

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Another week and another winning streak for stocks with major bench market indexes again setting new all-time highs. Multiple indexes, including large-caps, achieved their longest winning streaks in four years. What has become a sustained trend in recent months, the broad stock market rally corresponded with exceptionally low volatility. Late in the week, the fear Index, or VIX, closed at the lowest level on record since its inception in the early 1990s. The weather also had a significant influence on the week's carefully watched employment data. The U.S. economy lost 33,000 jobs in September, the first monthly drop in payrolls in over half a decade. The government report highlighted that hurricanes Harvey and Irma had resulted in many of the job losses that were concentrated in the restaurant and service sector.

As for fixed income, Treasury yields increased following the jobs report. Thirty-year Treasury rates rose 5.3 basis points week-over-week, an indication that market participants were not focused on the modest September job losses. Municipal bonds out-performed Treasuries and continued to be supported by high demand and relatively low new supply. While already in receivership from overleveraging the commonwealth's economy with debt, Puerto Rico's benchmark general obligation bonds sold off further after President Trump made statements insinuating that the commonwealth's debt would have to be wiped out as a result of the shattering damage caused by Hurricane Maria. The market pricing reflected the storm's impact even before the President's comments, but after the president's remarks, Puerto Rico's general obligation bonds dropped from about 44 cents on the dollar to 32 cents. After a steady stream of solid inflows throughout the summer, investors in municipal bond funds pulled cash out of the funds in the latest week. The weekly reporters saw \$140.336 million of outflows in the week of Oct. 4, after inflows of \$378.211 million in the previous week.

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

ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART III)

This issue of *Z-News* highlights the closing day of the **20th Annual Ziegler Senior Living Finance + Strategy Conference**. Last week's conference offered more than 650 providers, industry professionals and guests a total of 27 education sessions, valuable partner meetings, memorable activities and unparalleled networking opportunities, all in the backdrop of The Broadmoor in Colorado Springs. Previous issues of *Z-News* covered the first two days of this conference. Friday, the final day of the conference, provided an additional set of educational sessions, followed by the closing general session for all attendees.

As providers continue to reinvest in their communities and plan for new campus growth, knowing the latest design trends and solutions is invaluable. Dennis Boggio (Lantz-Boggio Architects), David Dillard (D2 Architecture) and James Hudgins (THW Design) participated in the **2017 Architects Panel**. The panelists each shared examples of new senior living designs from around the country and also discussed trends related to flexibility in design, repositioning skilled care and a focusing on wellness and hospitality, among others.

As organizations look to position themselves for future growth opportunities and discuss appropriate risk management tactics, a discussion of corporate structure is important. Three providers, including Dale Beiler (Garden Spot Communities), Matt Mauthe (Marquardt Village) and Kim Williams (Simpson Senior Services), participated in **One Size Does Not Fit All: Sophistication in Corporate Structure**. This session highlighted case studies of organizations that have evolved their corporate structures for various purposes and discussed the rationale for recent changes.

An always popular session at the conference is **Advancing Success in Sales & Marketing Techniques**. Experts with specialties in both independent living and healthcare sales and marketing techniques presented along with a senior living provider on what they have found to be successful across various services lines, including an established continuing care at home program. The presenters included Renee Bernasconi (Seabury), Susan Bogan (GlynnDevins) and Kristin Kutac Ward (Solutions Advisors).

Friday morning also offered two breakout sessions devoted to finance-related topics. First, a session for those who tap into government-subsidized programs and alternative sources of capital. In **An Exploration of FHA/HUD Financing Structures**, Bill Mulligan and Ashley Wilkens (Ziegler) updated attendees on the current state of FHA/HUD financing and provided several case studies of recent financings. The second finance-related session was the **2017 Bank Panel**. James Goldsmith (Washington Federal), Mike Taylor (First Midwest Bank) and Linda Walker (TD Bank) engaged in a facilitated dialogue led by Ziegler bankers. Topics included insight into how banks are assessing credit and lending needs, as well as prognostications about the bank lending environment throughout 2017 and beyond.

All attendees gathered for the **Future of Senior Living** closing general session. The speakers shared their perspective on the future outlook of the senior living sector, both in the short- and long-term, and discussed how providers need to prepare for the changes ahead. Laurence Gumina (Ohio Living), Robert Kramer (National Investment Center for Seniors Housing) and Michael Martin (RLPS Architects) participated in delivering this important message.

In closing, we appreciated the support of all conference attendees in making this year's conference another success. Many thanks to all of the guest speakers who shared their expertise and wisdom to make this year's 20th annual event another successful Ziegler senior living conference.

