

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Equity trading volumes were unsurprisingly very light early in the week given the shortened trading session on Monday and the Fourth of July holiday on Tuesday. The major benchmarks posted varied results for the week. The smaller-cap benchmarks, which are traditionally more volatile weakened, while the larger-cap indexes logged small gains. Technology, stocks recorded modest gains on the back of those light volumes. The technology sector has recently been exceptionally volatile by bouncing back on Wednesday it continued this trend. Market Watch and the WSJ Market Data Group reported that the Dow Jones Industrial Average and the S&P 500 Index are currently experiencing their lowest correlation since 2003, the main driver being the greater representation of technology stocks in the S&P.

In a break from the norm, longer-term Treasury yields did not change significantly in response to the jobs report. However, Treasury yields did increase for the week. Significant moves in yield are rare in holiday-shortened weeks, the moves were the result of unclear economic data, the negative influence of European sovereign debt sell offs, and volatility in energy prices. A few notable market experts, including Jeffery Gundlach CEO of DoubleLine Capital are predicting a 3% 10-Year Treasury level by calendar year end, roughly a 60 basis point move from its current level. There is a concern in the market place, that hedge funds that have built up significant treasury positions and will all head for the exits at the same time forcing yields higher in relatively short time frame.

Municipal bonds produced modest losses for the week, but still outperformed Treasuries. While trading in municipals was subdued, a lack of supply again supported the market. On Thursday, Illinois bond prices continued to improve and outperform the high-grade market after the state's two-year budget impasse came to an end. Tax-exempt mutual funds reported outflows of \$458 million for the week. This week's primary market calendar features and uptick of new transactions, roughly \$9.3 billion.

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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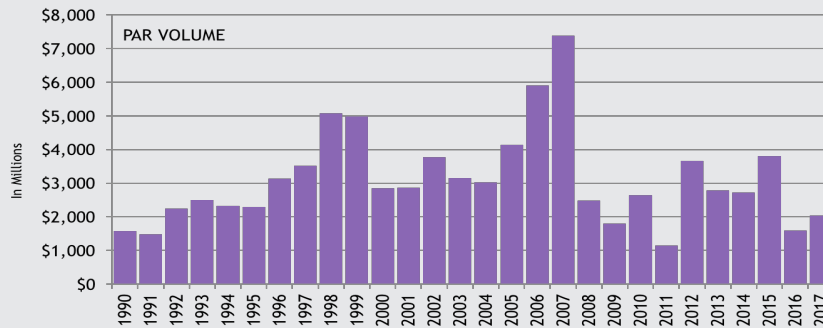
CAPITAL :: INVESTMENTS :: ADVICE

FEATURED ARTICLE

PROJECT FINANCINGS DRIVE SENIOR LIVING DEBT ISSUANCE IN FIRST HALF OF 2017

Senior living tax-exempt debt issuance for the first half of 2017 is up by 28% compared to the same period last year. Total par volume was \$2.036 through June 30th compared to \$1.587 for the same period in 2016. The spike in volume in the first half is due to an increase in new money issuance and refundings stemming from continued low fixed rates. Compared to last year, the percentage of new issuance and refundings are very similar.

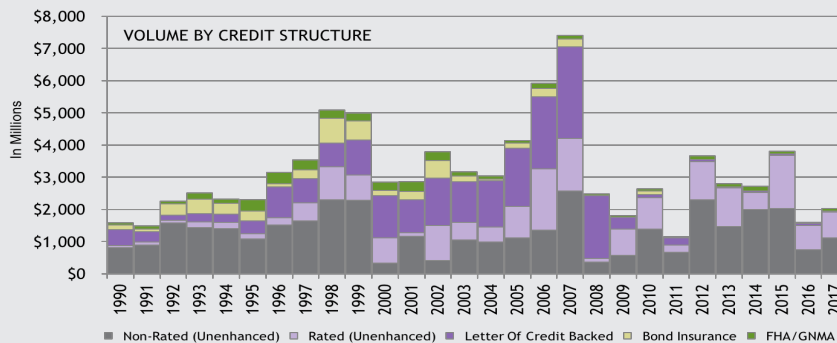
Senior living providers are accessing the public debt markets for project financings. New money issuance in the first half of 2017 was more than \$1.1 billion, compared to the slightly more than \$966 million issued for project financings during the same period last year. Although new money volume in the first half of 2017 accounted for campus expansions, acquisitions, renovations and capital improvements, more than 50% of that financed new community development – this includes two new life plan communities, Ventana by Buckner (TX) and Hillside Village (NH).



SOURCE: Thomson Financial Securities Data; and Ziegler Investment Banking, 6/30/17

In the first half of 2016, refundings were slightly more than \$621 million, down 40% from that of 2015, but in the first half of 2017, refunding issuance increased nearly 25% from the prior year with issuance of more than \$867 million. Although borrowers are still opting for bank direct purchase financings as terms on these loans often extend to 10 years or more, this has slowed somewhat in 2017. With the 30-year fixed rates still low, organizations with fixed-rate debt issued back in 2006-2007 are still taking advantage of the low interest rates by refinancing with fixed rates that are roughly 100 basis points below where they were ten years ago for many rated and non-rated credit categories.

