

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

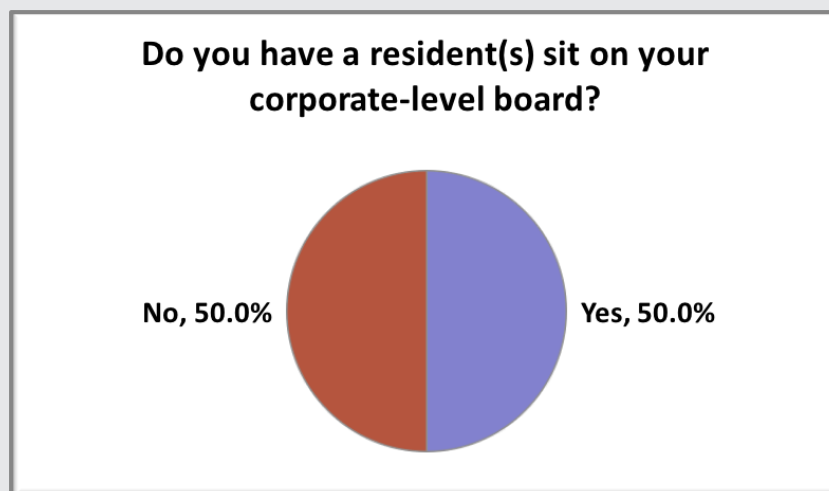
FEATURED ARTICLE

ZIEGLER SENIOR LIVING RESEARCH: FAQs EDITION

For this week's *Z-News*, we thought we would take a look into the most common requests and questions that our Senior Living Research team receives. These are the "If I had a dollar for every time I was asked that question" type of inquiries. The reality is that if many of your peers are asking about specific topics, there is a high probability that you share a similar interest in knowing the answers to these common questions. The information below covers a variety of topics from internal, operational statistics to strategic growth-related topics.

1. *What percentage of communities have residents on the governing board?*

This has been hands-down the most common question received to-date in 2019. In the past six months alone, we have received roughly a half-dozen inquiries from providers looking for peer statistics and policies. In December of 2015, we conducted a *Ziegler CFO HotlineSM* survey on governance activities and asked this very question. As detailed below, the industry was evenly divided 50/50. The survey did not delve into voting rights of the resident board members or how those individuals were elected/appointed to the board, but those are common questions as well. It is important to note that a handful of states require Life Plan Communities (or CCRCs) to have resident representation on the board.



Source: *Ziegler CFO HotlineSM*, December 2015

Stay tuned for more information on this topic. We will be devoting a future *Ziegler CFO HotlineSM* poll to this topic in 2019.

2. *Do you have salary/compensation benchmarks?*

Another very common question that we get asked. First, there are some benchmarking reports that are out there, but as is the case with any type of comparative data, you need to be aware of the sample. For example, the CEMO salary report, would not be the ideal benchmark for a single-site provider. Two common reports that we point people to are the LeadingAge [CEMO Leadership Compensation Report](#) produced by CliftonLarsonAllen and the [CCRC Salary & Benefits Report](#) compiled by the Hospital & Healthcare Compensation Service. While these benchmarking reports can be helpful, it is also beneficial to consider a market-level analysis. A number of consulting firms provide salary and compensation analyses and will generate reports specific to your organization.

3. *What is the typical number of units in today's Life Plan Community? Is the number of skilled nursing units changing?*

Figures from Ziegler's National CCRC Database reveal that the median number of units for today's Life Plan Community (CCRC) is roughly 250. The number of skilled nursing units as a percentage of the total number of units is roughly 29%. While we are seeing some providers revisit their overall unit mix, particularly as it relates to their healthcare offerings, we are not seeing a significant shift in the national average just yet. It should be noted that we also do not see a significant difference in the total number of units between single-site providers and communities that are part of a multi-site organization.

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FEATURED ARTICLE

ZIEGLER SENIOR LIVING RESEARCH: FAQs EDITION (CONTINUED)

4. On average, what are the marketing dollars spent per unit for new development, expansion projects and existing units?

So, this is one of those topics where we have some hard data, but need to extrapolate in some areas. Ziegler tracks the development of all new Life Plan Communities and records various statistics from the Official Statements. Data obtained from those statements reveals that since 2010, the average marketing cost per unit for new Life Plan Communities is roughly \$35,000.

Average marketing cost per new unit: \$35K

Source: Ziegler New Campus Database

It is very important to take note that this is a national average. The figures can vary tremendously by market and by project. Additionally, this does not reflect expansions for existing communities or what the marketing costs may be for standard inventory of mature communities. It can be assumed that the per-unit costs are lower where the community name and brand are in-place and marketing needs are less than what is needed for a brand new development.

