

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Another week, more record highs in the stock markets. The major benchmarks finished the week higher and progressed further into record territory. The week marked the seventh consecutive weekly gain for the S&P 500 Index. The technology-heavy Nasdaq Composite Index outperformed, assisted by a surge in Microsoft, Amazon, Alphabet, and Intel in late week trading after their better than expected earnings releases. Late October produced a slew of third quarter earnings reports, with 35% of the S&P 500's components releasing results. The speed of market moving reports picked up on Tuesday, when earnings releases from Caterpillar, 3M and General Motors, provided a lift to the industrials sector. Reports that Amazon had filed for drug distribution licenses in several states applied downward pressure on health care service providers.

The week's economic data was again positive. Midweek, durable goods released September results and orders were up 2.2%. The surprise of the week was new home sales, as they crushed expectations. Month-over-month new home sales were up a massive 18.9% on a survey -1.1%, a clear signal of increased economic activity. On Friday, news that the economy had grown at an annualized rate of 3.0% in the third quarter, in line with the previous quarter and proof of economic resilience in the wake of multiple natural disasters. The strong data brought more speculation that the Federal Reserve could increase its pace of interest rate hikes. The 10-Year U.S. Treasury Bond broke through the 2.40% resistance level for the first time since March.

The headline news in the municipal market was the Illinois issuance of \$4.5 billion of new general obligation bonds issued mid-week; the largest deal in the muni market in eight years. At 'Baa3,' 'BBB-', and 'BBB' the land of Lincoln has the weakest credit rating of any U.S. state. The use of proceeds from the sale was to pay the State's overdue bills, which by some reports, exploded to \$11 billion plus during its multiyear budget standoff. Prices of the shorter maturity portion of the loan had to be reduced to attract buyers, the 10-year bonds priced at 3.74% yield, 175 basis points more than that being offered by 'AAA' rated muni issuers. Investors in municipal bond funds again put cash into the funds in the latest week, according to Lipper data released late Thursday. The weekly reporters saw \$262 million of inflows in the week of Oct. 25, after inflows of \$536 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.

ZIEGLER

200 South Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

800 366 8899
askziegler@ziegler.com



FEATURED ARTICLE

ZIEGLER'S RECOMMENDED READING LIST: Q4 2017

Below is the most recent version of *Ziegler's Recommended Reading List* as we work our way through the fourth quarter of 2017. Our goal is to provide a list of valuable reports, articles and newsletters that directly relate to not-for-profit senior living. These articles and reports can be valuable readings to pass along to board members or leadership teams, particularly when in the midst of strategic planning activities.

1. **Big Book of Perks in Senior Care:** This is a well-written publication produced by OnShift. In a time when staff recruitment and retention is more important (and challenging) than ever, these employee engagement tips are important to consider.
2. **10 Years After the Crisis: Middle-Income Boomers Rebounding but Not Recovered:** One of the notable areas of focus among providers is the large group of Baby Boomers who are reported to have saved little for retirement and in-turn, will have fewer seniors housing and care options available to them. This white paper provides some valuable statistics to help better understand the profile of this consumer cohort.
3. **State Scorecard of Long-Term Services and Supports for Older Adults:** Do you know where your state ranks across the various long-term services and supports for older adults? This report provides not only rankings, but state-by-state statistics across a number of areas including income, percentage with long-term care insurance policies, caregiver support and transitions across care settings. Check out the website and full report for benchmarking and trend data.
4. **Market Feasibility Disrupted: Rethinking Industry Norms:** Plante Moran continues to produce high-quality white papers on topics that are top-of-mind for today's senior living provider. This white paper talks about how changes in senior living are impacting the norms for feasibility research and outlines considerations for new ways of thinking about supply and demand characteristics.
5. **University-Based Retirement Communities...If You Build Them, Will They Come?** This white paper was recently released by PMD Advisory Services. It not only gives a broad-based overview of university-based communities, but also does a deeper dive into a handful of these communities, shedding light on the details of their affiliation with the local college/university.
6. **Addressing the Growing Need for Senior Living Projects Through Tax-Exempt Bonds:** This one is right up our alley! This article is hot off the presses from Orrick and a worthwhile read for providers who might be considering a bond issuance for their upcoming project(s).
7. **The 2017 GuideStar Nonprofit Compensation Report:** This report offers a large-scale nonprofit compensation analysis based entirely on IRS data. The authoritative and comprehensive report gives nonprofits the information they need to establish appropriate compensation. [The cost for a PDF of this Report is \$374].

