

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Global equities rallied after the Federal Reserve raised its short-term interest rate target range and followed up the rate raise with comments detailing confidence in the U.S. economy. In line with expectations, the Federal Open Market Committee (FOMC) raised the federal funds target by a quarter point (0.25%) to a range from 0.75% to 1.00%. This was the second rate increase of 2017, but only the third fed funds rate increase since the global financial crisis of 2008-09. Following the quarter-point hike, Fed Chairman Janet Yellen articulated the Fed will take a gradual approach to further interest rate hikes.

Chairman Yellen also said, the Fed has a twofold objective of maximizing employment and moderating inflation. The unemployment rate sits at 4.7% and inflation was close to the Fed's 2% target over the 12-month period. The Fed's current forward-looking preference is geared toward tighter monetary policy, but its consensus on economic conditions remained unhurried, forecasting 4.5% unemployment and about 2% inflation for the coming three years. Market participants noted that the futures market is wholly pricing in the next rate hike in September. On the economic front, there was more positive news. The consumer price index (CPI) rose 0.1% in February, with core CPI up 2.2% annually. New housing starts rose 2.8% in February, but building permit issuance fell 6%. Weekly initial jobless claims dropped by 2,000 to 241,000 as the labor market continued to show positive signs.

In reaction to the Fed's gradual rate increasing approach, Intermediate and longer Treasury yields ended the week lower. The 10-year Treasury Note finished the week 12 basis points lower at 2.50%, while the 30-year Bond moved 10 basis points higher to 3.11%. Municipal bonds produced positive returns for the week but underperformed both Treasuries and the broad taxable fixed income market. The municipal AAA yield curve flattened slightly after the announcement from the Fed, with longer-term rates moving marginally lower. The 10-year MMD yield decreased 10 basis points to 2.38 and 30-year MMD finished the week 9 basis points lower at 3.16%

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

2017 FIRST QUARTER: ZIEGLER'S RECOMMENDED READING

Below is the most recent version of *Ziegler's Recommended Reading List* as we near the end of the first quarter of 2017. This is an active time for board and leadership team retreats and many of the articles and white papers below can assist leaders in better understanding some of the key trends and influencers that are shaping senior living today and in the future.

1. **Independent Living Penetration Rates:** This is the latest edition of a series of white papers from Dixon Hughes Goodman on senior living penetration rates. In mid-January they released both an updated white paper for Independent Living penetration rates as well as Assisted Living penetration rates.
2. **Tech-Enabled Home Care: What is it? What could it be?:** This latest white paper from Laurie Orlov, "Aging in Place Technology Watch," is well worth the read. Given the current environment we are in with shortages of caregivers and direct care staff and the increasing solutions presented by technology, this publication is highly relevant to providers and industry experts.
3. **31st Skilled Nursing Facility Cost Comparison Report:** This is an annual report prepared by CliftonLarsonAllen. The report shares financial information gathered from the entire population of nursing facilities nationwide. It provides another benchmarking resources for providers looking to assess how their internal skilled nursing costs compare to peers.
4. **How Full Is Full Enough When it Comes to Senior Living Occupancy?:** We all know that occupancy is a critical measure of the health of a community. What can be less clear is what the sweet-spot is for occupancy and whether that differs by levels of care. This insightful blog posting from GlynnDevins addresses this very question.
5. **Aging Services 2016 Claim Report:** This is the 9th report from CNA on risk-related topics and claims in aging services. This report covers items such as resident falls, pressure ulcers, ongoing challenges and emerging risks, and enterprise risk management.
6. **2017 Survey: The State of Senior Living: An Industry in Transition:** Perkins Eastman has once again conducted a comprehensive assessment of the state of the senior living sector. Industry leadership and professionals provided input into key issue such as boomer expectations, healthcare reform, workforce issues, competition and the middle-market consumer. Click on the link to download the full article and gain insight into what the biggest opportunities and potential threats are in the senior living space.

