

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

NIC DELVES INTO THE SENIORS HOUSING MIDDLE MARKET

Across the past 6-8 years in particular, providers have been increasingly focused on discussions about how to better serve the “middle market” of seniors. Much of this has been driven by a deeper dive into the characteristics and demographics of the Baby Boomer population. We know that every day, roughly 10,000 individuals in the U.S. turn 65. A 2018 study by the Insured Retirement Institute revealed that only 25% of Baby Boomers are confident that their savings will last throughout their retirement. With dramatically fewer pension plans offered by employers, rising costs of healthcare expenditures and limited savings for retirement, it is no surprise that senior living and affordable housing providers are paying close attention. Although more choices are always needed, government-subsidized housing options exist for seniors and higher-end options are thriving, but there are fewer options for those who fall in the middle.

One of the struggles that the industry has had relates to the definition of “middle market.” We know that income levels do not compare equitably across markets because of varying cost of living expenses. However, paying attention to how to effectively finance middle-market projects given various limitations, how to make the numbers work between construction and development costs, and what would need to be charged to residents to cover those expenses would be a good starting point. The National Investment Center for Seniors Housing & Care (NIC) committed to better understanding this population and exploring potential options to target housing needs for the middle-market. NIC, in partnership with NORC at the University of Chicago, Harvard Medical School and the University Maryland School of Medicine recently released the results of their in-depth study.

The study results show that slightly less than half of all middle-market seniors will be able to afford to live in a senior living community by the year 2029. This group put forth specific statistics on per-year cost reduction (per senior) and how the industry could expand the number of middle-income older adults being served. As detailed below, it was stated that if providers can identify ways to reduce costs to seniors by \$15,000 annually, an additional 5.9 million older adults could be served as they would be able to afford such housing and care options. A reduction of \$10,000 would increase affordability for another 2.3 million seniors.



Source: NIC, NORC at the University of Chicago, Harvard Medical School, University of Maryland School of Medicine

NIC has created a resource page on their website to share the results of their study and provide resources for providers looking to better understand the middle market. Readers are encouraged to [click here](#) to access that website and explore the materials released in meetings held in April and May of this year.

Ziegler remains committed to working with providers to identify the best financing alternatives and models to target this middle-market population. We will share the latest information on this topic and integrate promising models into educational events throughout the year.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 24, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Life Enriching Communities (OH)	Fitch	BBB- Stable	Affirmed Rating	5/24/19

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INTEREST RATES/YIELDS


(AS OF MAY 24, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.42%	2.38%	2.94%
Senior Living 30-Yr "A"	3.12%	3.08%	3.81%
Senior Living 30-Yr "BBB"	3.42%	3.38%	4.09%
Senior Living Unrated	4.22%	4.18%	4.88%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.32%	1.35%	1.52%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.55%	4.58%	2.15%

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

FEATURED FINANCING



MORAVIAN MANOR, INC
 Lititz, Pennsylvania

Lancaster County Hospital Authority,
 Healthcare Facilities Revenue Bonds,
 Series 2019

\$29,305,000

MARKET REVIEW

MONEY MARKET RATES

	5/24/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.75
Federal Funds (weekly average)	2.37	2.37	2.41	1.69
90 Day T-Bills	2.33	2.38	2.41	1.85
30-Day Commercial Paper (taxable)	2.40	2.42	2.41	1.84
Libor (30-day)	2.43	2.44	2.48	1.97
7 Day Tax-Exempt VRDB	1.32	1.35	2.30	1.20
Daily Rate Average	1.50	1.05	2.23	0.97

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.32	2.62	1 Year	1.43	2.83	2.53	2.03	1.58	1.43
5 Year	2.12	2.87	5 Year	1.47	2.97	2.72	2.27	1.87	1.62
7 Year	2.21	3.16	7 Year	1.55	3.25	2.95	2.50	2.10	1.75
10 Year	2.32	3.82	10 Year	1.72	3.52	3.22	2.72	2.42	1.92
30 Year	2.75	4.25	30 Year	2.42	4.22	3.92	3.42	3.12	2.62

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	3.56	3.57	-.01	4.24	3.56
11 Bond Index	3.10	3.10	-.00	3.71	3.10
Revenue Bond Index	4.05	4.05	-.00	4.71	4.05
30 Year MMD	2.42	2.38	+.04	3.11	2.38
Weekly Tax-Exempt Volume (Bil)	4.26	4.19	+.07	5.80	0.20
30 Day T/E Visible Supply (Bil)	3.53	4.86	-1.33	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	113.45	109.21	+4.24	134.42%	109.21%

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)		
05/24/19	1.32	5.50	2.37	2.33	2.40	2.43	3.12	-	2.62
05/17/19	1.35	5.50	2.37	2.38	2.42	2.43	3.08	-	2.58
05/10/19	1.59	5.50	2.39	2.42	2.43	2.45	3.13	-	2.63
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/26/19	2.30	5.50	2.41	2.41	2.41	2.48	3.29	-	2.79
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
02/01/19	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

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