

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Despite the anticipated release of many closely watched fourth-quarter earnings reports, equity trading volumes were light throughout the week. The political rumblings were an excuse for market participants to not take decisive positions. Small-cap stocks, which are generally more volatile, underperformed the broader market. The five major stock indexes all sold off during the holiday-shortened week. Many of the sectors, including financial and energy companies, that have performed best since the election underperformed, while sectors that have lagged improved. Specifically, consumer staples and utilities fared better, with both having strong weeks.

The week's economic data was decidedly positive, pushing longer-term bond yields higher. Unexpectedly, weekly jobless claims dropped to a two-month low nearing their lowest level in four decades. Housing starts spiked in December and reached their second-highest level since the financial crisis in 2008.

The corporate bond market was defined by demand from domestic and international buyers. Traders noted the overnight demand from Asia for 30-year bonds was particularly strong. The investment-grade corporate bond took advantage with surge in new issuance. The spike in borrowings was met with strong demand. This theme continued in the high yield corporate bond market, the transactions generated healthy investor interest and were oversubscribed.

As for municipals, all eyes were on the City of Chicago financing. The underwriter reported the nearly \$900 million transaction was three times oversubscribed, however the City did pay a spread to MMD (the municipal AAA rated index) of 100 basis points more than they did the same time last year, creating chatter that Cities market access may become challenged going forward. The 10-year MMD closed the week seventeen basis points higher at 2.33%, while 30-year MMD was fifteen basis point higher, finishing at 3.06%. New cash came into the tax-exempt mutual funds with inflows of \$511 million resulting in the four-week moving average of negative \$265 million.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 4-5 for current market rates

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

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FEATURED ARTICLE

ZIEGLER CFO HOTLINESM: TECHNOLOGY SPENDING

In December 2016, a Ziegler CFO HotlineSM survey gathered feedback on technology spending among senior living organizations. This particular study, conducted with input from LeadingAge CAST, revisits polls from 2014 and 2012 devoted to the same topic.

The technology that most providers invested in over the past year was ICT Infrastructures (wireless, etc.). Eighty-one percent (81%) of providers reported investing in ICT in the past 12 months. At least 40% of the respondents invested in the following technologies in the past year:

- Electronic Health/Medical Records (54.1%)
- Electronic Point of Care/Point of Service Technologies (48.6%)
- Resident/Client Access to the Internet (47.7%)
- Access Control/Wander Management Systems (45.0%)
- User-Activated Emergency Response Systems (40.5%)

Organizations were least likely to have purchased Activity Monitoring Technologies (9%), Automatic Fall Detectors (9%), and Shared Care Planning Tools (10.8%). The results also show that in all but one case (Physical Exercise and Rehabilitation Technologies), the multi-site organizations were more likely to have invested in a particular technology in the past year compared to single-site organizations.

Survey respondents were also asked to identify what percentage of their capital and operating budgets were devoted to these technologies in the past 12 months. In general, providers are budgeting between 2%-3% in their total operating budgets, with multi-sites budgeting a slightly higher percentage than single-site providers. Additional questions also asked about the percentage of budgets devoted to technologies for home and community-based services.

A number of additional questions were included in the survey, including comparisons to previous years. For access to the full report of the detailed survey findings, please [click here](#).

LISA MCCRACKEN
SENIOR VICE PRESIDENT
SENIOR LIVING RESEARCH & DEVELOPMENT

PARTICIPATE IN A STUDY OF RESIDENT ENGAGEMENT IN DECISION-MAKING AND TRANSPARENCY IN LIFE PLAN COMMUNITIES

Mather LifeWays Institute on Aging is conducting a study of the ways in which Life Plan Community staff experience and respond to resident interest in transparency and involvement in decision-making within their communities. We'd like to learn from you and others in our industry to identify best practices. We suggest the survey be completed by an Executive Director or someone in a similar role. As a "thank you" for participation in our brief survey, **a complimentary copy of the final aggregate report will be provided to those who take part in the study.**

Click this link to access the survey.

