

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Equities logged firm gains and reversed the previous week's sell off. However, in response to the unsettled political environment, markets continue to be volatile. On the week, the Nasdaq outperformed, assisted by Facebook shares, as investors reacted positively to Facebook CEO Mark Zuckerberg's congressional testimony midweek. While tech shares rallied, the energy sector commanded the lion's share of gains in the S&P 500 Index. Crude oil prices ended the week above \$66, their highest price in four years. Real estate and utilities stocks trailed the market rally, as longer-term bond yields increased, making dividend paying shares less attractive.

Even as equities finished the week in positive territory, new geopolitical tensions hit the headlines. Stocks dropped severely in early trading on Tuesday, following communication from President Trump suggesting an attack on Syria in response to the Assad regime's alleged chemical weapons strike on resistant areas. The markets were also rattled by tweets from the President criticizing the Mueller investigation following the FBI's "no knock" seizure of documents from the President's personal attorney. US equities rallied late in the week after the President eased tensions on both topics, tweeting that a Syria strike might not be forthcoming and that he would have already fired Mueller if it were possible.

Longer-term US Treasury bond yields were higher for the week, with the majority of the increase occurring on Thursday, after the publication of data displaying a decrease in weekly jobless claims. The Federal Reserve policy meeting did not have a measurable impact on interest rates despite confirming that Fed officials are anticipating a somewhat faster pace of rate hikes as they become further confident that inflation is nearing the 2% target. Municipal bond prices continued to be supported by light new issuance. Yields moved slightly higher on the short-term end of the municipal yield curve, while bonds with longer maturities held pricing. The few transactions that did come to market were oversubscribed. Investors in municipal bond funds continued to pull cash out of the funds ahead of tax day, according to Lipper data released on Thursday. The weekly reporters saw \$244 million of outflows in the week ended April 11, after outflows of \$247 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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FEATURED ARTICLE

DECONSTRUCTING THE TELEHEALTH INDUSTRY: SOLUTIONS FOR SENIOR LIVING & POST-ACUTE

In 2016, Ziegler Investment Banking released a white paper entitled, “Deconstructing the Telehealth Industry,” which was a comprehensive publication that not only outlined the driving forces for telehealth and programs gaining momentum, but also detailed the representative subsector companies with telehealth solutions. We are proud to share that Ziegler has released an updated version of this white paper that includes an added focus on the Post-Acute and Smart Aging Continuum.

While other sectors within healthcare may be further along in the adoption of telehealth solutions for those they serve, the opportunity within the post-acute and smart aging environments appear to be among the greatest.

- No demographic group has more complex conditions than those age 65 and older.
- Seniors are increasingly adopting various technologies in their daily lives and to manage healthcare needs. This will only increase as the Boomers age.
- Evening and weekend hours for skilled nursing and post-acute providers present great opportunity. Studies have shown the ability to treat over 80% of skilled nursing patients in the skilled setting during these times, avoiding unnecessary hospital visits.¹
- Traditionally, telehealth solutions have been targeted to the post-acute and skilled settings, but the virtual care industry has expanded its aging-based solutions to the entire smart aging population (age 50+), providing new solutions for injury and illness preventions during midlife (proactive vs. reactive care).

Third party reimbursement remains a hurdle, but increasing adoption and legislative trends supporting expanding reimbursement appears to paint a positive future for telehealth. Reimbursement, legal and regulatory policies, and licensure requirements are still evolving facets of the overall telehealth ecosystem.

Senior living and post-acute providers are encouraged to educate themselves on the options available to them for telehealth solutions. The technologies span a multitude of subsectors including in-home monitoring, adherence and compliance, care coordination, and provider services are just a few examples. The white paper provides an outline of representative companies within each subsector.

We want to acknowledge the work of Grant Chamberlain, Managing Director, and a team of others from Ziegler’s Corporate Finance Healthcare Practice for their hard work and subject matter expertise in developing this meaningful report. To access the full white paper, “Deconstructing the Telehealth Industry: Part II,” please [click here](#).