For questions about this issue of *Z-News* or other related topics, please refer to the Ziegler banker in your region.

LISA McCRACKEN
DIRECTOR
SENIOR LIVING RESEARCH & DEVELOPMENT

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

OCTOBER 2-12, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Atherton Baptist Homes (CA)	Fitch	BB Stable	Affirmed Rating	10/12/17
Greencroft Obligated Group (IN)	Fitch	BB+ Stable	Affirmed Rating	10/12/17

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 OCTOBER 6, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.83%	2.85%	2.89%
Senior Living 30-Yr "A"	3.73%	3.75%	3.98%
Senior Living 30-Yr "BBB"	4.08%	4.10%	4.40%
Senior Living Unrated	4.63%	4.65%	5.01%
Senior Living New Campus	6.50%	6.50%	6.69%
SIFMA Muni Swap Index	0.92%	0.94%	0.75%

Source: Ziegler Capital Markets

IN YOUR CORNER
2017 LEADINGAGE ANNUAL MEETING & EXPO

Ernest N. Morial Convention Center
New Orleans, Louisiana
October 29-November 1, 2017

Are Not-For-Profits Relevant and Sustainable?

Session 36-A | Sunday, October 29 | 3:30-5:00 pm
Ziegler Participant: Mary Muñoz

Insights From the Next Generation of Leaders

Session: 151-B | Monday, October 30 | 8:00-9:30 am
Ziegler Participant: Dan Hermann

Expansion Beyond an Existing Life Plan Community

Session: 39-C | Monday, October 30 | 3:30-5:00 pm
Ziegler Participant: Rich Scanlon

Essential Financial Benchmarks for Life Plan Communities

Session: 51-G | Wednesday, November 1 | 8:00-9:30 am
Ziegler Participant: Amy Castleberry

FEATURED FINANCING

\$224,280,000

The Mayor and Council of Rockville,
Economic Development Revenue Bonds &
Revenue Refunding Bonds, Series 2017

INGLESIDE AT KING FARM

Rockville, Maryland

MARKET REVIEW

MONEY MARKET RATES

	10/06/17	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	0.40
90 Day T-Bills	1.04	1.05	1.03	0.31
30-Day Commercial Paper (taxable)	1.10	1.09	1.11	0.39
Libor (30-day)	1.23	1.23	1.23	0.52
7 Day Tax-Exempt VRDB	0.92	0.94	0.78	0.87
Daily Rate Average	0.83	0.95	0.76	0.81

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.31	2.00	1.91	1 Year	0.94	2.19	2.30	2.09	1.69	1.39	1.19
5 Year	1.95	4.25	2.95	5 Year	1.37	2.77	3.30	2.62	2.37	2.02	1.77
7 Year	2.18	4.75	3.53	7 Year	1.64	3.29	3.73	3.04	2.79	2.44	2.24
10 Year	2.34	5.00	3.76	10 Year	2.01	3.82	4.23	3.52	3.27	2.92	2.62
30 Year	2.89	6.25	4.54	30 Year	2.83	4.63	4.97	4.33	4.08	3.73	3.43
				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

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE	2017	
				HIGH	LOW
20 Bond Index	3.63	3.64	-.01	4.02	3.49
11 Bond Index	3.14	3.15	-.01	3.53	3.00
Revenue Bond Index	3.84	3.85	-.01	4.17	3.70
30 Year MMD	2.83	2.85	-.02	3.24	2.66
Weekly Tax-Exempt Volume (Bil)	2.29	7.14	-4.85	7.93	0.46
30 Day T/E Visible Supply (Bil)	5.69	5.19	+.50	13.37	3.67
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	129.06	131.11	-2.05	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)		
10/06/17	0.92	4.25	1.16	1.04	1.10	1.23	3.73	-	3.43
09/29/17	0.94	4.25	1.16	1.05	1.09	1.23	3.75	-	3.45
09/22/17	.0.88	4.25	1.16	1.02	1.10	1.23	3.70	-	3.40
09/15/17	0.82	4.25	1.16	1.03	1.11	1.23	3.66	-	3.36
09/08/17	0.78	4.25	1.16	1.03	1.11	1.23	3.56	-	3.26
09/01/17	0.79	4.25	1.14	0.99	1.11	1.23	3.60	-	3.30
08/25/17	0.78	4.25	1.16	1.01	1.10	1.23	3.63	-	3.33
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
07/07/17	0.86	4.25	1.16	1.03	1.08	1.22	3.82	-	3.42
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

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