Ziegler welcomes suggestions on newly released reports or white papers that may be of interest to pass along to others. 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

OCTOBER 24-30, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Friendship Village of Dublin (OH)	Fitch	BBB+ Stable	Affirmed Rating	10/25/17
Active Retirement Community dba Jefferson's Ferry (NY)	Fitch	BBB+ Stable	Affirmed Rating	10/25/17
Peconic Landing at Southold (NY)	Fitch	BBB- Stable	Affirmed Rating	10/25/17

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'S FALL LEADERSHIP SYMPOSIUM

Four Points by Sheraton
SeaTac, Washington
November 9, 2017

Creating Stronger Organizations Through Aggressive Growth Strategies

Thursday, November 9 | 10:30 am -12:00 pm
Ziegler Participant: *Mary Muñoz*

INTEREST RATES

FOR THE WEEK ENDING OCTOBER 27, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.84%	2.69%	2.91%
Senior Living 30-Yr "A"	3.74%	3.59%	4.01%
Senior Living 30-Yr "BBB"	3.99%	3.94%	4.43%
Senior Living Unrated	4.64%	4.49%	5.04%
Senior Living New Campus	6.50%	6.50%	6.72%
SIFMA Muni Swap Index	0.92%	0.91%	0.75%

Source: Ziegler Capital Markets

FEATURED FINANCINGS



\$21,000,000

New Money
Bank Direct Purchase

MENNO HAVEN

Chambersburg, Pennsylvania



\$38,203,127

New Money
Bank Direct Purchase

WESTMINSTER-CANTERBURY OF LYNCHBURG

Lynchburg, Virginia



\$33,915,000

Refunding
Bank Direct Purchase

OAK HAMMOCK AT THE UNIVERSITY OF FLORIDA

Gainesville, Florida

MARKET REVIEW

MONEY MARKET RATES

	10/27/17	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	0.39
90 Day T-Bills	1.09	1.10	1.05	0.27
30-Day Commercial Paper (taxable)	1.14	1.15	1.09	0.39
Libor (30-day)	1.23	1.23	1.23	0.52
7 Day Tax-Exempt VRDB	0.92	0.91	0.94	0.84
Daily Rate Average	0.93	0.90	0.95	0.81

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.41	2.00	2.01	1 Year	0.98	2.23	2.30	2.13	1.73	1.43	1.23
5 Year	2.03	4.25	3.03	5 Year	1.42	2.82	3.30	2.67	2.42	2.07	1.82
7 Year	2.26	4.75	3.61	7 Year	1.68	3.33	3.75	3.08	2.78	2.48	2.28
10 Year	2.42	5.00	3.82	10 Year	2.02	3.82	4.20	3.52	3.17	2.92	2.62
30 Year	2.93	6.25	4.58	30 Year	2.84	4.64	4.91	4.34	3.99	3.74	3.44
				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	3.65	3.53	+0.12	4.02	3.49
11 Bond Index	3.16	3.04	+0.12	3.53	3.00
Revenue Bond Index	3.98	3.86	+0.12	4.17	3.70
30 Year MMD	2.84	2.69	+0.15	3.24	2.66
Weekly Tax-Exempt Volume (Bil)	8.32	4.34	+3.98	8.32	0.46
30 Day T/E Visible Supply (Bil)	5.30	9.11	-3.81	13.37	3.67
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	127.64	127.30	+0.34	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)		
10/27/17	0.92	4.25	1.16	1.09	1.14	1.23	3.74	-	3.44
10/20/17	0.91	4.25	1.16	1.09	1.15	1.23	3.59	-	3.29
10/13/17	0.91	4.25	1.16	1.07	1.13	1.23	3.68	-	3.38
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
07/07/17	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

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