

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

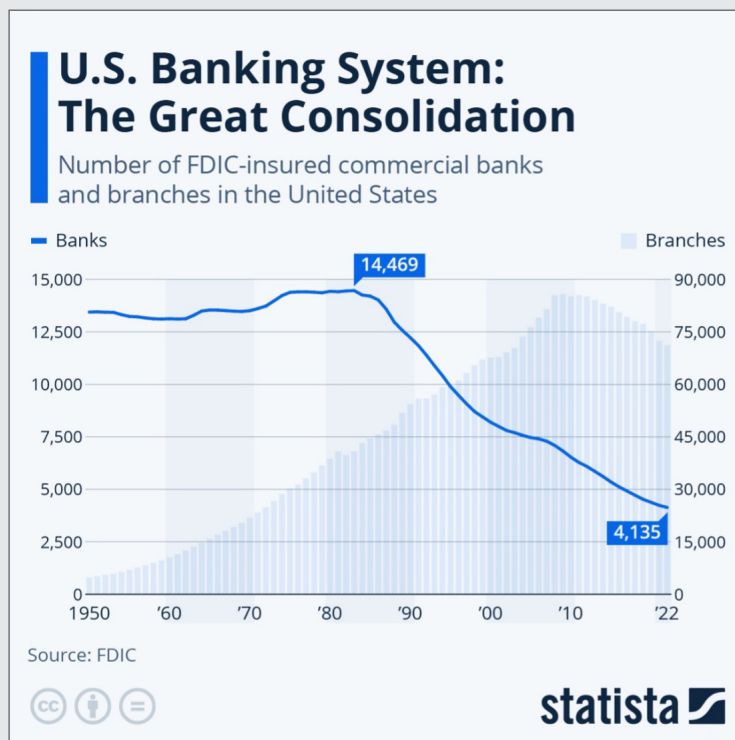
FEATURED ARTICLE

BANK MARKET UPDATE

Last week, roughly 250 finance professionals from the not-for-profit senior living & care sector attended the **25th Annual Ziegler LeadingAge National CFO Workshop**, which was held in Nashville, Tennessee. The conference agenda covered a variety of topics, which were featured in last week's issue of **Z-News**. One of the key topics that was discussed at length in both the opening and closing general sessions was the state of the bank marketplace as it relates to senior living borrowers.

Beginning in early March, several large bank failures dominated the headlines. This began with Silicon Valley Bank, followed by Signature Bank and Credit Suisse. The federal government has had to step in to sure-up these institutions with some of them being acquired by larger banks. Within the past week, First Republic grabbed headlines after it was taken over by regulators and subsequently sold to JPMorgan Chase. All of this activity has understandably had senior living provider organizations asking about the impact on the sector and their individual borrowing. Ziegler investment banking team members reached out to a number of key banks that participate in the space to get a measure of the current lending appetite. The bullet points below summarize the feedback from those interviews.

- In general, the current bank lending environment is what we would call 'choppy.' There is variation among banks as to their current activity in the sector, who they will or will not lend to and in what amounts.
- There are some banks who have expressed an intentional focus on existing clients and may not be in a position to lend to new borrowers with no previous relationship.
- There is variation depending on the region. Given consolidation in the bank marketplace, there has been a general reduction in the number of banks active in the sector. Again, some of this depends on the bank consolidation trends among some local and regional lenders.
- Many banks have seen changes in lending requirements such as pricing, credit commitment periods, financial or business covenants, amortization periods, and loan-to-value ratios.
- At the end of the day, it is not surprising that banks are more willing to lend to providers with strong credit histories and operating performance.



statista, May 2, 2023. Data as of December 31, 2022

To provide a visual for the bank consolidation trends, we are including a graph from Statista, which reflects data from the FDIC. The U.S. peaked in the 1980s with more than 14,000 banks in operation. Today, that number stands at roughly 4,100 banking institutions.

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Being Prepared

There are things that senior living providers can do to best navigate these times. First, it is always important to have regular dialogue with your bank for existing loans. Surprises are never good, on both fronts. If they are proposing changes to terms for an upcoming renewal, it is important to know that well in advance. Additionally, if a senior living provider has concerns about upcoming payments, or if they foresee future borrowing needs for upcoming projects, it is important to have open dialogue with the bank and be proactive. Lastly, it is always a best practice to consider a request for proposal (RFP), especially for the strong borrowers. Even though there may be fewer banks responding today than a year ago, there can be advantages to a RFP process in terms and overall borrowing costs. Ziegler regularly works with providers on all of the above situations and team members are available to talk through the various options.

If you have additional specific bank-related questions or need to discuss options, we encourage readers to reach out to the Ziegler representative in the region. Ziegler will continue to monitor the bank sector trends and overall lending environment in order to better assist providers with their capital needs.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 1, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Otterbein Homes (OH)	S&P	A Stable	Affirmed Rating	4/25/23
Rolling Meadows (TX)	Fitch	BB+ Stable	Review – No Action	4/25/23
El Castillo Retirement Residences (NM)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	4/26/23

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* IDR – Issuer Default Rating

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INTEREST RATES/YIELDS

WEEK ENDING APRIL 28, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.39%	3.40%	3.37%
Senior Living 30-Yr “A”	5.00%	4.97%	4.93%
Senior Living 30-Yr “BBB”	5.40%	5.37%	5.32%
Senior Living Unrated	6.30%	6.27%	6.06%
Senior Living New Campus	7.30%	7.37%	6.97%
SIFMA Muni Swap Index	3.86%	2.81%	2.11%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.86%	5.85%	2.47%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	04/28	Last week
Prime Rate	8.00	8.00
Federal Funds (weekly average)	4.82	4.82
90 Day T-Bills	4.92	4.94
30-Day Commercial Paper (taxable)	4.83	4.75
Libor (30-day)	5.03	5.01
SOFR	4.81	4.80
7 Day Tax-Exempt VRDB	3.86	2.81
Daily Rate Average	3.85	2.71

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.07	5.07	1 Year	3.00	5.20	4.75	4.15	3.45	3.10
5 Year	3.59	4.84	5 Year	2.38	4.68	4.23	3.63	2.98	2.53
7 Year	3.56	4.96	7 Year	2.30	4.70	4.35	3.75	3.00	2.50
10 Year	3.52	5.22	10 Year	2.35	4.85	4.55	4.00	3.15	2.60
30 Year	3.75	6.05	30 Year	3.39	6.14	5.79	5.24	4.39	3.84

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.53	3.56	-0.03
11 Bond Index	3.43	3.46	-0.03
Revenue Bond Index	3.81	3.84	-0.03
30 Year MMD	3.39	3.40	-0.01
Weekly Tax-Exempt Volume (Bil)	4.23	9.96	-5.73
30 Day T/E Visible Supply (Bil)	5.29	5.77	-0.48
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	117.0	117.6	-0.60

Source: Bloomberg