

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

NOT-FOR-PROFIT SPONSORSHIP TRANSITION UPDATE: Q2 2018

Every few months, Ziegler provides a status update on sponsorship transition activity in the not-for-profit senior living sector. We ended 2017 with roughly 60 not-for-profit transactions, similar to previous years. While the total number of market-rate communities, as part of those transactions, was less in 2017, we anticipate that number will rise throughout 2018 and 2019. This is driven by the fact that there are a number of multi-site organizations who are currently exploring affiliating with one another. A recent example of this is the announcement from Lifespace Communities (#11 in the LZ 150) and Senior Quality Lifestyles Corporation (#36 in the LZ 150) in which they have entered into a letter of intent for a proposed affiliation between the two organizations. Other publicly-announced affiliations among multi-sites this year include Augustana (#30 in the LZ 150) and Elim Care (#41 in the LZ 150), as well as the second-ranked LeadingAge Ziegler 150 organization, The Evangelical Lutheran Good Samaritan Society, who is in talks with Sanford Health.

Below are recent publicly-announced sponsorship transitions within not-for-profit senior living.

- **Acts Retirement-Life Communities Announced Affiliation with The Evergreens:** Acts Retirement-Life Communities, Inc., one of the nation's largest not-for-profit providers of senior living housing and services, and The Evergreens, a continuing care retirement community (CCRC) in Moorestown, New Jersey, have announced that the two organizations have affiliated. Ziegler was formally engaged by The Evergreens in their search for an affiliation partner.
- **The Ensign Group Acquires Texas Post-Acute Care Campus:** The Ensign Group, Inc. (NASDAQ:ENSG), the parent company of the Ensign™ group of skilled nursing, rehabilitative care services, home health care, hospice care and assisted living companies, announced today that it acquired the real estate and operations of Grace Presbyterian Village, a 26-acre post-acute care and retirement campus located in Dallas, Texas. The acquisition was effective May 1, 2018.
- **Heritage Ministries Purchases Rolling Fields Elder Care Community:** David Smeltzer, President and CEO of Heritage Ministries, announced that Rolling Fields Elder Care Community of Conneautville, Pennsylvania has been acquired by Heritage Ministries and its affiliates. Heritage Ministries was founded as the Orphanage and Homes of the Free Methodist Church in 1886 and has grown from its original campus in Gerry, NY to six locations in New York with additional affiliations in the states of Washington and Illinois.
- **Fieldhome sells portions of Yorktown campus for \$28 million:** The owners of Fieldhome, an assisted living, nursing and rehabilitation facility in Yorktown, said that two portions of the organization's campus on Catherine Street were sold to Personal Healthcare LLC for \$28 million.

Additional Noteworthy Trends

Ziegler also recently analyzed the sponsorship transition data further noting that among not-for-profit to not-for-profit sponsorship transitions, 80% of those have been among faith-based providers. Of interest, however, is that only 20% of those transitions are affiliations within the same faith or denomination. While faith and heritage can often be a common link among providers, affiliating purely along lines of faith is less common. About half, however, did affiliate with another faith-based organization (regardless of whether it was within the same faith/denomination).

Knowing that a number of the sponsorship transitions have involved a retiring CEO or an organization that is going through a period of instability with the executive leadership, efforts were made to identify the percentage of sponsorship transitions where this was in fact one of the drivers. In roughly 45% of the situations, the sponsorship transition was accompanied by leadership turnover. Many organizations will simultaneously conduct an executive search for a replacement, but will also engage in conversations about whether an affiliation arrangement should be part of the succession plan.

Ziegler has tracked the closure of not-for-profit communities as well, which total roughly 40 since the year 2010. Given the pressures in the healthcare marketplace, it is not a surprise that 6 out of 10 have been nursing home closures. Interestingly, they have not all been closures of freestanding facilities. Roughly 65% were closures initiated by a parent organization, meaning that the facility was part of a larger system. The Life Plan Communities that have closed during this time period were largely those with heavy healthcare exposure (skilled nursing beds) and those in financial distress.

If you have questions related to information presented in this article or other related matters, please reach out to the Ziegler banker in your region.

