

FEATURED ARTICLE

THE ANNUAL “LOOK BEHIND...AND LOOK AHEAD”: PART I

As we look back at 2016, and prepare for what the capital markets has to offer in 2017, we reflect back on a year that provided senior living organizations with unprecedented borrowing rates. In July of this past year, MMD (Municipal Market Data) recorded one of its lowest rates ever at 1.93%. Rarely has there been a time when the cost to borrow capital has been so low. Many senior living providers took advantage of these phenomenal rates to access new money or refinance existing debt. Some providers elected to convert short-term variable rate debt into long-term fixed-rate bond debt during this time, in anticipation of additional rate hikes by the Federal Reserve. While the post-election bond market delivered an escalation in rates, the end of the year saw a return to “normal” for what was seen in most of 2016.

Ziegler was very active in assisting providers with their capital needs in 2016, providing its expertise in both the institutional investor market and bank lending market. In 2016, Ziegler completed 51 bond financings: 49 fixed-rate, one letter of credit variable rate, and a bond anticipation notes (BANs) issue for more than \$2.8 billion. This is nearly double the number of fixed-rate bond financings in 2015, which totaled more than \$1.4 billion.

Highlights of the year include a \$209.9 million bond financing for **Acts Retirement-Life Communities (PA)**, plus an additional private placement issue for \$22.3 million; \$130.3 million bond financing for **Presbyterian Retirement Communities Northwest** (now known as **transforming age, WA**); \$130.2 million for **C.C. Young Memorial Home (TX)**; \$124.0 million for **Air Force Villages (TX)** (now known as **Blue Skies of Texas**); and \$122.9 million for **Masonic Homes of Kentucky (KY)**. While a number of Ziegler deals were greater than \$100 million in 2016, providers tapped a varying level of amounts for their needs. Ziegler bond deals averaged nearly \$55 million this past year.

Similar to the 2015 number of Ziegler transactions, Ziegler assisted 28 provider organizations in acquiring capital through bank lending, with the majority through direct bank purchases. The 31 bank-related transactions totaled nearly \$1.0 billion and ranged in value from \$7.0 million for **WindsorMeade (VA)** to a high of \$147.5 million for **Shell Point (FL)**. The Shell Point transaction was Ziegler’s largest bank placement ever in senior living. While a number of these transactions were to refinance existing debt, many also funded campus renovation and repositioning projects.

Ziegler bond financings and bank transactions varied in purpose, with many driven by provider needs for community expansions and repositioning projects, including **Canterbury on the Lake (MI)**, **Friendsview Retirement Community (OR)**, and **Kendal at Hanover (NH)** to name a few. Ziegler also assisted Epworth Living (OK) on its financing for the development of a new Life Plan Community known as **The Ranch (OK)**, which is currently under construction in Stillwater, Oklahoma. Given the appealing interest rates, providers also took advantage of the ability to refund and restructure existing debt along with the new money issuance.

With the recent and planned future increases in interest rates by the Federal Reserve, we encourage providers to take advantage of the continued competitive borrowing rates. As options continue to change and rates are on the move, Ziegler will be ready to provide financing solutions that best meet the short- and long-term interest of senior living providers.

For more information regarding the structure and use of each of these 2016 issues, please see the Electronic Municipal Market Access <http://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

DECEMBER 21-30, 2016

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Park Pointe Village (SC)	Fitch	BBB Negative	Affirmed Rating Revised Outlook	12/21/16
Cornerstone Village (fka Appalachian Christian Village) (TN)	Fitch	BB+ Negative	Downgraded Rating	12/22/16
Christian Care Senior Living Communities (TX)	Fitch	BBB- Negative	Affirmed Rating Revised Outlook	12/22/16
Eskaton and Subsidiaries (CA)	S&P	BBB Stable	Affirmed Rating	12/23/16

This ratings table represents review of the reports released by Fitch Ratings, Standard & Poor's, and Moody's Investors Service and has been compiled by Ziegler Investment Banking.

FEATURED FINANCINGS



\$64,798,800

Refunding, Bank Direct Purchase

ARCADIA FAMILY OF COMMUNITIES

Honolulu, Hawaii



\$39,337,000

New Money, Bank Direct Purchase

UNITED METHODIST RETIREMENT HOMES

Durham, North Carolina



\$26,440,000

Extension, Bank Direct Purchase

ARBOR ACRES

Winston-Salem, North Carolina

INTEREST RATES

FOR THE WEEK ENDING DECEMBER 30, 2016

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.04%	3.11%	2.54%
Senior Living 30-Yr "A"	4.50%	4.65%	3.48%
Senior Living 30-Yr "BBB"	4.85%	5.00%	3.83%
Senior Living Unrated	5.50%	5.55%	4.70%
Senior Living New Campus	6.75%	7.00%	6.39%
SIFMA Muni Swap Index	0.72%	0.73%	0.42%

