

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### FEATURED ARTICLE

## ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART I)

We are very excited to share highlights of the **21st Annual Ziegler Senior Living Finance + Strategy Conference** coming up September 12th-14th at The Hyatt Hill Country Resort and Spa in San Antonio, Texas. Ziegler staff will be joined by more than 650 attendees ranging from the country's leading senior living executives, business firms, banks, and investors. We appreciate the commitment of more than 60 guest speakers (outside of Ziegler staff) who will share their expertise and best practices across the three-day event.

Beginning on Wednesday, attendees will supplement their planned morning activities with afternoon pre-conference sessions. In a session developed specifically for the more than 80 Board Members registered for the conference, a panel of CEOs and Board Chairs will participate in a session entitled **High-Performing Boards & Governance Models**. This session will be a lively panel discussion among Luanne Fisher and Reverend Fred Hopke (Liberty Lutheran), Sloan Bentley and LaVerne Epp (Lifespace Communities) and Justine Vogel and Beth Roberts (The RiverWoods Group).

Those interested in a primer on senior living finance and risk management should attend **Senior Living Finance 101 and Risk Management 101**, presented by Ziegler's own Matt Mulè, Keith Robertson and Scott Determan. Knowing the dynamic construction environment in today's seniors housing marketplace, a Wednesday afternoon session will be devoted to an update on **Senior Living Construction**, presented by Chris Harrison from The Weitz Company and Ken Ogden with LECESSE Construction. To round-out the pre-conference activities, the annual meeting of the **Ziegler Link•age Fund (ZLF) Limited Partners** will take place on Wednesday afternoon. Limited Partners will network with fellow investors, hear updates on the fund initiatives, and discuss future investment goals.

Dan Hermann, Don Carlson, Rich Scanlon, Tom Meyers, Mary Muñoz and Lisa McCracken will officially open the conference on Thursday morning with the **State of Senior Living and the Senior Living Capital Markets 2018**. The opening session will lay the foundation for the conference, touching on the key themes impacting senior living providers today, as well as the healthy state of the senior living capital markets. All in attendance will be provided with data-driven insights and commentary into the current senior living sector and will be inspired to move forward with advancing the work of their respective organizations. The opening session will be followed by a series of robust break-out general sessions, including the following:

- **System Trends: Investigating the Dynamics of Proactive System Providers.** Terri Cunliffe (Covenant Retirement Communities), Keith Frndak (Concordia Lutheran Ministries) and Loren Ranaletta (Episcopal SeniorLife Communities) will join Ziegler's Dan Hermann and Tom Meyers in this popular annual conference session. These three esteemed industry providers will share their insights into topics such as the impact of healthcare reform, system growth, partnerships, and senior living strengths and challenges.
- **New Campus Development and Significant Expansions.** Presenters will talk about recent new campus and expansion growth, sharing general project overview materials, keys to success, unique opportunities, and lessons learned. Mark Andrews (Greystone) will give attendees an industry overview on campus growth and trends in development while Ron Jennette (Methodist Retirement Communities) will share about their growth through new campus development, and Kathi Wilson Rogers (Village on the Isle) will present a case study of a significant campus expansion.
- **Successful Models for the Home & Community-Based Services Market.** To bring forth important topics for providers who offer, or are considering offering, services to the greater community, two provider organizations will share how their service platforms have been brought to older adults in the greater community. Maria Buehler (Friends Life Care Partners) will give an overview of their continuing care at home program and how that program has also resulted in joint ventures with other senior living providers. Lee Syria (United Church Homes and Services) will discuss their growth in HCBS through PACE, home health and home care services.
- **Successful Models Geared Toward the Middle-Income & Affordable Market.** We know that there is much focus on preparing for the next generation of seniors with specific attention being paid to the income brackets of a number of Boomers. Three providers will talk about their organization's journey and history of serving the middle market and older adults in need of government assistance. Mark Celigo (Redstone Highlands Senior Living Communities) will talk about their organization's conversion of an entry-fee product to rental at one of its communities while Christopher Tomlin (Methodist Homes of Alabama & Northwest Florida) will share not only their historical commitment over many decades, but specifically an affordable model for Assisted Living. Steve Protulis (Elderly Housing Development & Operations Corporation) will round out the session with an overview of their organizational commitment to tax-credit and Affordable Housing properties.

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FEATURED ARTICLE (CONTINUED)

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**Institutional Investor Panel:** The fixed-rate bond market has been a standard finance vehicle for many years and 2018 is no exception. This annual session will consist of a panel of institutional investors, Lee Arnold (T. Rowe Price), Neene Jenkins (AB Global), Rob Wetzler (ORIX), and a rating agency, Paul Rizzo (Fitch Ratings), who will share their perspectives on senior living credits. This session is intended to be interactive, so attendees are encouraged to come prepared with questions!

These are just a snapshot of the start of the conference. Stay tuned for upcoming issues of *Z-News* for more detailed information on additional sessions such as system sophistication, sponsorship transition activity, single-site providers in the spotlight, and the for-profit marketplace, to name more than a few.

