3.36
Daily Rate Average	2.96	3.04

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	5.07	5.82	1 Year	3.61	5.86	5.61	5.01	3.91	3.76
5 Year	4.69	5.69	5 Year	3.29	5.64	5.44	4.79	3.79	3.49
7 Year	4.72	6.12	7 Year	3.31	5.76	5.56	4.91	3.96	3.56
10 Year	4.69	6.49	10 Year	3.36	6.06	5.71	5.06	4.11	3.71
30 Year	4.85	7.20	30 Year	4.24	7.24	6.74	6.09	5.24	4.79

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.97	4.12	-0.15
11 Bond Index	3.87	4.02	-0.15
Revenue Bond Index	4.25	4.40	-0.15
30 Year MMD	4.24	4.39	-0.15
Weekly Tax-Exempt Volume (Bil)	1.06	1.06	0.00
30 Day T/E Visible Supply (Bil)	10.99	8.33	+2.66
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	108.0	114.6	-6.60

Source: Bloomberg