

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS: A YEAR IN REVIEW

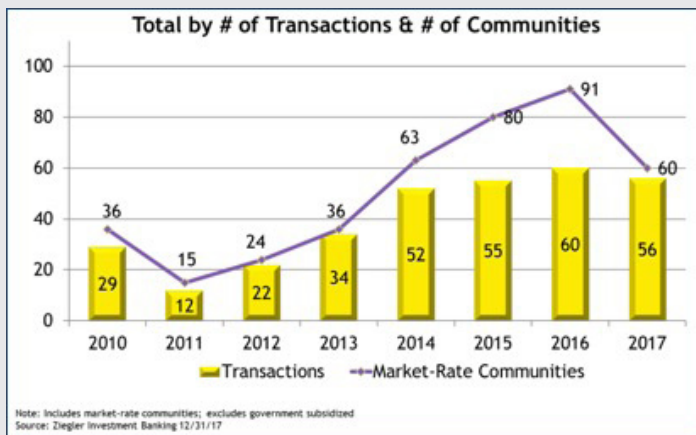
Ziegler remains committed to keeping providers and industry experts on top of the latest trends in not-for-profit senior living sponsorship transitions. The intent of this edition of *Z-News* is to provide a look back at 2017, as well as continued view of the future and what 2018 may offer in terms of not-for-profit affiliations, acquisitions and dispositions.

A Recap of 2017

Interestingly, as detailed in the graph below, the total number of not-for-profit transactions that changed hands was fairly similar across the past three years. What was notably different from the past few years was the total number of market-rate communities. While some additional communities may be identified as part of the data collection process with the LeadingAge Ziegler 200 survey, current year-end totals show 60 total market-rate communities who transferred ownership/sponsorship. This compares to 91 communities in 2016 and 80 communities in 2015. This decrease is attributed to the fact that in 2017, there were fewer large transactions whereby a larger number of communities was part of the affiliation. For example, in 2016, two large transactions included the creation of HumanGood (affiliation between be.group and ABHOW) as well as TransformingAge’s acquisition of eight communities in Minnesota, to name a few.

Looking Ahead to 2018

There has already been a number of exciting affiliations going into 2018. The affiliation between Elim Care and Augustana (MN) continues to move forward and Acts Retirement-Life Communities recently announced that The Evergreens (NJ) recently joined the Acts family of communities. Ziegler is tracking more than 30 situations in which not-for-profit providers are looking to grow through affiliations or acquisitions, as well as organizations who may consider disposing of a community to the for-profit sector. The pressures that are driving the activity among not-for-profit sponsorship remain similar in 2018 as in recent years, although one could argue that the degree of the pressure is somewhat greater. Below are some of the key drivers behind not-for-profit sponsorship transitions.



As a reminder, Ziegler provides consulting services to organizations looking to explore affiliation conversations or to even dispose of a property for equity. For any questions related to this article or to request information on Ziegler’s support services, please reach out to the Ziegler banker in your region.

LISA MCCrackEN
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
ZIEGLER

Roughly half of the transactions were dispositions to the for-profit sector, largely dispositions of nursing homes. This overall percentage is down, suggesting that an increasing number of transactions are strategically driven and less driven from a position of weakness, potentially in a state of financial distress. Consistent with previous years, Life Plan Communities were the most likely to remain under not-for-profit sponsorship. Throughout 2017, there were a total of seven closures, with all but one of them being closures of nursing homes. With the increasing pressures within skilled nursing, particularly the post-acute space, a number of not-for-profit providers are re-examining their commitment to their skilled nursing portfolio.

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

FEBRUARY 29 - MARCH 7, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Saint John's Communities (WI)	Fitch	BBB-Stable	Downgraded Rating Assigned Rating	2/28/18
Franciscan Communities (IL)	Fitch	BBB-Positive	Affirmed Rating Revised Outlook	3/2/18
Marquette (IN)	Fitch	BBB Stable	Affirmed Rating	3/7/18

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 MARCH 2, 2018

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.02%	3.05%	2.82%
Senior Living 30-Yr "A"	3.82%	3.85%	3.75%
Senior Living 30-Yr "BBB"	4.12%	4.15%	4.14%
Senior Living Unrated	4.82%	4.85%	4.78%
Senior Living New Campus	6.50%	6.50%	6.62%
SIFMA Muni Swap Index	1.09%	1.09%	0.93%

Source: Ziegler Capital Markets

IN YOUR CORNER
2018 ZIEGLER & LEADINGAGE MASSACHUSETTS SENIOR LIVING SYMPOSIUM

Crowne Plaza
Natick, MA
March 15, 2018

[Click here for more information](#)

