

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

## FEATURED ARTICLE

### SENIOR LIVING SURVEY RESULTS: OPTIMISM AMONG PROVIDERS

Two weeks ago, Ziegler and Greystone Communities hosted the Annual Ziegler Greystone Executive Symposium in Scottsdale, Arizona. Roughly 75 attendees participated in sessions focused on the latest trends in senior living development, including campus expansions, repositionings and new development, as well as sessions on marketing dynamics, the changing consumer and technology disruptors. As part of the annual symposium, providers in attendance participated in a survey that takes the temperature of the industry, its outlook and growth activities. This issue of Z-News highlights some of the key findings from that survey.

Attendees were initially asked to comment on their perception of the economy compared to one-year ago. Eight out of 10 individuals responded that their outlook has not changed, while 20% shared that they have a more positive outlook on the economy compared to last year. None of the attendees responded that they are less optimistic. When asked to specifically respond about the real estate market, roughly 6% indicated that they thought it was strong or excellent, which is higher than in recent years.

Given the focus of the conference, the goal was to get feedback on the survey regarding plans for growth within the organization. As detailed below, the vast majority are focused on expanding the footprint of an existing campus(es). Nearly half also indicated that they are exploring new business lines, whether it be home and community-based service platforms or alternative housing options. Roughly 4 out of 10 also reported that they are looking to partner in some fashion with another provider, whether that would be in the form of joint ventures, affiliations, mergers or acquisitions.

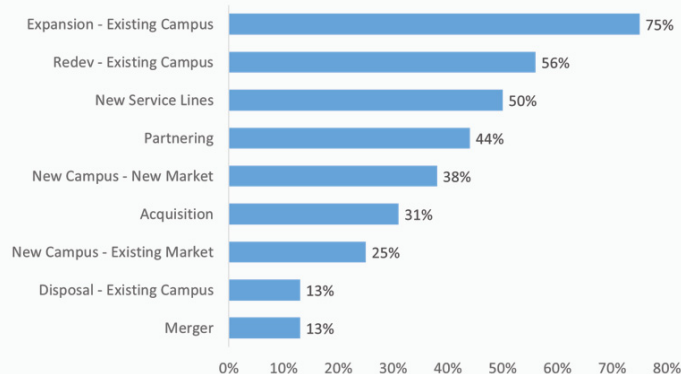
The survey also asked for an identification of the most prominent threats to existing providers. Attendees unanimously voiced that workforce-related issues are a top concern. This is inclusive of recruitment and retention issues as well as wage pressures. Many states and metropolitan markets are adopting substantial minimum wage increases, which will significantly impact the senior living industry. It should be noted that there was also recognition that workforce challenges are pressuring the construction market in a dramatic way, as well as leading to escalating costs and timeline issues for project completion. Workforce challenges are impacting the senior living sector in multiple ways. Operating costs, as well as pressures from increasing competition, topped the list of threats with more than one-third of attendees noting concerns.

About 4 out of 10 attendees indicated that they have a formal succession plan in place for their Chief Executive Officer. It was reported by roughly one-third of attendees that their CEO will retire within the next five years. This is fairly consistent with what has been reported in other Ziegler polls in recent years.

Overall, the attendees were positive about the next 3-5 years and are committed to their growth plans, but also acknowledged that times are different and it is imperative to adapt to the changing customer, competitor pressures, and overall market dynamics.

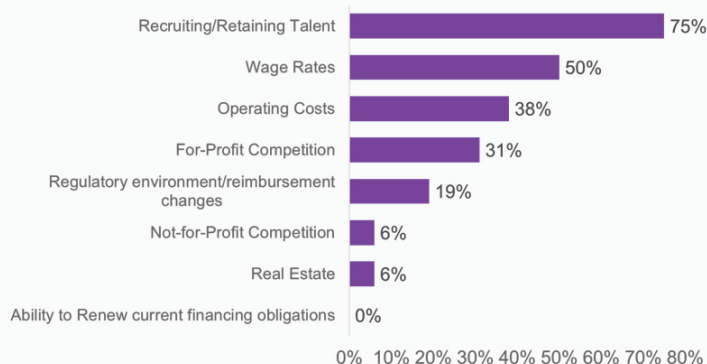
If you have any questions related to information included in this article or any other related topics, please contact the Ziegler banker in your region or an associate from Greystone Communities.

