

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

UNRAVELING THE COMPREHENSIVE SENIOR LIVING & SERVICES MODEL

We know that today's consumer has more choices than ever for seniors housing and/or care options. Many senior living providers have diversified and provide both a combination of residential options for older adults, as well as home-based services for those looking for alternatives to living in a community or facility. While we know there is overlap particularly among not-for-profit providers throughout the continuum, may continue to look for options to expand what they offer. Ziegler developed the graphic below to serve as a visual of a comprehensive senior living and service model.



Let us further break down the implications of the graphic.

Spanning the Age Spectrum: Providers are increasingly offering housing and service options to multiple cohorts of older adults. Depending on the offerings already in place, an organization might be more heavily skewed toward an 85+ or 90+ population, particularly those with heavy healthcare. Conversely, those Life Plan Communities who are successfully marketing to the younger Baby Boomers or the Active Adult population, may be serving a much younger generation. The full-service, comprehensive provider has solutions and offerings across each of these generational cohorts. Additionally, with regard to home-based services, there are increasingly providers who not only offer home health or home care to older adults, but to younger adults or even children.

Spanning the Income Spectrum: This is a particularly hot topic in today's planning conversations, particularly as it relates to the "middle market" consumer. You may be an organization that has a variety of communities that cater to a higher-end customer and you may also have Affordable Housing properties in your portfolio. Where the gap exists to a greater extent is the group that falls in the middle. Is there opportunity to offer residential options, or home-based models, that meet the needs of this group.

Residential AND Home-and-Community-Based Offerings: A comprehensive senior living organization clearly would provide both offerings. Not-for-profit providers in particular are likely to extend their brand beyond bricks and mortar to provide care options in the greater community. These can range from home health, home care, Continuing Care at Home programs, PACE (Program for All-Inclusive Care for the Elderly), and much more. There is great opportunity to continue to diversify service lines through these types of platforms.

Maximizing Partnerships: Does any one organization need to be the end-all, be-all across every service offering and every income group? The answer is clearly no. However, there is opportunity for diversity to a greater extent, which expands missions, builds upon an existing brand in the market, and spreads risk (and revenue streams) across multiple lines. On the services front, it is not uncommon to achieve a number of those offerings through joint ventures or partnerships. Ziegler encourages these relationships and innovative models being developed. Maximizing partnerships, particular in regional and market-level geographic areas, makes great sense to building out the comprehensive senior living and services model.

The one final area of growth that is not called out in the graphic above relates to 'other' -- the ability to develop expertise in a particular area and create ancillary businesses that provide services to other providers. For example, some senior living providers have developed expertise in developing middle-market housing and have expanded to provide consulting and development to others. Some providers have come to successfully offer third-party management services and have built out successful platforms for such. Last, some have created robust home health and hospice capacities and partner with other providers to navigate these business lines. We encourage organizations to think creatively about expanding their business/service lines through these types of structures as well.

In closing, we feel it is important to have the conversation within your organization as to where along the continuum you may be able to grow or partner with others. It may be doing a better job of expanding services beyond the retirement community or there may be an opportunity to hit a different economic group than in recent years. We do not feel organizations need to be everything to everyone, but there can be potential in rounding out and expanding beyond what you currently offer.

For questions about anything in this article or other related items, we encourage you to reach out to the Ziegler banker in your region.

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CAPITAL :: INVESTMENTS :: ADVICE

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JULY 2 - 9, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Wesley Enhanced Living (PA)	Fitch	BB Stable	Affirmed Rating	7/2/18
General German Aged People's Home of Baltimore (Edenwald) (MD)	Fitch	BBB Stable	Affirmed Rating	7/9/18
Givens Estates (NC)	Fitch	BBB+ Positive	Assigned Issuer Default Rating	7/9/18
The Presbyterian Homes Obligated Group (NC)	Fitch	A- Stable	Affirmed Rating	7/9/18
United Methodist Retirement Communities (MI)	Fitch	BBB+ Stable	Affirmed Rating	7/9/18

**IDR - Issuer Default Rating (FitchRatings)*

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 JULY 6, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.92%	2.94%	2.84%
Senior Living 30-Yr "A"	3.67%	3.69%	3.68%
Senior Living 30-Yr "BBB"	3.87%	3.89%	3.98%
Senior Living Unrated	4.62%	4.69%	4.67%
Senior Living New Campus	6.50%	6.50%	6.55%
SIFMA Muni Swap Index	1.19%	1.51%	1.14%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.66%	4.67%	1.74%

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

FEATURED FINANCINGS


THE HEARTHSTONE
AT GREEN LAKE

THE HEARTHSTONE
Seattle, Washington

Washington State Housing Finance Commission, Nonprofit Housing Revenue and Refunding Revenue Bonds, Series 2018A&B

\$44,725,000

MARKET REVIEW

MONEY MARKET RATES

	7/06/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.00	4.75	4.25
Federal Funds (weekly average)	1.90	1.90	1.69	1.16
90 Day T-Bills	1.91	1.90	1.92	1.03
30-Day Commercial Paper (taxable)	1.96	2.00	1.92	1.08
Libor (30-day)	2.09	2.09	2.02	1.22
7 Day Tax-Exempt VRDB	1.19	1.51	1.05	0.86
Daily Rate Average	0.98	1.50	1.00	0.84

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.30	2.75	1 Year	1.49	2.74	2.84	2.59	2.19	1.89	1.69
5 Year	2.75	3.60	5 Year	1.98	3.38	3.48	3.18	2.83	2.53	2.33
7 Year	2.79	3.84	7 Year	2.22	3.82	3.97	3.47	3.17	2.97	2.67
10 Year	2.82	4.12	10 Year	2.45	4.20	4.45	3.80	3.40	3.20	2.90
30 Year	2.93	4.43	30 Year	2.92	4.62	4.92	4.27	3.87	3.67	3.37

(* 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	3.86	3.87	-0.01	3.97	3.44
11 Bond Index	3.34	3.35	-0.01	3.45	2.94
Revenue Bond Index	4.35	4.36	-0.01	4.46	2.92
30 Year MMD	2.92	2.94	-0.02	3.14	2.56
Weekly Tax-Exempt Volume (Bil)	5.49	3.98	+1.51	6.62	0.71
30 Day T/E Visible Supply (Bil)	6.06	0.63	+5.43	8.29	0.63
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	125.25	124.66	-0.59	126.26%	118.68%

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)		
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37
06/29/18	1.51	5.00	1.92	1.90	2.00	2.09	3.69	-	3.39
06/22/18	1.50	5.00	1.90	1.91	1.95	2.09	3.70	-	3.40
06/15/18	1.33	5.00	1.74	1.93	1.97	2.08	3.76	-	3.46
06/08/18	1.05	4.75	1.69	1.92	1.92	2.02	3.73	-	3.43
06/01/18	1.06	4.75	1.69	1.91	1.86	1.98	3.62	-	3.32
05/24/18	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
04/06/18	1.60	4.75	1.68	1.71	1.82	1.89	3.78	-	3.48
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

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