LEADINGAGE PEAK LEADERSHIP SUMMIT


Marriott Wardman Park Hotel
Washington, D.C.
March 18-21, 2018

Ziegler Participants: Amy Castleberry & Keith Robertson
Tuesday, March 20 | 8:00 - 9:30 am
Session: 16-D: CFO Forum

Ziegler Participant: Dan Hermann
Tuesday, March 20 | 8:00 - 9:30 am
Session: 15-D: Technology Forum

Ziegler Participant: Tom Meyers
Tuesday, March 20 | 10:00 - 11:30 am
Session: 17-E: Panel of Pundits: New Partnership Opportunities

FEATURED FINANCING



STEVENSON OAKS
AN MRC HEALTHY LIVING COMMUNITY

MRC STEVENSON OAKS
Fort Worth, Texas

Tarrant County Cultural Education
Facilities Finance Corporation
Retirement Community Revenue
Notes, Series 2018A&B

Bond Anticipation Notes (BANs)

\$15,495,000

MARKET REVIEW

MONEY MARKET RATES

	3/2/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.50	4.50	4.50	3.75
Federal Funds (weekly average)	1.38	1.41	1.39	0.64
90 Day T-Bills	1.63	1.64	1.48	0.69
30-Day Commercial Paper (taxable)	1.65	1.57	1.49	0.65
Libor (30-day)	1.67	1.62	1.57	0.83
7 Day Tax-Exempt VRDB	1.09	1.09	1.08	0.62
Daily Rate Average	1.20	1.20	1.01	0.57

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.04	2.00	2.54	1 Year	1.39	2.64	2.61	2.54	2.14	1.84	1.64
5 Year	2.62	4.00	3.52	5 Year	1.96	3.36	3.60	3.21	2.91	2.61	2.36
7 Year	2.79	4.75	3.94	7 Year	2.17	3.82	3.88	3.59	3.27	2.97	2.67
10 Year	2.86	5.00	4.21	10 Year	2.44	4.24	4.34	3.94	3.54	3.24	2.94
30 Year	3.13	6.25	4.73	30 Year	3.02	4.82	4.94	4.52	4.12	3.82	3.52
				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	2018 HIGH	LOW
Bond Buyer					
20 Bond Index	3.85	3.84	+01	3.86	3.44
11 Bond Index	3.35	3.34	+01	3.36	2.94
Revenue Bond Index	4.34	4.33	+01	4.46	2.92
30 Year MMD	3.02	3.05	-03	3.03	2.56
Weekly Tax-Exempt Volume (Bil)	3.12	4.49	-1.37	5.56	0.71
30 Day T/E Visible Supply (Bil)	5.48	5.17	+0.31	7.16	4.00
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	120.50	121.45	-0.95	124.02%	120.43%

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)		
03/02/18	1.09	4.50	1.38	1.63	1.65	1.67	3.82	-	3.52
02/23/18	1.09	4.50	1.41	1.64	1.57	1.62	3.85	-	3.55
02/16/18	1.00	4.50	1.41	1.59	1.55	1.58	3.83	-	3.53
02/09/18	0.98	4.50	1.41	1.55	1.50	1.57	3.77	-	3.47
02/02/18	1.08	4.50	1.39	1.48	1.49	1.57	3.73	-	3.43
01/26/18	1.16	4.50	1.41	1.42	1.50	1.56	3.58	-	3.28
01/19/18	1.23	4.50	1.41	1.42	1.51	1.55	3.51	-	3.21
01/12/18	1.31	4.50	1.41	1.41	1.51	1.55	3.51	-	3.21
01/05/18	1.47	4.50	1.41	1.40	1.50	1.55	3.36	-	3.06
12/29/17	1.71	4.50	1.38	1.35	1.49	1.56	3.35	-	3.05
12/22/17	1.40	4.50	1.41	1.34	1.65	1.53	3.50	-	3.20
12/15/17	1.11	4.50	1.15	1.29	1.40	1.49	3.37	-	3.07
12/01/17	0.97	4.25	1.13	1.26	1.18	1.37	3.59	-	3.29
11/03/17	0.92	4.25	1.14	1.17	1.13	1.24	3.65	-	3.30
10/06/17	0.92	4.25	1.16	1.04	1.10	1.23	3.73	-	3.43
09/01/17	0.79	4.25	1.14	0.99	1.11	1.23	3.60	-	3.30
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

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