#### PLANS FOR GROWTH/CHANGE



Source: 2019 Ziegler Greystone Executive Symposium Survey

#### THREATS



Source: 2019 Ziegler Greystone Executive Symposium Survey

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CAPITAL :: INVESTMENTS :: ADVICE

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

AS OF MARCH 18, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
No Rating Actions to Report				

*Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.*

**INTEREST RATES/YIELDS**

(AS OF MARCH 15, 2019)


	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.87%	2.92%	3.02%
Senior Living 30-Yr "A"	3.77%	3.82%	3.91%
Senior Living 30-Yr "BBB"	4.12%	4.17%	4.18%
Senior Living Unrated	4.87%	4.92%	4.93%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.61%	1.67%	1.49%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.82%	4.83%	1.98%

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

**FEATURED FINANCING**



**THE PINES**  
AT · DAVIDSON

**THE PINES AT DAVIDSON**  
Davidson, North Carolina

North Carolina Medical Care  
Commission, Revenue Bonds,  
Series 2019

**\$42,725,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

Last week, the major U.S. stock indexes found their positive momentum again after falling five days in a row the previous week. Despite gains in all of the indexes, there was a substantial performance gap, most significantly in the Dow. This disparity came in part due to the fact that Boeing stock (one of the 30 stocks in the index) declined nearly 10% during the week. Boeing's shares slid in the wake of the deadly crash of one of its Boeing 737 MAX jets in Ethiopia; its second such crash on that model in the last six months.

The latest read on U.S. inflation showed that prices have remained stable, affirming the Fed's neutral stance on interest-rate policy. The Consumer Price Index rose 1.5% in February on an annualized basis, the slowest pace since September 2016. Output at U.S. factories fell in February, marking the second month of decreases in a row. Output has now reached its lowest level since July 2018, falling in line with similar reports of slowdowns in industrial activity from Japan, Germany, and China.

U.S. government bond yields fell last week for the second week in a row, with the yield on the 10-year benchmark slipping to its lowest level since the start of the year. During Friday's session, the 10-year yield reached a low of 2.59%, compared to a recent high of 2.75% on March 1st. Looking ahead, the Fed is expected to keep its neutral stance on interest rates, leaving rates unchanged after the conclusion of a two-day policy meeting ending Wednesday of this week. Due to a recent weakening trend in economic data, economists now predict that the Fed is unlikely to approve a rate hike for this year.

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**

	3/15/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.50
Federal Funds (weekly average)	2.40	2.40	2.40	1.42
90 Day T-Bills	2.43	2.44	2.42	1.76
30-Day Commercial Paper (taxable)	2.46	2.43	2.44	1.79
Libor (30-day)	2.48	2.49	2.48	1.78
7 Day Tax-Exempt VRDB	1.61	1.67	1.72	1.22
Daily Rate Average	1.41	1.57	1.70	1.23

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

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.51	2.96	1 Year	1.57	3.07	2.77	2.37	1.92	1.77
5 Year	2.40	3.25	5 Year	1.70	3.30	3.05	2.70	2.30	2.05
7 Year	2.49	3.54	7 Year	1.82	3.62	3.32	2.97	2.57	2.27
10 Year	2.59	3.84	10 Year	2.05	4.05	3.65	3.30	2.95	2.50
30 Year	3.01	4.66	30 Year	2.87	4.87	4.47	4.12	3.77	3.32

(\* Representative of institutional sales)

**TAX-EXEMPT MARKET INDICATORS**

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	4.04	4.09	-0.05	4.24	4.04
11 Bond Index	3.53	3.56	-0.03	3.71	3.53
Revenue Bond Index	4.51	4.56	-0.05	4.71	4.51
30 Year MMD	2.87	2.92	-0.05	3.11	2.87
Weekly Tax-Exempt Volume (Bil)	4.00	4.57	-0.57	5.80	0.20
30 Day T/E Visible Supply (Bil)	2.11	4.22	-2.11	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	125.66	124.33	-1.67	134.42%	124.75%

## 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)		
03/15/19	1.61	5.50	2.40	2.43	2.46	2.48	3.77	-	3.32
03/08/19	1.67	5.50	2.40	2.44	2.43	2.49	3.82	-	3.37
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/22/19	1.75	5.50	2.40	2.44	2.44	2.48	3.91	-	3.46
02/15/19	1.72	5.50	2.40	2.42	2.44	2.48	4.00	-	3.45
02/08/19	1.51	5.50	2.40	2.41	2.45	2.51	4.00	-	3.45
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/25/19	1.29	5.50	2.40	2.36	2.45	2.51	4.10	-	3.55
01/18/19	1.28	5.50	2.40	2.35	2.51	2.50	4.04	-	3.49
01/11/19	1.39	5.50	2.40	2.42	2.51	2.51	4.05	-	3.50
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/28/18	1.71	5.50	2.39	2.33	2.42	2.51	4.02	-	3.47
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
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

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