

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

## FEATURED ARTICLE

### ZIEGLER CFO HOTLINE<sup>SM</sup>: RESIDENT MONTHLY FEE INCREASES

Each year, we devote a *Ziegler CFO Hotline<sup>SM</sup>* survey to the topic of resident monthly fee increases. As detailed in the table below, this year's average independent living increase is similar to what has been reported the past several years. Chief Financial Officers (CFOs) are noting that the most significant contributors to the amount of the increase relate to workforce pressures (cost of turnover, rising wages, benefit costs, etc.).

The full *Ziegler CFO Hotline<sup>SM</sup>* report details additional information from the recent survey as well as a number of historical comparisons from previous years. The report can be accessed on the Ziegler website by clicking here.

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.

Percentage Increase to Independent Living Monthly Fees					
Statistic	2018	2017	2016	2015	2014
Minimum	0.00%	0.00%	0.00%	0.00%	0.00%
1 <sup>st</sup> Quartile	3.00%	2.89%	2.75%	2.94%	2.75%
Median	3.00%	3.00%	3.00%	3.00%	3.00%
3 <sup>rd</sup> Quartile	3.50%	3.50%	3.50%	3.60%	3.50%
Maximum	6.00%	8.00%	5.50%	6.50%	5.00%
Average	3.17%	3.12%	3.09%	3.16%	3.05%

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New to the survey this year is a breakout by level of care. Given the significant pressures within the skilled nursing setting around changing payment models, decreasing lengths of stay, declining occupancies and enhanced challenges with ensuring sufficient staffing, it was not surprising to see slightly higher figures within that level of care.

2018 Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	0.0%	0.0%	0.0%
1 <sup>st</sup> Quartile	3.0%	3.0%	3.0%
Median	3.0%	3.0%	3.0%
3 <sup>rd</sup> Quartile	3.5%	3.5%	3.9%
Maximum	6.0%	10.0%	14.8%
Average	3.17%	3.14%	3.30%

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

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
RiverWoods at Exeter (NH)	Fitch	A- Stable	Assigned an Issuer Default Rating	10/5/18
Christian Care Centers (TX)	Fitch	BB+ Negative	Affirmed Rating	11/19/18

*Fitch: Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings LTD. And its subsidiaries  
 \*IDR - Issuer Default Rating (FitchRatings)  
 Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.*


**INTEREST RATES/YIELDS**

(AS OF NOVEMBER 16, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.35%	3.44%	2.99%
Senior Living 30-Yr "A"	4.25%	4.34%	3.78%
Senior Living 30-Yr "BBB"	4.50%	4.59%	4.02%
Senior Living Unrated	5.20%	5.29%	4.77%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.66%	1.62%	1.36%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.92%	4.92%	1.55%

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

**FEATURED FINANCING**



**LAKESIDE AT WATERMAN VILLAGE**  
 Mount Dora, Florida

Lake County, Florida, Retirement Community Revenue Bond Anticipation Notes, Series 2018

**\$8,255,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

3Q18 earnings season is coming to an end, as over 95% of companies have reported. Despite initial fears that earnings growth would cap out in 2Q18, the S&P 500 saw earnings per share growth of 32.9% YoY. Growth was broad based, as all sectors contributed to positive earnings, with the energy, financial, and technology sectors topping the charts. Healthy economic conditions by way of solid consumer spending paired with strong pricing power resulted in solid revenue growth. Consumer spending has seen a boost partly due to stronger purchasing power in lieu of lower oil prices, a stronger dollar, and rising wages. Despite these factors, equity market performance has been challenged, as investors weigh concerns over margin pressures, unstable oil prices, weaker than expected company guidance, and risks around trade.

As geopolitical and technical factors have weighed on markets, outlook is positive due to an optimistic earnings growth environment. Initial uncertainty about market reaction to the midterm election waned, as it appears gridlock in Washington is viewed by investors as stable. As the Holiday season approaches, companies are preparing to battle for consumer dollars in hopes for strong 4Q18 earnings. Retail sales rose 0.8% MoM while industrial production rose 0.1% MoM. Additionally, CPI and Core CPI rose 2.5% and 2.1% respectively YoY.

Treasuries strengthened along the curve Friday as investors assessed the Federal Reserve's latest comments, as the yield on the 10-year benchmark slipped four basis points to 3.07%. Fed Vice-Chair Richard Clarida stated that the Fed is close to being neutral on interest due to the fact that it needs to weigh the strength of future economic updates before issuing additional rate hikes. In addition, rising geopolitical tensions in Europe contributed to weakness in yields as investors remained uncertain about the proposed Brexit plan. Last week municipal bond funds experienced \$131.12 million of weekly reporting fund outflows. Municipal long term funds had \$361.14 million of weekly outflows, high yield funds had \$129.54 million of weekly outflows, national funds had \$23.86 million of weekly outflows, and ETF funds had \$93.4 million of weekly inflows. In 2018, there have been 27 weeks of inflows and 19 weeks of outflows, with this week being the 8th consecutive week of outflows.

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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**

	11/16/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.25	5.25	5.25	4.25
Federal Funds (weekly average)	2.18	2.18	2.17	1.16
90 Day T-Bills	2.36	2.35	2.26	1.24
30-Day Commercial Paper (taxable)	2.34	2.29	2.27	1.16
Libor (30-day)	2.31	2.31	2.28	1.26
7 Day Tax-Exempt VRDB	1.66	1.62	1.57	0.94
Daily Rate Average	1.68	1.59	1.57	0.93

**COMPARATIVE YIELDS**
**TAXABLE REVENUE**

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.66	3.11	1 Year	1.92	3.17	3.27	3.07	2.62	2.32	2.12
5 Year	2.88	3.73	5 Year	2.27	3.67	3.77	3.52	3.12	2.87	2.62
7 Year	2.98	4.03	7 Year	2.42	3.97	4.17	3.77	3.42	3.22	2.87
10 Year	3.07	4.32	10 Year	2.68	4.53	4.68	4.18	3.83	3.58	3.13
30 Year	3.32	4.92	30 Year	3.35	5.20	5.35	4.85	4.50	4.25	3.80

(\* 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	4.30	4.36	-.06	4.37	3.44
11 Bond Index	3.79	3.85	-.06	3.85	2.94
Revenue Bond Index	4.79	4.85	-.06	4.88	2.92
30 Year MMD	3.35	3.44	-.09	3.44	2.56
Weekly Tax-Exempt Volume (Bil)	5.75	2.45	+3.30	11.11	0.71
30 Day T/E Visible Supply (Bil)	2.51	6.78	-4.27	14.29	0.63
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	127.24	128.02	-.78	128.37%	111.81%

## 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)		
11/16/18	1.66	5.25	2.18	2.36	2.34	2.31	4.25	-	3.80
11/09/18	1.62	5.25	2.18	2.35	2.29	2.31	4.34	-	3.89
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/26/18	1.60	5.25	2.17	2.32	2.23	2.29	4.24	-	3.79
10/19/18	1.57	5.25	2.17	2.26	2.27	2.28	4.30	-	3.85
10/12/18	1.53	5.25	2.16	2.21	2.24	2.27	4.26	-	3.86
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
09/28/18	1.56	5.25	1.97	2.19	2.13	2.24	4.01	-	3.66
09/21/18	1.48	5.00	1.91	2.12	2.10	2.21	4.03	-	3.68
09/14/18	1.49	5.00	1.91	2.10	2.06	2.16	3.94	-	3.59
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
08/31/18	1.56	5.00	1.91	2.09	2.02	2.07	3.83	-	3.48
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37
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

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