LISA McCRACKEN
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
ZIEGLER

ZIEGLER

200 South Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

800 366 8899
askziegler@ziegler.com



CAPITAL :: INVESTMENTS :: ADVICE

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

MAY 22 - 28, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Buckingham Senior Living Community (TX)	Fitch	B Negative	Downgraded Rating Rating Watch	5/25/18

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 MAY 25, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.99%	3.07%	2.82%
Senior Living 30-Yr "A"	3.74%	3.87%	3.68%
Senior Living 30-Yr "BBB"	3.94%	4.07%	4.01%
Senior Living Unrated	4.74%	4.87%	4.69%
Senior Living New Campus	6.50%	6.50%	6.58%
SIFMA Muni Swap Index	1.20%	1.38%	1.09%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.66%	4.68%	1.66%

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

IN YOUR CORNER
LEADINGAGE WASHINGTON ANNUAL CONFERENCE & EXPO

Davenport Grand Hotel
Spokane, Washington
June 18-21, 2018

Ziegler Participant: Sarkis Garabedian
Tuesday, June 19 | 11:00am – 12:30pm
Hot Topics in Senior Living

Ziegler Participant: Daren Bell
Wednesday, June 20 | 10:45am – 12:15pm
Improving Your Organization through Benchmarking

FEATURED FINANCINGS

human good
The Terraces
of Phoenix
a human good community

THE TERRACES OF PHOENIX
Phoenix, Arizona

The Industrial Development
Authority of the City of Glendale,
Arizona, Revenue Refunding Bonds,
Series 2018A

\$19,130,000

human good
Judson Park
a human good community

JUDSON PARK
Des Moines, Washington

Washington State Housing Finance
Commission, Nonprofit Housing
Refunding Revenue Bonds,
Series 2018

\$17,015,000

human good

**HUMANGOOD NATIONAL
OBLIGATED GROUP**

Pleasanton, California

New Money
Bank Direct Purchase

\$20,000,000

human good

**HUMANGOOD NATIONAL
OBLIGATED GROUP**

Glendale, Arizona

Refunding
Bank Direct Purchase

\$16,501,000

MARKET REVIEW

MONEY MARKET RATES

	5/25/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.75	4.75	4.75	4.00
Federal Funds (weekly average)	1.69	1.69	1.68	0.91
90 Day T-Bills	1.85	1.89	1.77	0.91
30-Day Commercial Paper (taxable)	1.84	1.82	1.83	0.86
Libor (30-day)	1.97	1.94	1.90	1.03
7 Day Tax-Exempt VRDB	1.20	1.38	1.75	0.78
Daily Rate Average	0.97	1.21	1.68	0..74

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.18	2.63	1 Year	1.69	2.94	3.04	2.79	2.39	2.09	1.89
5 Year	2.76	3.61	5 Year	2.05	3.45	3.55	3.25	2.90	2.60	2.40
7 Year	2.88	3.93	7 Year	2.29	3.89	4.04	3.54	3.24	3.04	2.74
10 Year	2.93	4.23	10 Year	2.51	4.26	4.51	3.86	3.46	3.26	2.96
30 Year	3.09	4.59	30 Year	2.99	4.74	4.99	4.34	3.94	3.74	3.344

(* 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	3.90	3.95	-05	3.97	3.44
11 Bond Index	3.38	3.43	-05	3.45	2.94
Revenue Bond Index	4.39	4.44	-05	4.46	2.92
30 Year MMD	2.99	3.07	-08	3.14	2.56
Weekly Tax-Exempt Volume (Bil)	2.47	5.90	-3.43	6.62	0.71
30 Day T/E Visible Supply (Bil)	4.27	5.58	-1.31	8.29	4.00
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	121.03	119.81	+1.22	126.26%	119.81%

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)		
05/25/18	1.20	4.75	1.69	1.85	1.84	1.97	3.74	-	3.44
05/18/18	1.38	4.75	1.69	1.89	1.82	1.94	3.87	-	3.57
05/11/18	1.50	4.75	1.69	1.89	1.79	1.92	3.77	-	3.47
05/04/18	1.61	4.75	1.68	1.83	1.85	1.92	3.80	-	3.50
04/27/18	1.75	4.75	1.68	1.77	1.83	1.90	3.94	-	3.64
04/20/18	1.81	4.75	1.68	1.80	1.87	1.89	3.80	-	3.50
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
02/02/18	1.08	4.50	1.39	1.48	1.49	1.57	3.73	-	3.43
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

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