We'd like to thank American Seniors Housing Association, LeadingAge, Ziegler, and Novare for their support of this study. Novare is a consortium of single-site and small-system Life Plan Community providers, whose mission is to accelerate member potential through peer-inspiring, collaborative leadership. If you have any questions, please contact Cate O'Brien at 847-492-6803 or cobrien@matherlifeways.com. Thank you in advance for your time.

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JANUARY 16-23, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Masonic Villages of the Grand Lodge of Pennsylvania (PA)	S&P	A Stable	Assigned Rating Affirmed Rating	1/18/17
Aldersly (CA)	Fitch	BBB+ Stable	Affirmed Rating	1/20/17
Three Pillars Senior Living Communities (WI)	Fitch	A Stable	Upgraded Rating	1/20/17

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.

INTEREST RATES

FOR THE WEEK ENDING JANUARY 20, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.06%	2.88%	2.56%
Senior Living 30-Yr "A"	4.30%	4.20%	3.51%
Senior Living 30-Yr "BBB"	4.70%	4.60%	3.86%
Senior Living Unrated	5.35%	5.25%	4.71%
Senior Living New Campus	6.75%	6.75%	6.38%
SIFMA Muni Swap Index	0.66%	0.67%	0.46%

Source: Ziegler Capital Markets

FEATURED FINANCING



\$3,587,673

Refunding, Bank Direct Purchase

EDGEWOOD SUMMIT

Charleston, West Virginia

MARKET REVIEW

MONEY MARKET RATES

	<u>1/20/17</u>	<u>1 WEEK AGO</u>	<u>1 MONTH AGO</u>	<u>1 YEAR AGO</u>
Prime Rate	3.75	3.75	3.50	3.50
Federal Funds (weekly average)	0.67	0.66	0.66	0.35
90 Day T-Bills	0.50	0.51	0.50	0.28
30-Day Commercial Paper (taxable)	0.65	0.61	0.43	0.34
Libor (30-day)	0.77	0.76	0.76	0.42
7 Day Tax-Exempt VRDB	0.66	0.67	0.73	0.02
Daily Rate Average	0.65	0.65	0.67	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	0.79	2.25	1.50	1.55	1 Year	0.90	2.55	2.00	2.00	1.60	1.05
5 Year	1.93	4.00	3.85	3.90	5 Year	1.66	3.70	3.75	3.10	2.65	2.10
7 Year	2.26	4.50	4.35	4.40	10 Year	2.33	4.65	4.70	4.00	3.45	2.80
10 Year	2.46	4.75	4.45	4.50	15 Year	2.72	5.00	5.00	4.40	3.95	3.30
30 Year	3.04	6.25	4.50	4.55	30 Year	3.06	5.35	5.00	4.70	4.30	3.50
					5 year EXTRA			4.25			

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

TAX-EXEMPT MARKET INDICATORS

	<u>THIS WEEK</u>	<u>LAST WEEK</u>	<u>CHANGE</u>	2017	
				<u>HIGH</u>	<u>LOW</u>
Bond Buyer					
20 Bond Index	3.83	3.72	+0.09	3.83	3.72
11 Bond Index	3.35	3.25	+0.10	3.35	3.25
Revenue Bond Index	3.96	3.83	+0.13	3.96	3.83
30 Year MMD	3.06	2.88	+0.08	3.00	2.88
Weekly Tax-Exempt Volume (Bil)	7.39	6.70	+0.69	7.39	2.92
30 Day T/E Visible Supply (Bil)	7.87	10.65	-2.78	13.37	7.87
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	141.44	142.37	-0.93	147.05%	141.44%

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)		
01/20/17	0.66	3.75	0.67	0.50	0.65	0.77	4.30	-	3.50
01/13/17	0.67	3.75	0.66	0.51	0.61	0.76	4.20	-	3.40
01/06/17	0.68	3.75	0.62	0.51	0.62	0.76	4.40	-	3.55
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
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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
07/01/06	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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