ZIEGLER INVESTMENT BANKING

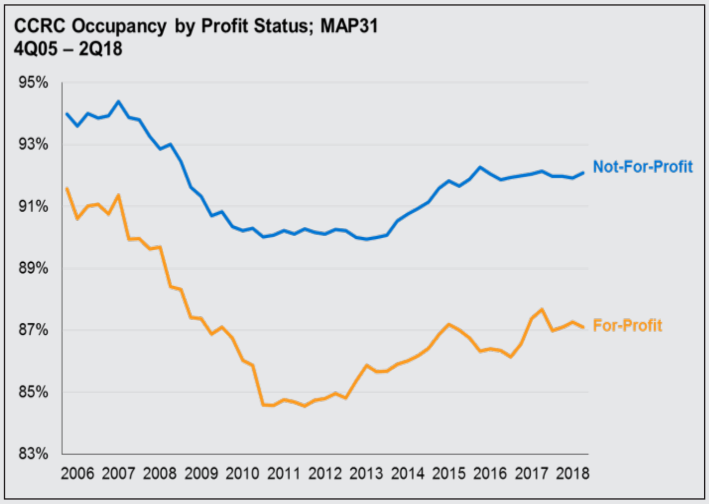
SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

SENIORS HOUSING OCCUPANCY: HOW ARE LIFE PLAN COMMUNITIES FARING?

The National Investment Centers for Seniors Housing & Care (NIC) just released the second quarter 2018 market performance indicators, including the all-important occupancy figures. Seniors Housing overall has reached its lowest occupancy levels in recent history with occupancy reported at 87.8% overall. Much of this drop is attributed to the increase in newly built, unoccupied units in various markets throughout the country. As new development remains high, particularly among assisted living and independent living developers, the new inventory is not filling up at the pace to maintain occupancy in the 90s. For not-for-profit senior living organizations, who are largely active in the continuing care space, there are often questions about how the seniors housing occupancy compares against the figures for Life Plan Communities (aka Continuing Care Retirement Communities (CCRCs)).

NIC does track the CCRC occupancy, which has fared more favorable than the seniors housing occupancy overall. During the second quarter of 2018, CCRC occupancy was 90.9%, with the highest figures in the Northeast and the lowest occupancy reported in the Southwest. Statistics from the Ziegler National Life Plan Community Database have confirmed that roughly 8 out of 10 Life Plan Communities nationally are sponsored by not-for-profit organizations. For that reason, it is often helpful to further examine the occupancy data for not-for-profit communities versus those owned by the private, for-profit sector. NIC has been proactive in teasing out these figures and sharing the information with Ziegler. As depicted in the graph below, the not-for-profit occupancy is nearly 5% above the for-profit occupancy figures.



Source: NIC MAP Data Service, Q2 2018

Further Understanding CCRC Occupancy

It is important to note that the not-for-profit new community development has been relatively flat coming out of the recession, with a small number of new Life Plan Communities under development. For this reason, the not-for-profit occupancy is largely reflective of stabilized occupancies and not new, yet-to-be occupied units in the market. Additionally, not-for-profit Life Plan Communities are more likely to be entrance-fee type of communities compared to rental-only. That is generally the opposite of the for-profit Life Plan Communities, which are primarily rental-based contracts without an up-front entrance fee. We also know from the NIC data that occupancy levels for entrance-fee communities are above those of rental-only Life Plan Communities.

It should also be pointed out that while the number of new not-for-profit Life Plan Communities have slowed down, the existing communities have been heavily invested in recent years. Not-for-profit providers have been very active with campus reinvestment, whether it be expanding and further building out the existing campus or repositioning a community. These efforts to improve the community look and feel and offerings has also contributed to the higher occupancy levels and increased alignment with expectations of the prospective residents.

Ziegler will continue to work with NIC to fully understand the national and regional status of not-for-profit occupancies and the overall performance of Life Plan Communities. We recognize that there are market differences and variation even within the levels of care of the Life Plan Community, but the overall favorable occupancies bode well for those in the continuing care business.

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

LISA MCCRACKEN
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ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JULY 10 - 16, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Lifespace Communities (IA)	Fitch	BBB Stable	Downgraded Rating Assigned Rating	7/10/18
Otterbein Homes nka Otterbein Senior Lifystyle Choices (OH)	S&P	A- Stable	Affirmed Rating	7/10/18
Westminster-Canterbury on Chesapeake Bay (VA)	Fitch	A- Stable	Assigned Rating	7/10/18
Buckingham Senior Living Community (TX)	Fitch	CC Negative	Downgraded Rating	7/11/18
Presbyterian Retirement Communities Northwest Obligated Group nka Transforming Age (WA)	Fitch	BB+ Stable	Affirmed Rating	7/11/18
The Evangelical Lutheran Good Samaritan Society (CO)	S&P	BBB Positive	Revised Outlook	7/12/18
Rolling Meadows (TX)	Fitch	BB+ Stable	Affirmed Rating	7/12/18

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 JULY 13, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.91%	2.92%	2.84%
Senior Living 30-Yr "A"	3.66%	3.67%	3.67%
Senior Living 30-Yr "BBB"	3.86%	3.87%	3.97%
Senior Living Unrated	4.66%	4.62%	4.66%
Senior Living New Campus	6.50%	6.50%	6.55%
SIFMA Muni Swap Index	1.01%	1.19%	1.14%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.66%	4.66%	1.76%

