

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

LIFE PLAN COMMUNITIES: REGIONAL OCCUPANCY PERFORMANCE BY CARE SEGMENT

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Ziegler invited our colleagues at NIC to contribute to this week's Ziegler Z-News article and share their expert perspective to the latest occupancy figures for Life Plan Communities (Continuing Care Retirement Communities) by region, by level of living and by contract type. Special thanks to Lana Peck and the analytics team at NIC for this detailed information.

As the seniors housing and care industry's leading data provider, The NIC MP Data Service® tracks occupancy, asking rents, demand, inventory and construction data for independent living, assisted living, memory care, skilled nursing and life plan communities (LPCs), also referred to as continuing care retirement communities (CCRCs), for more than 15,000 properties across 140 metropolitan areas.

Expanding on a recent [NIC blog post](#) that detailed care segment performance in the NIC MAP 31 Primary Markets since the most recent market cycle peak that was reached in the fourth quarter of 2014, and [another blog post](#) that went a step further by considering the market fundamentals of segments within life plan communities, compared with non-life plan community segments in freestanding or combined communities, the following narrative describes 3Q2018 LPC occupancy in the combined NIC MAP 99 Primary and Secondary markets. The latter represents the aggregation of the data collected from 99 of the nation's largest core-based statistical areas (CBSAs), broken out across eight regions.

Occupancy and inventory data for both entrance fee (EF) and rental payment LPCs was analyzed from 3Q2018 (note that 98.8% of Non-LPC segments were rental). The occupancy rate used was the "all occupancy" rate which includes units still in lease-up as well as those occupied. With the objective of making "apples to apples" comparisons with non-LPC segments in freestanding or combined communities, this data is useful for understanding the relative occupancy performance of care segments within LPCs.

Broad Findings

Interestingly, 3Q18 LPC occupancy in the 99 Primary and Secondary metropolitan markets across all regions was 90.8%; five percentage points higher than non-LPCs (85.8%). Across care segments, occupancy at LPCs was higher than Non-LPCs, perhaps due in part to the product profile, which tends to attract planners who wish to make one move to a continuum of care, or perhaps because new LPC residents are generally healthier than residents in other types of seniors housing, resulting in significantly lower resident turnover in LPCs. The greatest differences in occupancy rates for LPCs compared with non-LPCs were reported for the memory care segment (6.7 percentage points), followed by the assisted living segment (5.4 percentage points), and the narrowest for the nursing care segment (2.6 percentage points). See table.

In general, entrance fee LPCs (EF LPCs) had higher occupancy than rental LPCs. Occupancy for Entrance Fee LPCs was 3.3 percentage points higher than Rental LPCs (92.0% vs. 88.7%), and the differences were greatest for the memory care segment (3.8 percentage points), followed by the independent living segment (2.8 percentage points), and the narrowest for the assisted living segment (1.6 percentage points).

Segment Occupancy: Independent Living

In 3Q18, independent living segment occupancy was three percentage points higher for LPCs than non-LPCs (92.3% vs. 89.3%).

- Across regions, the Mid-Atlantic had the highest LPC independent living segment occupancy (94.8%), followed by the Northeast and Pacific regions (93.7% and 93.5%). The Southwest region had the lowest (88.6%).
- The greatest differences in LPC independent living segment occupancy compared with Non-LPCs was found in the Mid-Atlantic region (5.6 percentage points) and the East North Central region (4.1 percentage points).
- Only the West North Central region had higher Non-LPC Independent Living segment occupancy (a 1.8 percentage point difference).

Region	Independent Living Care Segment					
	Occupancy (3Q2018)					
	LPCs	Non-LPC	LPC vs. Non-LPC (Difference)	LPC (EF)	LPC (Rental)	EF LPC vs. Rental LPC (Difference)
East North Central	92.5%	88.4%	4.1%	93.1%	91.2%	1.9%
Mid-Atlantic	94.8%	89.2%	5.6%	95.1%	93.2%	1.8%
Mountain	90.5%	88.9%	1.6%	93.8%	85.4%	8.4%
Northeast	93.7%	91.2%	2.4%	94.2%	90.9%	3.3%
Pacific	93.5%	92.7%	0.8%	93.9%	92.5%	1.3%
Southeast	89.3%	86.6%	2.7%	89.0%	90.0%	-1.0%
Southwest	88.6%	85.8%	2.8%	88.6%	88.5%	0.1%
West North Central	90.1%	91.9%	-1.8%	91.7%	88.3%	3.3%
Totals	92.3%	89.3%	3.0%	93.0%	90.2%	2.8%

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Segment Occupancy: Independent Living (Cont.)