As we have seen in the last few years and as expected this year, much of the bond financing volume in the first half of 2017 has taken the form of fixed-rate issues rather than letter of credit-backed variable rate demand bonds (VRDBs). VRDBs accounted for nearly \$24 million (a 38% decrease from last year's total), as the bank direct purchase transactions mentioned above still drive the bank market. Among fixed-rate issues, rated borrowers made up nearly 40% of the volume, slightly less than the 48% share for rated issuance in 2016 (30% - 40% is typical in recent years).



SOURCE: Thomson Financial Securities Data; and Ziegler Investment Banking, 6/30/17

With the recent rate hike in June and the chance of at least one more rate increase before the end-of-the-year, interest rates are still reasonably low and providers have the opportunity to take advantage of that. We expect that refunding and new money issuance in the second half of the year will be somewhat less than the total volume of 2016.

For more information on volume and market trends, please contact the Ziegler banker in your region.

CATHY OWEN
ASSISTANT VICE PRESIDENT
SENIOR LIVING RESEARCH

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JUNE 30-JULY 10, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Westminster-Canterbury Corp (VA)	S&P	BBB+ Stable	Affirmed Rating	6/30/17
Lifespan (RI)	Fitch	BBB+ Stable	Affirmed Rating	7/5/17
El Castillo Retirement Residences (NM)	S&P	BBB- Stable	Affirmed Rating	7/5/17
Presbyterian Homes Obligated Group (IL)	S&P	BBB+ Stable	Affirmed Rating	7/6/17
Tabor Hills Health Care Facility (IL)	Fitch	BBB Stable	Affirmed Rating	7/6/17

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 JULY 7, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.82%	2.79%	2.76%
Senior Living 30-Yr "A"	3.82%	3.79%	3.80%
Senior Living 30-Yr "BBB"	4.32%	4.29%	4.19%
Senior Living Unrated	4.92%	4.89%	4.87%
Senior Living New Campus	6.75%	6.75%	6.57%
SIFMA Muni Swap Index	0.86%	0.91%	0.69%

Source: Ziegler Capital Markets

IN YOUR CORNER

LEADINGAGE NEW YORK 2017 FINANCIAL PROFESSIONAL'S ANNUAL CONFERENCE

The Saratoga Hilton
Saratoga Springs, New York
August 29-31, 2017

Capital Financing Options for New York Providers
Wednesday, August 30, 2017 | 1:30 pm - 3:00 pm
Ziegler Participant: *Chad Himel*

FEATURED FINANCING



\$10,349,535

New Money/Refunding
Bank Direct Purchase

HILL VIEW RETIREMENT CENTER
Portsmouth, Ohio

MARKET REVIEW

MONEY MARKET RATES

	7/7/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.25	4.25	4.00	3.50
Federal Funds (weekly average)	1.16	1.13	0.91	0.43
90 Day T-Bills	1.03	0.99	1.00	0.28
30-Day Commercial Paper (taxable)	1.08	0.90	1.01	0.36
Libor (30-day)	1.22	1.22	1.09	0.47
7 Day Tax-Exempt VRDB	0.86	0.91	0.74	0.39
Daily Rate Average	0.84	0.93	0.68	0.28

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.21	2.25	1.81	1 Year	0.91	2.41	2.30	2.31	1.81	1.41	1.16
5 Year	1.93	4.25	2.94	5 Year	1.37	3.27	3.26	2.97	2.52	2.12	1.77
7 Year	2.21	4.75	3.56	7 Year	1.61	3.61	3.67	3.41	3.01	2.51	2.21
10 Year	2.37	5.00	3.77	10 Year	2.03	4.13	4.30	3.93	3.53	3.03	2.63
30 Year	2.92	6.25	4.57	30 Year	2.82	4.92	5.00	4.72	4.32	3.82	3.42
				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	3.60	3.58	+02	4.02	3.53
11 Bond Index	3.11	3.09	+02	3.53	3.04
Revenue Bond Index	3.76	3.75	+01	4.17	3.70
30 Year MMD	2.82	2.79	+03	3.24	2.69
Weekly Tax-Exempt Volume (Bil)	.46	4.65	-4.19	7.81	0.46
30 Day T/E Visible Supply (Bil)	8.82	4.13	+4.69	13.37	4.13
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	130.82	133.92	-3.10	147.05%	120.39%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK		LIBOR (30-DAY)	30-YEAR		
				T-BILL RATE	C.P.RATE TAXABLE		T/E BONDS (A-AAA)		
07/07/17	0.86	4.25	1.16	1.03	1.08	1.22	3.82	-	3.42
06/30/17	0.91	4.25	1.13	0.99	0.90	1.22	3.79	-	3.39
06/23/17	0.87	4.25	1.16	0.96	1.09	1.21	3.69	-	3.29
06/16/17	0.81	4.25	1.01	1.01	1.11	1.17	3.70	-	3.30
06/09/17	0.74	4.00	0.91	1.00	1.01	1.09	3.69	-	3.29
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
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
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

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