

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

U.S. stocks again hit all-time highs. Equities rallied again last week, bringing the Dow Jones Industrial Average, the S&P 500 Index, and the Nasdaq Composite Index to fresh record highs. The smaller-cap benchmarks remained marginally below the records they established in the first quarter. Thursday's report of a greater-than-expected drawdown in U.S. oil reserves caused a short-term jump in energy shares, however it was not enough to prevent more declines in oil prices.

Despite being contradictory, employment data appeared to influence a rise in the markets late in the week. A solid report, from payrolls processing firm ADP on May private jobs growth set a positive tone for the equities market signaling that Friday's non-farm jobs data from the federal government would also be strong. The report was a miss, the Labor Department revealed a very small increase of only 138,000 jobs created in May. In addition, there were downward revisions to April's report this along with weak March report resulted in the three-month total increase being the smallest in four plus years.

While having minimal sway on equity markets momentum, the unsatisfactory jobs report from the Labor Department had a more tangible effect on the US Treasury market. Yields decreased on the weak report and hit their lowest level since November. Municipal bonds continued to be supported by strong technicals, with light new issuance and large maturity redemptions creating additional cash to be re-invested. As they indicated they would, Moody's and S&P downgraded the state of Illinois general obligations to one notch above junk status. At month's end, Illinois will start its third consecutive year without a budget in place. The state's governor and legislature continue their impasse on budget negotiations. Illinois has the worst credit rating of any U.S. state.

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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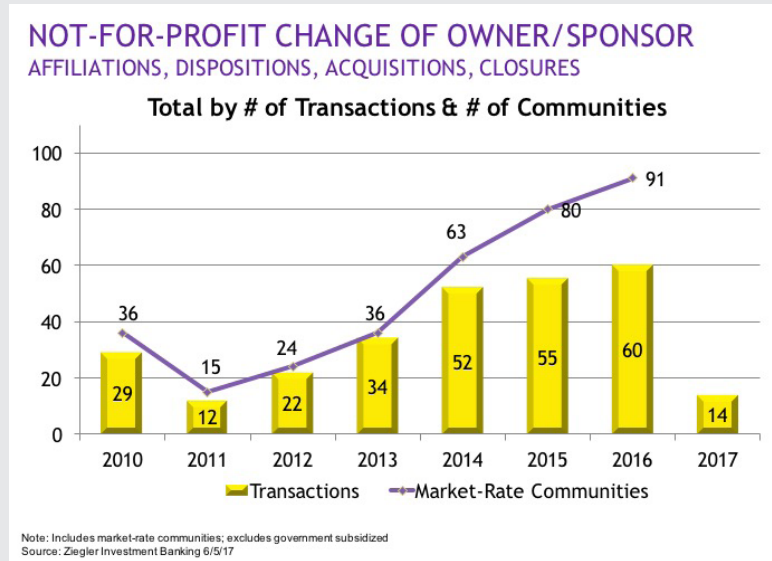


CAPITAL :: INVESTMENTS :: ADVICE

FEATURED ARTICLE

## NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS UPDATE

This issue of Ziegler *Z-News* is intended to give an update on the not-for-profit sponsorship transition activity in senior living. Ziegler has been tracking the number of not-for-profit transitions and has reported record-level activity in recent years. As detailed below, Ziegler is tracking a total of 14 not-for-profit market-rate senior living communities that have changed their sponsor/owner since the beginning of the year. This pace is slightly behind 2016 and 2015, however there are a number of pending situations that will be made public in the near future which will increase this year's total transactions.



A common question is how many of these change-of-owner/sponsor situations stayed not-for-profit or went to for-profit owners and operators. Since 2010, nearly 340 not-for-profit senior living communities have changed hands. Of those 340, roughly 200 represent communities that have been acquired by the for-profit sector. Additionally, 23 not-for-profits have closed during this time, with 70% of those communities being freestanding nursing homes. Life Plan Communities are the most likely to remain not-for-profit compared to other property types.

It is evident that nationally one of the top drivers for this consolidation is the increased complexity of healthcare and the skilled-nursing side of the business, particularly in the post-acute space. While this can vary market-to-market, with providers in metro areas feeling the greatest pressures, all senior living organizations would agree that the skilled nursing business is becoming more and more complex.

Complexities  
of  
Healthcare

- Need large-scale visibility in local market
- Greater market power w/consolidation
- Healthcare consolidation elevating sophistication of local hospitals/health systems
- Need to invest in EHR/EMR platforms

Other key drivers for consolidation in today's senior living environment include the ability to attract talent and workforce management, leadership turnover, technology demands, and financial pressure to name a few.

For more information on Ziegler's support services if you are considering an affiliation, acquisition or disposition, please contact the Ziegler banker in your region. Ziegler will continue to report on the latest sponsorship transition examples in future issues of its *Z-Flash* newsletter.

