

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

After a volatile week, equities finished the week with losses. The headlines were led by anxieties over domestic and global conflicts. The Dow Jones Industrial Average's 270-point drop on Thursday put an end to 60 plus straight trading sessions without a fluctuation of 1% up or down the longest streak since the mid-1990s, according to The Wall Street Journal. The S&P 500 was equally as volatile. Early in the week, the S&P 500 Index recorded its biggest one-day gain for the quarter, but returned the majority of those gains on Thursday.

U.S. Treasuries were virtually unchanged for the week. Yields edged higher early in the week on hawkish statements by New York Federal Reserve President William Dudley. Minutes from July's Federal Open Market Committee meeting strengthened expectations for the start of a balance sheet unwinding following the Fed's September 19–20 meeting, but apprehensions about persistently low inflation were also part of the discussion. Robust retail sales figures also pushed yields a marginally higher. Uncertainties that President Trump's political disputes would further stall his administration's pro-growth and tax reform policies drove yields lower on late in the week. The 10-year Treasury note touched its lowest yield in several weeks.

As for municipals, it was a slow summer week and municipal trading activity was limited to roughly 20% below yearly averages. Despite light activity, a constructive tone was evident among several commonly traded names. Supply continues to be very manageable, the Bond Buyer's 30-day visible supply totaled \$6.932 billion, an increase of \$335 million, with \$3.747 billion of negotiated sales and \$3.185 billion of competitive sales. Tax-exempt mutual funds continue to take in new cash with Lipper reporting cash inflows of \$586 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.*

### ZIEGLER

200 South Wacker Drive | Suite 2000  
Chicago, IL 60606

### CONTACT US

800 366 8899  
askziegler@ziegler.com



CAPITAL :: INVESTMENTS :: ADVICE

## FEATURED ARTICLE

## THE EVOLUTION OF CATHOLIC SENIOR LIVING

The announcement this week that Presence Health, based in Chicago, signed a letter of intent to merge with Ascension, demonstrates the continued changes being observed in healthcare and in senior living. In recent years, as part of the annual Catholic Leaders Symposium, Ziegler has worked to dig deeper into the nuances of Catholic senior living and better understand how the trends in healthcare are impacting this specific group of providers. On the senior living front, there is a tale of two worlds in terms of the size of the organizations. Catholic senior living is comprised of a number of large hospital-sponsored systems that have quite a few smaller healthcare facilities, and a small number of organizations somewhere in the middle.

Last year, Ziegler and LeadingAge began adding these health system providers to the LeadingAge Ziegler 150 rankings as the senior living divisions of these organizations have become more defined within the health system and increasingly organized on the post-acute front. As shown in the table below, many of these Catholic providers are part of larger hospital-sponsored entities. The following table provides a sneak peak of the Catholic providers among the 2017 LeadingAge Ziegler 150.

2017 Rank	2016 Rank	System Name	State	Units (as of 12/31/16)			
				Total	ILU	ALU	NCB
5	5	Benedictine Health System	MN	5,270	625	1,484	3,161
8	7	Ascension Senior Living	MO	4,624	937	833	2,854
9	10	Trinity Senior Living Communities	MI	4,198	1,341	640	2,217
16	12	Presence Life Connections	IL	3,362	1,090	256	2,016
18	NR	The Carmelite System, Inc.	NY	3,129	144	421	2,564
34	30	Franciscan Communities, Inc.	IL	1,950	738	438	774
38	39	ArchCare	NY	1,782	0	59	1,723
50	47	Loretto	NY	1,498	282	593	623
52	50	Covenant Health, Inc.	MA	1,476	0	364	1,112
86	127	Saint Therese	MN	946	402	134	410
97	98	St. Ann's Community	NY	863	246	195	422
139	134	Vincentian Collaborative Services	PA	675	66	82	527

Source: 2017 LeadingAge Ziegler 150 Preliminary Rankings

NR: Not Rated in that Year

Catholic senior living providers represent 5 of the largest 25 not-for-profit senior living organizations nationally and account for more than 29,000 market-rate senior living units. One of the unique characteristics of Catholic senior living, compared to other not-for-profit sponsors, is their heavy concentration with assisted living and skilled nursing communities. This is partially related to the health system affiliations, but also driven by the history of many sister-nurses providing care for wounded soldiers during the Civil War. Between 1866 and 1926, nearly 500 hospitals began operating under Catholic sisters.<sup>1</sup> These ministries also grew into a commitment of caring for other vulnerable populations such as older adults. This heavy skilled nursing and post-acute focus also means that these providers are feeling significant pressures from changes brought forth by healthcare reform and payment reform. Consequently, we will likely see continued consolidation in Catholic senior living just as being observed elsewhere in healthcare, but perhaps at a quicker pace than other groups.