Source: Ziegler Capital Markets

MARKET REVIEW

MONEY MARKET RATES

	<u>12/30/16</u>	<u>1 WEEK AGO</u>	<u>1 MONTH AGO</u>	<u>1 YEAR AGO</u>
Prime Rate	3.75	3.75	3.50	3.25
Federal Funds (weekly average)	0.62	0.66	0.38	0.31
90 Day T-Bills	0.51	0.50	0.47	0.16
30-Day Commercial Paper (taxable)	0.63	0.43	0.50	0.33
Libor (30-day)	0.77	0.76	0.62	0.42
7 Day Tax-Exempt VRDB	0.72	0.73	0.56	0.02
Daily Rate Average	0.75	0.67	0.55	0.01

COMPARATIVE YIELDS

	GOVT.	TAXABLE REVENUE			BAB	TAX-EXEMPT REVENUE					
		<u>NR*</u>	<u>A</u>	<u>A</u>		<u>MMD</u>	<u>NR**</u>	<u>NR*</u>	<u>BBB</u>	<u>A</u>	<u>AAA</u>
1 Year	0.81	2.25	1.55	1.60	1 Year	0.97	2.50	2.00	2.15	1.65	1.15
5 Year	1.92	4.00	3.95	4.00	5 Year	1.79	3.90	3.75	3.30	2.90	2.20
7 Year	2.24	4.50	4.45	4.50	10 Year	2.31	4.80	4.75	4.10	3.70	2.90
10 Year	2.44	4.75	4.60	4.65	15 Year	2.63	5.10	5.25	4.50	4.15	3.40
30 Year	3.06	6.25	4.70	4.75	30 Year	3.04	5.50	6.00	4.85	4.50	3.60
					5 year EXTRA			4.25			

(* Representative of recent non-rated issues underwritten by Ziegler retail sales); (** Representative of institutional sales.)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	<u>THIS WEEK</u>	<u>LAST WEEK</u>	<u>CHANGE</u>	2016	
				<u>HIGH</u>	<u>LOW</u>
20 Bond Index	3.78	3.83	-.05	4.20	2.80
11 Bond Index	3.31	3.36	-.05	3.75	2.39
Revenue Bond Index	3.90	3.96	-.06	4.25	2.98
30 Year MMD	3.04	3.11	-.07	3.35	1.95
Weekly Tax-Exempt Volume (Bil)	.40	.67	-.27	13.70	0.40
30 Day T/E Visible Supply (Bil)	7.85	5.11	+2.74	20.22	2.65
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	147.05	148.08	-1.03	156.86%	120.33%

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
12/30/16	0.72	3.75	0.62	0.51	0.63	0.77	4.50	-	3.60
12/23/16	0.73	3.75	0.66	0.50	0.43	0.76	4.65	-	3.70
12/16/16	0.55	3.75	0.47	0.50	0.66	0.70	4.60	-	3.70
12/09/16	0.57	3.50	0.41	0.50	0.54	0.65	4.55	-	3.60
12/02/16	0.56	3.50	0.38	0.47	0.50	0.62	4.80	-	3.85
11/25/16	0.55	3.50	0.41	0.48	0.25	0.60	4.55	-	3.60
11/18/16	0.55	3.50	0.41	0.42	0.43	0.55	4.35	-	3.45
11/11/16	0.55	3.50	0.41	0.46	0.41	0.53	3.90	-	3.10
11/04/16	0.56	3.50	0.38	0.37	0.40	0.53	3.55	-	2.85
10/28/16	0.63	3.50	0.41	0.28	0.41	0.53	3.70	-	2.90
10/21/16	0.74	3.50	0.40	0.33	0.41	0.52	3.30	-	2.80
10/14/16	0.83	3.50	0.40	0.29	0.50	0.53	3.35	-	2.80
10/07/16	0.87	3.50	0.40	0.31	0.39	0.52	3.30	-	2.75
09/02/16	0.56	3.50	0.38	0.32	0.39	0.52	2.75	-	2.40
08/05/16	0.44	3.50	0.40	0.26	0.36	0.49	2.90	-	2.45
07/01/16	0.41	3.50	0.39	0.25	0.37	0.46	2.85	-	2.35
06/03/16	0.39	3.50	0.35	0.27	0.38	0.46	3.20	-	2.70
05/06/16	0.39	3.50	0.37	0.18	0.34	0.43	3.30	-	2.90
04/01/16	0.40	3.50	0.35	0.22	0.33	0.43	3.60	-	3.10
03/04/16	0.02	3.50	0.35	0.26	0.36	0.43	3.85	-	3.30
02/05/16	0.02	3.50	0.37	0.28	0.34	0.42	3.65	-	3.15
01/08/16	0.02	3.50	0.35	0.35	0.31	0.42	3.85	-	3.20

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