Source: Ziegler Investment Banking

LISA MCCrackEN  
DIRECTOR  
SENIOR LIVING RESEARCH AND DEVELOPMENT

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

MAY 30 - JUNE 5, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Bishop Gadsden (SC)	Fitch	BBB Stable	Assigned Rating	6/1/17
Life Enriching Communities (OH)	Fitch	BBB- Stable	Assigned Rating	6/2/17

*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.*

**IN YOUR CORNER**
**LEADINGAGE WASHINGTON ANNUAL CONFERENCE & EXHIBITION**

Skamania Lodge Golf Resort  
Stevenson, WA  
June 13-15, 2017

**Session 3**
***The Uncertain Future of Skilled Nursing***

Wednesday, June 14, 2017 | 10:15 am - 11:45 am

*Ziegler Participants: Mary Muñoz & Sarkis Garabedian*

**INTEREST RATES**

FOR THE WEEK ENDING JUNE 2, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.75%	2.82%	2.70%
Senior Living 30-Yr "A"	3.75%	3.87%	3.72%
Senior Living 30-Yr "BBB"	4.25%	4.32%	4.10%
Senior Living Unrated	4.85%	5.07%	4.83%
Senior Living New Campus	6.75%	6.75%	6.52%
SIFMA Muni Swap Index	0.76%	0.78%	0.65%

*Source: Ziegler Capital Markets*

**FEATURED FINANCING**

**\$232,345,000**

Tarrant County Cultural Educational Facilities  
Finance Corporation Retirement Facility  
Revenue Bonds, Series 2017

**BUCKNER SENIOR LIVING - VENTANA**

Dallas, Texas

## MARKET REVIEW

## MONEY MARKET RATES

	6/02/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	4.00	4.00	3.50
Federal Funds (weekly average)	0.89	0.91	0.91	0.35
90 Day T-Bills	0.95	0.91	0.88	0.27
30-Day Commercial Paper (taxable)	0.86	0.86	0.83	0.38
Libor (30-day)	1.08	1.03	0.99	0.46
7 Day Tax-Exempt VRDB	0.76	0.78	0.85	0.39
Daily Rate Average	0.74	0.74	0.75	0.29

## COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.12	2.25	1.63	1 Year	0.81	2.31	2.20	2.21	1.71	1.31	1.06
5 Year	1.72	4.25	2.58	5 Year	1.23	3.13	3.12	2.83	2.38	1.98	1.63
7 Year	1.97	4.75	3.18	7 Year	1.48	3.48	3.54	3.28	2.88	2.38	2.08
10 Year	2.16	5.00	3.37	10 Year	1.90	4.00	4.15	3.80	3.40	2.90	2.50
30 Year	2.81	6.25	4.28	30 Year	2.75	4.85	4.90	4.65	4.25	3.75	3.35
				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	3.61	3.69	-.08	4.02	3.61
11 Bond Index	3.12	3.20	-.08	3.53	3.12
Revenue Bond Index	3.79	3.87	-.08	4.17	3.79
30 Year MMD	2.75	2.82	-.07	3.24	2.75
Weekly Tax-Exempt Volume (Bil)	3.28	5.73	-1.45	7.81	2.23
30 Day T/E Visible Supply (Bil)	6.93	6.71	+.22	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	133.45	133.91	-.46	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)		
06/02/17	0.76	4.00	0.89	0.95	0.86	1.08	3.75	-	3.35
05/26/17	0.78	4.00	0.91	0.91	0.86	1.03	3.87	-	3.42
05/19/17	0.78	4.00	0.91	0.91	0.83	1.00	3.92	-	3.47
05/12/17	0.79	4.00	0.91	0.85	0.84	0.99	4.06	-	3.61
05/05/17	0.85	4.00	0.91	0.88	0.83	0.99	4.08	-	3.63
04/28/17	0.90	4.00	0.90	0.79	0.84	0.99	4.06	-	3.61
04/21/17	0.92	4.00	0.90	0.78	0.83	0.98	3.95	-	3.50
04/14/17	0.89	4.00	0.90	0.79	0.81	0.99	4.01	-	3.51
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
03/31/17	0.91	4.00	0.88	0.76	0.80	0.98	4.13	-	3.63
03/24/17	0.79	4.00	0.90	0.76	0.82	0.98	4.17	-	3.67
03/17/17	0.71	4.00	0.75	0.73	0.82	0.94	4.30	-	3.80
03/03/17	0.62	3.75	0.64	0.69	0.65	0.83	4.26	-	3.76
02/03/17	0.65	3.75	0.64	0.49	0.61	0.78	4.35	-	3.55
01/06/17	0.68	3.75	0.62	0.51	0.62	0.76	4.40	-	3.55
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
07/01/06	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