On October 28th, Ziegler, LeadingAge and REALM will be hosting the 5th annual Catholic Leaders Symposium for those who are Catholic senior living providers. Trends such as those mentioned in this article will be discussed and case studies from around the country will be highlighted with the overarching goal of continuing the history of Catholic senior living in the country. Ziegler will continue its research and education efforts for Catholic senior living, as well as other faith-based sponsors throughout the country.

If you have any questions regarding the items in this article or anything else related to Ziegler, please reach out to the Ziegler banker in your region.

LISA McCRACKEN  
DIRECTOR  
SENIOR LIVING RESEARCH & DEVELOPMENT

<sup>1</sup>What American nuns built. *Boston Globe*. February 24, 2013.

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

AUGUST 17-21, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Kendal at Ithaca (NY)	S&P	BBB Stable	Affirmed Rating	8/18/17
Life Care Ponte Vedra dba Vicar's Landing (FL)	Fitch	BBB Stable	Assigned IGR Rating	8/21/17
The Highlands at Wyomissing (PA)	Fitch	BBB Stable	Assigned Rating	8/21/17

*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 AUGUST 18, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.77%	2.73%	2.82%
Senior Living 30-Yr "A"	3.67%	3.63%	3.88%
Senior Living 30-Yr "BBB"	4.17%	4.13%	4.29%
Senior Living Unrated	4.77%	4.73%	4.92%
Senior Living New Campus	6.75%	6.75%	6.62%
SIFMA Muni Swap Index	0.77%	0.79%	0.73%

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 FINANCINGS**



**\$6,000,000**  
New Money  
Taxable Term Loan

**CARLETON-WILLARD VILLAGE**  
Bedford, Massachusetts



**\$30,825,167**  
New Money  
Bank Direct Purchase

**WESTMINSTER VILLAGE**  
Bloomington, Illinois



**\$45,500,000**  
New Money  
Bank Direct Purchase

**WAKE ROBIN CORPORATION**  
Shelburne, Vermont

## MARKET REVIEW

## MONEY MARKET RATES

	8/18/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.25	4.25	4.25	3.50
Federal Funds (weekly average)	1.16	1.16	1.16	0.41
90 Day T-Bills	1.00	1.03	1.15	0.30
30-Day Commercial Paper (taxable)	1.07	1.11	1.10	0.27
Libor (30-day)	1.22	1.22	1.22	0.51
7 Day Tax-Exempt VRDB	0.77	0.78	0.82	0.49
Daily Rate Average	0.65	0.63	0.71	0.45

## COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.22	2.00	1.82	1 Year	0.78	2.28	2.19	2.18	1.58	1.23	1.03
5 Year	1.76	4.25	2.76	5 Year	1.15	2.90	3.09	2.65	2.15	1.80	1.55
7 Year	2.00	4.75	3.35	7 Year	1.47	3.37	3.55	3.22	2.77	2.27	2.07
10 Year	2.19	5.00	3.59	10 Year	1.92	3.92	4.16	3.77	3.32	2.82	2.52
30 Year	2.77	6.25	4.42	30 Year	2.77	4.77	4.89	4.62	4.17	3.67	3.37
				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	3.57	3.52	+0.05	4.02	3.50
11 Bond Index	3.08	3.03	+0.05	3.53	3.01
Revenue Bond Index	3.78	3.73	+0.05	4.17	3.70
30 Year MMD	2.77	2.73	+0.04	3.24	2.71
Weekly Tax-Exempt Volume (Bil)	4.28	4.76	-0.48	7.93	0.46
30 Day T/E Visible Supply (Bil)	3.74	4.71	-0.97	13.37	4.13
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	132.49	129.64	+2.85	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)		
08/18/17	0.77	4.25	1.16	0.99	1.07	1.22	3.67	-	3.37
08/11/17	0.78	4.25	1.16	1.03	1.11	1.22	3.63	-	3.33
08/04/17	0.79	4.25	1.14	1.07	1.12	1.23	3.61	-	3.31
07/28/17	0.82	4.25	1.16	1.08	1.09	1.23	3.64	-	3.34
07/21/17	0.82	4.25	1.16	1.15	1.10	1.22	3.71	-	3.31
07/14/17	0.83	4.25	1.16	1.01	1.12	1.22	3.83	-	3.43
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
05/05/17	0.85	4.00	0.91	0.88	0.83	0.99	4.08	-	3.63
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

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