Overall, Entrance Fee LPCs led Rental LPCs by nearly three percentage points (93.0% vs. 90.2%) in the independent living segment.

- Across regions, occupancy was highest in the Mid-Atlantic for both Entrance Fee LPCs (95.1%) and Rental LPCs (93.2%).
- The greatest differences in independent living segment occupancy between Entrance Fee and Rental LPCs was reported in the Mountain region (8.4 percentage points).
- Independent living segment occupancy was slightly higher in Rental LPCs than Entrance Fee LPCs in the Southeast region (a one percentage point difference).

Segment Occupancy: Assisted Living

Assisted living segment occupancy was more than five percentage points higher for LPCs than Non-LPCs (91.2% vs. 85.8%).

- Across regions, the Northeast had the highest LPC assisted living occupancy (93.4%), followed by the Atlantic region (92.2%).
- The Mountain and Southwest regions had the lowest LPC assisted living occupancy (85.2% and 86.4%).
- The greatest differences in LPC assisted living segment occupancy compared with Non-LPCs were found in the Mid-Atlantic and Southeast regions (differences of 7.8 and 7.7 percentage points), although large differences were also noted for the East North Central and Southwest regions.

Region	Assisted Living Care Segment					
	Occupancy (3Q2018)					
	LPCs	Non-LPC	LPC vs. Non-LPC (Difference)	LPC (EF)	LPC (Rental)	EF LPC vs. Rental LPC (Difference)
East North Central	91.1%	84.7%	6.4%	91.4%	90.9%	0.5%
Mid-Atlantic	92.2%	84.4%	7.8%	92.2%	92.2%	-0.1%
Mountain	85.2%	82.7%	2.5%	92.3%	81.5%	10.9%
Northeast	93.4%	88.6%	4.8%	93.3%	93.7%	-0.4%
Pacific	90.4%	89.2%	1.2%	92.1%	88.3%	3.9%
Southeast	91.6%	83.9%	7.7%		92.1%	-92.1%
Southwest	86.4%	80.1%	6.3%	85.3%	87.4%	-2.1%
West North Central	90.9%	86.7%	4.2%	93.4%	89.5%	3.9%
Totals	91.2%	85.8%	5.4%	91.9%	90.3%	1.6%

Overall, Entrance Fee LPCs led Rental LPC occupancy in the assisted living segment by about one and a half percentage points (91.9% vs. 90.3%).

- Across regions, occupancy was highest in the Northeast for Rental LPCs (93.7%) and the West North Central and Northeast regions for Entrance Fee LPCs (93.4% and 93.3%).
- Rental LPCs had higher assisted living segment occupancy than Entrance Fee LPCs in the Southwest, Southeast and Northeast regions.
- The greatest differences in assisted living segment occupancy between Entrance Fee and Rental LPCs was reported in the Mountain region (10.9 percentage points).

Segment Occupancy: Memory Care

Memory care segment occupancy was more than six and a half percentage points higher for LPCs than Non-LPCs in 3Q18 (89.4% vs. 82.7%).

- Across regions, the East North Central and Northeast had the highest LPC memory care occupancy (92.4% and 92.1%). The Mountain region had the lowest (77.9%).
- The greatest differences in LPC memory care occupancy compared with Non-LPCs was found in the East North Central region (12.0 percentage points), the Southwest region (10.0 percentage points), and the Mid-Atlantic region (9.6 percentage points). Only the Mountain region had higher Non-LPC occupancy for the memory care segment.

Region	Memory Care Care Segment					
	Occupancy (3Q2018)					
	LPCs	Non-LPC	LPC vs. Non-LPC (Difference)	LPC (EF)	LPC (Rental)	EF LPC vs. Rental LPC (Difference)
East North Central	92.4%	80.3%	12.0%	94.4%	89.7%	4.7%
Mid-Atlantic	91.6%	81.9%	9.6%	93.4%	87.3%	6.1%
Mountain	77.9%	81.1%	-3.1%	86.4%	69.1%	17.3%
Northeast	92.1%	86.0%	6.0%	91.2%	94.0%	-2.8%
Pacific	88.3%	88.2%	0.1%	91.7%	79.8%	11.9%
Southeast	87.2%	82.0%	5.2%	87.3%	87.1%	0.3%
Southwest	86.0%	75.9%	10.0%	82.6%	93.6%	-11.0%
West North Central	88.3%	82.6%	5.7%	92.3%	85.2%	7.0%
Totals	89.4%	82.7%	6.7%	90.9%	87.2%	3.8%

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Segment Occupancy: Memory Care (Cont.)