If you are interested in further information on Ziegler, or have questions regarding any of the content in this article, please contact the Ziegler banker in your region.

LISA MCCRACKEN
DIRECTOR
SENIOR LIVING RESEARCH & DEVELOPMENT

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

MARCH 14 - 21, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Presbyterian Homes Obligated Group (Presbyterian Senior Living) (PA)	Fitch	BBB+ Stable	Affirmed Rating	3/21/17

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 MARCH 17, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.20%	3.24%	2.61%
Senior Living 30-Yr "A"	4.30%	4.34%	3.59%
Senior Living 30-Yr "BBB"	4.80%	4.84%	3.95%
Senior Living Unrated	5.45%	5.49%	4.76%
Senior Living New Campus	6.70%	6.75%	6.43%
SIFMA Muni Swap Index	0.71%	0.62%	0.55%

Source: Ziegler Capital Markets

FEATURED FINANCING

\$85,295,000

Colorado Health Facilities Authority,
Revenue Refunding and Improvement Bonds,
Series 2017A

**FRASIER MEADOWS
RETIREMENT COMMUNITY**

Boulder, Colorado

MARKET REVIEW

MONEY MARKET RATES

	3/17/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	3.75	3.75	3.50
Federal Funds (weekly average)	0.75	0.66	0.66	0.34
90 Day T-Bills	0.73	0.72	0.51	0.29
30-Day Commercial Paper (taxable)	0.82	0.79	0.59	0.35
Libor (30-day)	0.94	0.85	0.77	0.43
7 Day Tax-Exempt VRDB	0.71	0.62	0.65	0.02
Daily Rate Average	0.71	0.57	0.56	0.01

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	0.99	2.25	1.62	1 Year	0.86	2.61	2.25	2.46	1.86	1.36	1.11
5 Year	2.03	4.00	2.86	5 Year	1.67	3.67	3.60	3.42	2.92	2.42	2.07
7 Year	2.32	4.50	3.45	7 Year	2.06	4.16	4.25	4.06	3.56	3.06	2.66
10 Year	2.51	4.75	3.70	10 Year	2.42	4.67	5.00	4.47	4.02	3.52	3.02
30 Year	3.12	6.25	4.56	30 Year	3.20	5.45	5.40	5.25	4.80	4.30	3.80
				5 year ADJ RATE			4.25				

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

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2017 HIGH	LOW
Bond Buyer					
20 Bond Index	4.02	4.02	.00	4.02	3.72
11 Bond Index	3.53	3.53	.00	3.53	3.25
Revenue Bond Index	4.17	4.17	.00	4.17	3.83
30 Year MMD	3.20	3.24	-.04	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	3.09	6.63	-3.54	7.68	2.91
30 Day T/E Visible Supply (Bil)	5.50	6.18	-.68	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	137.82	136.47	+1.35	147.05%	120.39%

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)		
03/17/17	0.71	4.00	0.75	0.73	0.82	0.94	4.30	-	3.80
03/10/17	0.62	3.75	0.66	0.72	0.79	0.85	4.34	-	3.84
03/03/17	0.62	3.75	0.64	0.69	0.65	0.83	4.26	-	3.76
02/24/17	0.65	3.75	0.66	0.49	0.60	0.78	4.09	-	3.69
02/17/17	0.65	3.75	0.66	0.52	0.59	0.77	4.23	-	3.73
02/10/17	0.65	3.75	0.66	0.54	0.61	0.78	4.16	-	3.66
02/03/17	0.65	3.75	0.64	0.49	0.61	0.78	4.35	-	3.55
01/27/17	0.66	3.75	0.67	0.50	0.63	0.77	4.35	-	3.55
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
12/02/16	0.56	3.50	0.38	0.47	0.50	0.62	4.80	-	3.85
11/04/16	0.56	3.50	0.38	0.37	0.40	0.53	3.55	-	2.85
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

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