5. I am a multi-site organization, what are average fees charged to the individual communities for corporate overhead?

We saved the best for last. It is the best because it is a common question coming from multi-site CEOs and CFOs. Great question, right? Yes! The problem is we do not have a straight answer for this one. It is one we have discussed trying to address with some of the leading accounting firms, but have yet to undertake. The challenge lies in the fact that there is meaningful variation in what services and support is provided by the corporate office across organizations. There are certain services that may be centralized with one organization, but are de-centralized with another. For example, some have in-house legal counsel while others do not. The list goes on and on. The one related project we did initiate about two years ago was to categorize all of the corporate-level positions among the largest 50 of the LZ 200. That exercise yielded similar findings in that there is a notable degree of differentiation as to what positions are within the executive team. What we are anecdotally hearing is that many of the annual fees the communities pay to the corporate office have increased a bit in recent years. We are seeing the evolution of more specialty-type positions created to respond to trends in the space (e.g. Chief Technology Officer; Chief Clinical Officer; Chief Strategy/Business Development Officer). A research project to more definitively nail down statistics related to these fees is on the Ziegler wish-list. Stay tuned for a potential future project related to this topic.

The aforementioned five FAQs are just the tip of the iceberg. While Ziegler is an investment banking firm at its core, we are also positioned to be a resource for the industry as a whole. If you are interested in data or resources across any number of topics, please reach out to the Ziegler banker in your region. As a reminder, Ziegler team members regularly present on industry trends to boards and executive teams, averaging about 50 or so of these types of strategy sessions each year. If that would be of value to your board and team, do not hesitate to connect with your local Ziegler team member.

LISA MCCracken
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ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF APRIL 23, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
University Retirement Community at Davis Obligated Group (CA)	Fitch	BBB+ Stable	Downgraded Issuer Default Rating	4/17/19
Kendal at Oberlin (OH)	S&P	A Stable	Upgraded Rating	4/18/19
MRC Crestview dba Crestview Retirement Community (TX)	Fitch	BB+ Stable	Affirmed Rating	4/18/19
Kendal at Hanover (NH)	Fitch	BBB+ Stable	Affirmed Rating	4/22/19
Carpenter's Home Estates dba The Estates at Carpenters (FL)	Fitch	BBB- Stable	Assigned Rating Affirmed Rating	4/23/19
Dow Rummel Village (SD)	Fitch	BB Stable	Affirmed Rating	4/23/19

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*IDR - Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS

(AS OF APRIL 19, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.70%	2.68%	3.00%
Senior Living 30-Yr "A"	3.40%	3.38%	3.88%
Senior Living 30-Yr "BBB"	3.70%	3.68%	4.15%
Senior Living Unrated	4.70%	4.68%	4.92%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	2.04%	1.54%	1.50%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.74%	4.74%	2.04%

*Ziegler Senior Living Municipal Long Bond Index

Source: Ziegler Capital Markets

FEATURED FINANCING

The Osborn

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION
(THE OSBORN)
Rye, New York

Westchester County Local
Development Corporation,
Revenue Bonds, Series 2019

\$27,455,000

MARKET REVIEW

MONEY MARKET RATES

	4/19/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.75
Federal Funds (weekly average)	2.43	2.40	2.40	1.68
90 Day T-Bills	2.47	2.44	2.46	1.80
30-Day Commercial Paper (taxable)	2.43	2.43	2.46	1.81
Libor (30-day)	2.48	2.48	2.49	1.89
7 Day Tax-Exempt VRDB	2.04	1.54	1.53	1.81
Daily Rate Average	2.07	1.56	1.30	1.79

COMPARATIVE YIELDS

TAXABLE REVENUE										
	GOVT	A		MMD	NR*	BB	BBB	A	AAA	
1 Year	2.44	2.74	1 Year	1.54	3.04	2.74	2.14	1.69	1.54	
5 Year	2.38	3.13	5 Year	1.67	3.27	3.02	2.47	2.07	1.82	
7 Year	2.46	3.41	7 Year	1.74	3.54	3.24	2.69	2.29	1.94	
10 Year	2.57	3.67	10 Year	1.95	3.95	3.55	2.95	2.65	2.15	
30 Year	2.96	4.36	30 Year	2.70	4.70	4.30	3.70	3.40	2.90	

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE	2019	
				HIGH	LOW
20 Bond Index	3.86	3.85	+01	4.24	3.79
11 Bond Index	3.36	3.36	+00	3.71	3.30
Revenue Bond Index	4.33	4.32	+01	4.71	4.26
30 Year MMD	2.70	2.68	+02	3.11	2.60
Weekly Tax-Exempt Volume (Bil)	3.57	5.44	+1.87	5.80	0.20
30 Day T/E Visible Supply (Bil)	5.60	5.07	+53	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	114.86	114.97	-.11	134.42%	114.86%

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)		
04/19/19	2.04	5.50	2.43	2.47	2.43	2.48	3.40	-	2.90
04/12/19	1.54	5.50	2.40	2.44	2.43	2.48	3.38	-	2.88
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/29/19	1.50	5.50	2.40	2.40	2.43	2.49	3.30	-	2.80
03/22/19	1.53	5.50	2.40	2.46	2.46	2.49	3.44	-	2.94
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
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
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

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