LISA McCracken
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
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Sources:

¹2018 *Telehealth Industry Trends. The Advisory Board. 2018*

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

APRIL 10-17, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Dow Rummel Village (SD)	Fitch	BB Stable	Affirmed Rating	4/13/18
Harrogate Inc. (NJ)	Fitch	BB Negative	Affirmed Rating Revised Outlook	4/17/18

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/YIELDS

(AS OF APRIL 13, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.94%	2.98%	2.81%
Senior Living 30-Yr "A"	3.74%	3.78%	3.70%
Senior Living 30-Yr "BBB"	3.94%	3.98%	4.07%
Senior Living Unrated	4.74%	4.78%	4.73%
Senior Living New Campus	6.50%	6.50%	6.61%
SIFMA Muni Swap Index	1.72%	1.60%	1.01%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.66%	4.66%	1.72%

**Ziegler Senior Living Municipal Long Bond Index
Source: Ziegler Capital Markets*

IN YOUR CORNER
LEADINGAGE INDIANA 2018 SPRING CONFERENCE & TRADE SHOW

Indiana Convention Center
Indianapolis, Indiana
May 7-8, 2018

Ziegler Participant: Tom Meyers

Session 1C: Monday, May 7 | 9:00 – 10:00am

What Does the New Tax Law Mean to Not-For-Profit Borrowers?

LEADINGAGE CALIFORNIA 2018 ANNUAL CONFERENCE & EXHIBITION

Pasadena Convention Center
Pasadena, California
May 7-9, 2018

Ziegler Participant: Sarkis Garabedian

Session 1C: Tuesday, May 8 | 7:30 – 8:30am

Building the Future: New Models for Middle-Income Seniors

Ziegler Participant: Mary Muñoz

Session 3A: Tuesday, May 8 | 2:15 – 4:15pm

The Uncertain Future of Skilled Nursing

FEATURED FINANCING

THE HIGHLANDS AT WYOMISSING

Wyomissing, Pennsylvania

Berks County Industrial
Development Authority,
Healthcare Facilities Revenue Bonds,
Series 2018

\$22,820,000

MARKET REVIEW

MONEY MARKET RATES

	4/13/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.75	4.75	4.50	4.00
Federal Funds (weekly average)	1.68	1.68	1.42	0.90
90 Day T-Bills	1.75	1.71	1.76	0.79
30-Day Commercial Paper (taxable)	1.81	1.82	1.79	0.81
Libor (30-day)	1.89	1.89	1.78	0.99
7 Day Tax-Exempt VRDB	1.72	1.60	1.22	0.89
Daily Rate Average	1.70	1.55	1.23	0.83

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.09	2.59	1 Year	1.63	2.88	2.98	2.78	2.38	2.08	1.88
5 Year	2.67	3.57	5 Year	2.08	3.48	3.58	3.33	2.98	2.73	2.48
7 Year	2.77	3.92	7 Year	2.23	3.88	3.98	3.58	3.23	3.03	2.73
10 Year	2.82	4.17	10 Year	2.40	4.20	4.40	3.85	3.40	3.20	2.90
30 Year	3.03	4.63	30 Year	2.94	4.74	4.94	4.39	3.94	3.74	3.44

(* Representative of 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	3.90	-.05	3.90	3.44
11 Bond Index	3.35	3.40	-.05	3.40	2.94
Revenue Bond Index	4.33	4.38	-.05	4.46	2.92
30 Year MMD	2.94	2.98	-.04	3.05	2.56
Weekly Tax-Exempt Volume (Bil)	3.98	6.62	-2.62	6.62	0.71
30 Day T/E Visible Supply (Bil)	6.86	5.11	+1.75	8.29	4.00
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	123.02	125.16	-2.14	126.26%	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)		
04/13/18	1.70	4.75	1.68	1.75	1.81	1.89	3.74	-	3.44
04/06/18	1.60	4.75	1.68	1.71	1.82	1.89	3.78	-	3.48
03/30/18	1.58	4.75	1.67	1.67	1.84	1.88	3.75	-	3.45
03/23/18	1.36	4.75	1.48	1.72	1.84	1.86	3.80	-	3.50
03/16/18	1.22	4.50	1.42	1.76	1.79	1.78	3.84	-	3.54
03/09/18	1.13	4.50	1.41	1.66	1.75	1.71	3.85	-	3.55
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
01/05/18	1.47	4.50	1.41	1.40	1.50	1.55	3.36	-	3.06
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

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