LISA MCCRACKEN  
DIRECTOR, SENIOR LIVING RESEARCH AND DEVELOPMENT  
ZIEGLER

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

AUGUST 15 - 28, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Lutheran Senior Services (MO)	Fitch	BBB Stable	Affirmed Rating	8/15/18
HumanGood (formerly SCPH) (CA)	Fitch	BBB+ Stable	Affirmed Rating	8/23/18
Querencia at Barton Creek (TX)	Fitch	BBB- Stable	Affirmed Rating	8/28/18

*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 AUGUST 24, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.00%	3.01%	2.87%
Senior Living 30-Yr "A"	3.80%	3.76%	3.68%
Senior Living 30-Yr "BBB"	3.95%	3.96%	3.94%
Senior Living Unrated	4.70%	4.71%	4.66%
Senior Living New Campus	6.50%	6.50%	6.52%
SIFMA Muni Swap Index	1.58%	1.57%	1.19%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.69%	4.69%	1.69%

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

**FEATURED FINANCINGS**

**LIFESPACE COMMUNITIES**

West Des Moines, Iowa

 Iowa Finance Authority,  
Revenue Bonds,  
Series 2018A

**\$134,695,000**

**LIFESPACE COMMUNITIES**

West Des Moines, Iowa

 Palm Beach County Health Facilities  
Authority, Revenue Bonds,  
Series 2018B

**\$30,230,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

The five most highly watched equity indexes posted gains for the week. The technology-heavy Nasdaq Composite Index and the Russell 2000 Index of small-cap companies led the way, both outpaced the advance of the broad S&P 500 Index. As a result, growth stocks extended their extensive performance advantage over value shares year-to-date. Crude oil prices spiked, ending the week at \$68, up nearly 6% as the energy market reacted to expected sanctions on Iran and anticipated tightening on global oil production. As widely reported, the S&P 500 Index touched a record for the longest-running bull market. The S&P 500 is up more than 2000 points since the bottom of the global financial crisis in 2009.

Late in the week, Fed Chair Powell reiterated his goal of gradual pace of the Fed's rate hikes in a speech at the annual economic symposium in Jackson Hole, Wyoming. Powell's language was very direct, he said measured increases are appropriate with the current levels of inflation and unemployment. Mid-week, the Fed released the minutes from its most recent policy meeting. Predictably, the minutes signaled that the central bank anticipates raising rates at its September policy meeting and noted potential trade disputes present a risk to economic growth, but the labor market remains very strong.

U.S. Treasury yields declined fractionally for the week, with the 10-year down five basis points and the 30-year down six basis points. President Trump's aggressive stance on wanting Fed policymakers to keep interest rates low may have increased demand for Treasuries. New issuance of municipal bonds was extremely light, providing support for the market. California debt made headlines, as highly rated bonds in the state continue to trade at yields much lower and prices much higher than the 'AAA' rated MMD scale. Scarcity value and the state tax-exemption in California has increased the value for the bonds. Investors in municipal bond funds once again showed confidence and put cash into the funds during the latest reporting week, according to Lipper data released on Thursday. The weekly reporters saw \$378 million of inflows in the week ended Aug. 22, after inflows of \$452 million in the previous week.

ADAM J. BUCHANAN  
SENIOR VICE PRESIDENT

*See pages 5-6 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

	8/24/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.00	5.00	4.25
Federal Funds (weekly average)	1.91	1.90	1.90	1.16
90 Day T-Bills	2.09	2.03	1.99	1.01
30-Day Commercial Paper (taxable)	1.98	1.94	1.92	1.10
Libor (30-day)	2.06	2.06	2.07	1.23
7 Day Tax-Exempt VRDB	1.58	1.57	0.94	0.78
Daily Rate Average	1.50	1.46	1.00	0.77

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.42	2.87	1 Year	1.53	2.73	2.88	2.63	2.23	1.93	1.73
5 Year	2.71	3.56	5 Year	1.99	3.34	3.49	3.19	2.84	2.54	2.34
7 Year	2.77	3.82	7 Year	2.21	3.76	3.96	3.46	3.16	3.01	2.66
10 Year	2.81	4.06	10 Year	2.44	4.14	4.44	3.79	3.39	3.24	2.89
30 Year	2.96	4.56	30 Year	3.00	4.70	5.00	4.35	3.95	3.80	3.45

(\* 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	3.94	3.95	-0.01	3.98	3.44
11 Bond Index	3.42	3.43	-0.01	3.46	2.94
Revenue Bond Index	4.44	4.45	-0.01	4.48	2.92
30 Year MMD	3.00	3.01	-0.01	3.14	2.56
Weekly Tax-Exempt Volume (Bil)	3.39	11.11	-7.12	11.11	0.71
30 Day T/E Visible Supply (Bil)	5.38	5.73	-0.35	14.29	0.63
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	128.37	124.50	+3.87	128.37%	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)		
08/24/18	1.58	5.00	1.91	2.09	1.98	2.06	3.80	-	3.45
08/17/18	1.57	5.00	1.90	2.03	1.94	2.06	3.76	-	3.46
08/10/18	1.45	5.00	1.90	2.04	1.98	2.06	3.82	-	3.52
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/27/18	0.94	5.00	1.90	1.99	1.92	2.07	3.75	-	3.45
07/20/18	0.94	5.00	1.90	1.98	1.96	2.08	3.66	-	3.36
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
05/04/18	1.61	4.75	1.68	1.83	1.85	1.92	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

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