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

FEATURED FINANCINGS

Acts
RETIREMENT-LIFE COMMUNITIES
Where Loving-Kindness Lives

ACTS RETIREMENT-LIFE COMMUNITIES OBLIGATED GROUP
West Point, Pennsylvania

Palm Beach County Health Facilities Authority (Florida), Retirement Communities Revenue Bonds, Series 2018A

$46,815,000

Acts
RETIREMENT-LIFE COMMUNITIES
Where Loving-Kindness Lives

ACTS RETIREMENT-LIFE COMMUNITIES OBLIGATED GROUP
West Point, Pennsylvania

Delaware Economic Development Authority (Delaware), Retirement Communities Revenue Bonds, Series 2018B

$35,775,000

Acts
RETIREMENT-LIFE COMMUNITIES
Where Loving-Kindness Lives

ACTS RETIREMENT-LIFE COMMUNITIES OBLIGATED GROUP
West Point, Pennsylvania

South Carolina Jobs Economic Development Authority (South Carolina), Retirement Communities Revenue Bonds, Series 2018C

$21,540,000

Montgomery County Industrial Development Authority (Pennsylvania)

Refunding / New Money
Bank Direct Purchase
$31,615,000

Wisconsin Public Finance Authority (Wisconsin)

Refunding
Bank Direct Placement
$32,065,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

The majority of major benchmarks had volatile weeks, but finished the week for gains. Only the Russell 2000 finished the week in negative territory. The Nasdaq Composite finished the week at a new record high, and the DJIA finished the week up over 550 points. Trading volumes were quiet for most of the week as many investors awaited the late week rush of the second-quarter earnings report. On Friday major banks released earnings; three major US banking institutions had impressive results.

The give and take of trade concerns continued to dictate market sentiment for much of the week. The absence of any negative reports on the trade front, over the preceding weekend, assisted equities in getting off to a strong start on Monday. Midweek, stocks sold off as trade tensions returned, after reports that the U.S. was preparing to act on their threat to impose tariffs on an additional $200 billion worth of Chinese goods. The absence of an instant response from the Far East was met with relief and stocks rebounded on Thursday. Investors also seemed pleased by President Trump's announcement of his attendance at the NATO summit in Brussels. The effect of international trade quarrels was apparent in producer prices, which rose 0.3% in June. On an annualized basis, if this pace continues, the producer price index will rise 3.4%, which would be the fastest increase in nearly a decade. Increased prices for construction materials look as if to be behind much of the spike, signifying that the metal tariffs recently put in place are driving up input costs.

As for domestic fixed income markets, inflation concerns eased. The yield on the benchmark 10-year Treasury note ended unchanged after rising a bit early in the week. Positive technical conditions continued in the municipal market, as July coupon reinvestment and a net negative supply (more investable roll over cash then new issue). Demand has been particularly strong for shorter-maturity bonds. Investors in municipal bond funds reversed course and put cash back into the funds in the latest reporting week, according to Lipper data released on Thursday. The weekly reporters saw $650 million of inflows in the week ended July 11, after outflows of $189 million in the previous week -- the first outflow since May 2.

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.

MARKET REVIEW

MONEY MARKET RATES

	7/13/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.00	5.00	4.25
Federal Funds (weekly average)	1.90	1.90	1.74	1.16
90 Day T-Bills	1.96	1.91	1.93	1.01
30-Day Commercial Paper (taxable)	1.97	1.96	1.97	1.12
Libor (30-day)	2.07	2.09	2.08	1.22
7 Day Tax-Exempt VRDB	1.01	1.19	1.33	0.83
Daily Rate Average	0.58	0.98	1.40	0.71

COMPARATIVE YIELDS

	TAXABLE REVENUE	
	GOVT	A
1 Year	2.34	2.79
5 Year	2.72	3.57
7 Year	2.79	3.84
10 Year	2.82	4.12
30 Year	2.93	4.43

	MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.45	2.70	2.80	2.55	2.15	1.85	1.65
5 Year	1.93	3.33	3.43	3.13	2.78	2.48	2.28
7 Year	2.16	3.76	3.91	3.41	3.11	2.91	2.61
10 Year	2.41	4.16	4.41	3.76	3.36	3.16	2.86
30 Year	2.91	4.66	4.91	4.26	3.86	3.66	3.36

(Representative of retail sales.); (** Representative of institutional sales.)*

TAX-EXEMPT MARKET INDICATORS

				2018	
Bond Buyer	THIS WEEK	LAST WEEK	CHANGE	HIGH	LOW
20 Bond Index	3.85	3.86	-.01	3.97	3.44
11 Bond Index	3.33	3.34	-.01	3.45	2.94
Revenue Bond Index	4.34	4.35	-.01	4.46	2.92
30 Year MMD	2.91	2.92	-.01	3.14	2.56
Weekly Tax-Exempt Volume (Bil)	5.49	4.60	+.89	6.62	0.71
30 Day T/E Visible Supply (Bil)	7.88	6.06	+1.82	8.29	0.63
30 year “A” Rated Hospitals as a % of 30 Year Treasuries	124.91	125.25	-.34	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)		
07/13/18	1.01	5.00	1.90	1.96	1.97	2.07	3.66	-	3.36
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
04/06/18	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.