Overall, Entrance Fee LPCs led Rental LPCs by nearly four percentage points (90.9% vs. 87.2%) in the memory care segment.

- Across regions, occupancy was highest in the East North Central and Mid-Atlantic for Entrance Fee LPCs (94.4% and 93.4%) and the Northeast and Southwest for Rental LPCs (94.0% and 93.6%).
- Memory care segment occupancy was particularly low for Rental LPCs in the Mountain region (69.1%).
- The greatest differences in occupancy between Entrance Fee and Rental LPCs was reported in the Mountain region (17.3 percentage points) and Pacific region (11.9 percentage points), where Entrance Fee LPCs were higher than Rental LPCs, and in the Southwest, where Rental LPCs were 11.0 percentage points higher than Entrance Fee LPCs.

Segment Occupancy: Nursing Care

Nursing care segment occupancy was about two and a half percentage points higher for LPCs than Non-LPCs (88.0% vs. 85.3%).

- Across regions, the Northeast had the highest LPC nursing care segment occupancy (92.4%).
- The Mountain and Southwest regions had the lowest LPC nursing care segment occupancy (80.5% and 81.2%).
- The West North Central and Southwest regions had the greatest differences in LPC nursing care segment occupancy compared with Non-LPCs (7.2 and 7.0 percentage points).
- Non-LPCs had higher occupancy than LPCs in the Mountain and Pacific regions (1.1 and 0.6 percentage points).

Region	Nursing Care Care Segment					
	Occupancy (3Q2018)					
	LPCs	Non-LPC	LPC vs. Non-LPC (Difference)	LPC (EF)	LPC (Rental)	EF LPC vs. Rental LPC (Difference)
East North Central	86.3%	82.2%	4.2%	88.3%	85.0%	3.3%
Mid-Atlantic	88.7%	87.2%	1.5%	89.2%	87.8%	1.4%
Mountain	80.5%	81.6%	-1.1%	87.6%	76.4%	11.2%
Northeast	92.4%	90.0%	2.4%	92.9%	91.8%	1.1%
Pacific	88.6%	89.2%	-0.6%	87.1%	90.3%	-3.2%
Southeast	89.7%	88.0%	1.7%	88.3%	91.0%	-2.7%
Southwest	81.2%	74.2%	7.0%	83.0%	80.0%	3.0%
West North Central	85.6%	78.4%	7.2%	88.7%	84.4%	4.3%
Totals	88.0%	85.3%	2.6%	89.3%	86.8%	2.5%

Overall, Entrance Fee LPCs led Rental LPCs in the nursing care segment by two and a half percentage points (89.3% vs. 86.8%).

- Across regions, occupancy was highest in the Northeast for both Entrance Fee and Rental LPCs (92.9% and 91.8%). Occupancy was particularly low in the Mountain region for Rental LPCs (76.4%).
- Rental LPCs had higher nursing care segment occupancy than Entrance Fee LPCs in the Pacific and Southeast regions.
- The greatest difference in occupancy between Entrance Fee and Rental LPCs was reported in the Mountain region (11.2 percentage points).

Generally speaking, the Northeast and Mid-Atlantic regions had the strongest performance in terms of LPC occupancy across care segments, whereas the Mountain and Southwest regions performed relatively weaker. The highest levels of LPC occupancy by segment were achieved for the following regions:

- Northeast: assisted living, memory care (Rental LPC, specifically) and nursing care
- Mid-Atlantic: independent living
- East North Central: memory care

Overall 3Q18 Occupancy	
CCRC	90.8%
EF	92.1%
Rental	88.7%
Non-CCRC	85.8%

Future research will review supply growth, rent growth and the level of recent construction to more fully explain these regional differences in LPC occupancy performance. However, other factors should be explored including economic drivers such as industry mix, cost of doing business and living costs, employment growth, the health of the residential housing market in terms of home sales prices and velocity, income levels, inflation-adjusted purchasing power, prospective resident educational profiles, product acceptance and familiarity as well as penetration rates, longevity of the LPC product in the area, and cultural differences.

For further information on NIC, its reports, and data and analytics services available to providers, please visit the NIC website at www.nic.org.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

DECEMBER 6 - 14, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Lasell Village (MA)	Fitch	A Positive	Assigned Issuer Default Rating	12/6/18
Miami Jewish Health System (FL)	Fitch	BBB Stable	Affirmed Rating	12/6/18

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**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 DECEMBER 14, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.17%	3.08%	3.03%
Senior Living 30-Yr "A"	4.17%	4.08%	3.84%
Senior Living 30-Yr "BBB"	4.57%	4.33%	4.08%
Senior Living Unrated	5.27%	5.18%	4.83%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.64%	1.65%	1.41%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.91%	4.91%	1.77%

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



WESTMINSTER VILLAGE

WESTMINSTER VILLAGE
Bloomington, Illinois

Illinois Finance Authority, Revenue Bonds, Series 2018A

\$39,670,000



BHI SENIOR LIVING
Integrity. Experience. Commitment.

BHI SENIOR LIVING
Indianapolis, Indiana

Indiana Finance Authority, Revenue Bonds, Series 2018

\$98,120,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Equities appeared to recover from the prior week's steep decline, but momentum turned negative midweek. Friday marked the worst day in the slide, where the DJIA found its lowest level in more than 7 months. Last week's trading was marked by big swings in stock prices, which has become commonplace this year. To that point, the spread between the S&P 500's daily high and daily low has exceeded 1% on 100 days so far this year, compared to 10 such instances in all of 2017.

Concerns over U.S.-China disputes eased as negotiators signaled a willingness to reduce tariffs on U.S. automobile imports, as well as increase purchases of U.S. soybeans. The outlook for the UK's exit from the European Union became somewhat less muddled as Prime Minister Theresa May withstood a test of her leadership by surviving a confidence vote among members of her Conservative Party. The prime minister failed to lock down the necessary parliamentary backing for the Brexit agreement that she recently negotiated with the EU leaders. Additionally, CPI and PPI rose 2.2% YoY and 2.5% YoY respectively.

The FRB is expected to move ahead with another increase in short-term interest rates concluding its two-day meeting on Wednesday. If approved, this would be the fourth such rate hike this year, boosting the federal funds rate to a target range of 2.25% to 2.50%. Last week's municipal bond funds experienced \$317 million of weekly reporting fund outflows. Municipal long term funds had \$418 million of weekly inflows, high yield funds had \$160 million of weekly inflows, national funds had \$134 million of weekly outflows, and ETF funds had \$643 million of weekly inflows. In 2018, there have been 27 weeks of inflows and 23 weeks of outflows, with last week being the 12th consecutive week of outflows.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 6-7 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

	12/14/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.25	5.25	5.25	4.50
Federal Funds (weekly average)	2.19	2.19	2.18	1.26
90 Day T-Bills	2.41	2.39	2.36	1.29
30-Day Commercial Paper (taxable)	2.46	2.30	2.34	1.40
Libor (30-day)	2.45	2.38	2.31	1.49
7 Day Tax-Exempt VRDB	1.64	1.65	1.66	1.11
Daily Rate Average	1.59	1.60	1.68	1.07

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.67	3.12	1 Year	1.78	3.28	3.03	2.63	2.23	1.98
5 Year	2.72	3.57	5 Year	2.03	3.73	3.43	3.13	2.73	2.38
7 Year	2.80	3.85	7 Year	2.18	4.08	3.73	3.43	3.03	2.63
10 Year	2.88	4.13	10 Year	2.40	4.50	4.15	3.80	3.40	2.85
30 Year	3.14	4.79	30 Year	3.17	5.27	4.92	4.57	4.17	3.62

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2018 HIGH	LOW
Bond Buyer					
20 Bond Index	4.18	4.12	+0.06	4.37	3.44
11 Bond Index	3.67	3.63	+0.04	3.85	2.94
Revenue Bond Index	4.65	4.58	+0.07	4.88	2.92
30 Year MMD	3.17	3.08	+0.09	3.44	2.56
Weekly Tax-Exempt Volume (Bil)	6.93	8.03	-1.10	11.11	0.71
30 Day T/E Visible Supply (Bil)	2.11	8.92	-6.81	14.29	0.63
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	132.80	129.11	+3.69	129.11%	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)		
12/14/18	1.64	5.25	2.19	2.41	2.46	2.45	4.17	-	3.62
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/30/18	1.69	5.25	2.18	2.35	2.27	2.34	4.14	-	3.69
11/23/18	1.69	5.25	2.18	2.39	2.25	2.31	4.18	-	3.73
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
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
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

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