

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

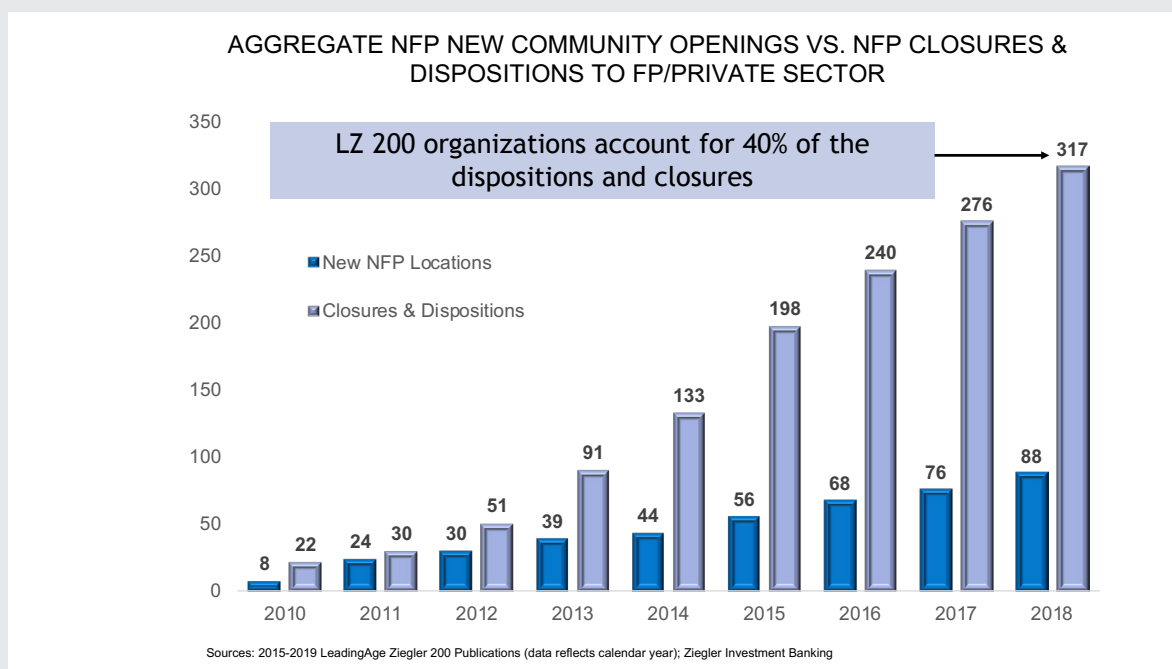
FEATURED ARTICLE

THE 2019 STATE OF SENIOR LIVING & CAPITAL MARKETS

Last week, Ziegler hosted another successful Senior Living Finance + Strategy Conference, the 22nd year for the event. The annual opening general session, entitled **The State of Senior Living and Capital Markets**, was presented to all attendees. The intent of this session is to lay the foundation for the other sessions and hot topics associated with the conference, but to also provide attendees with a broad-based overview of the key trends in the not-for-profit senior living sector. This issue of *Z-News* provides a high-level synopsis of that opening session.

Ziegler’s Lisa McCracken kicked off the session with commentary on stakeholder dynamics, including the ever-evolving customer, demographic shifts, and the pressures related to the senior living workforce. McCracken called attention to the important topic of the “middle market” senior, noting that by 2029, more than half of the 75+ older population will not have the financial resources to pay for housing and care. Time was also spent highlighting succession planning among C-suite executives. Roughly 25% of the not-for-profit CEO positions have turned over in the past five years. Diversity continues to be a focus for board member and C-Suite recruitment. She shared that the not-for-profit senior living sector still has progress to make, and that only 16% of the largest not-for-profits have a female CEO. The likelihood of having a female CEO increases as the size of the organization decreases.

The topic transitioned into a healthy discussion of the growth patterns evident among not-for-profit providers. While select providers and regions have been growing through new location development, overall the not-for-profit seniors housing sector has been flat to declining. As shown in the graph below, the number of new locations being developed is not sufficient to keep up with the pace of dispositions and closures coming out of the not-for-profit sector.



Ziegler’s Dan Hermann, President & CEO and Head of Investment Banking, explained that the majority of growth coming from today’s not-for-profit senior living providers is in the form of expansions and affiliations, acquisitions or mergers. The majority of the community re-investment has come in the form of expansions and upgrades to independent living offerings and common areas/amenities. Those investing in their healthcare offerings have largely been modernizing skilled nursing units and in a number of cases, converting semi-private rooms to private settings. Hermann also noted that we continue to see growth among providers expanding their home and community-based services offerings.

ZIEGLER

One North Wacker Drive | Suite 2000
Chicago, IL 60606

B.C. Ziegler and Company | Member SIPC & FINRA

CONTACT US

800 366 8899
askziegler@ziegler.com



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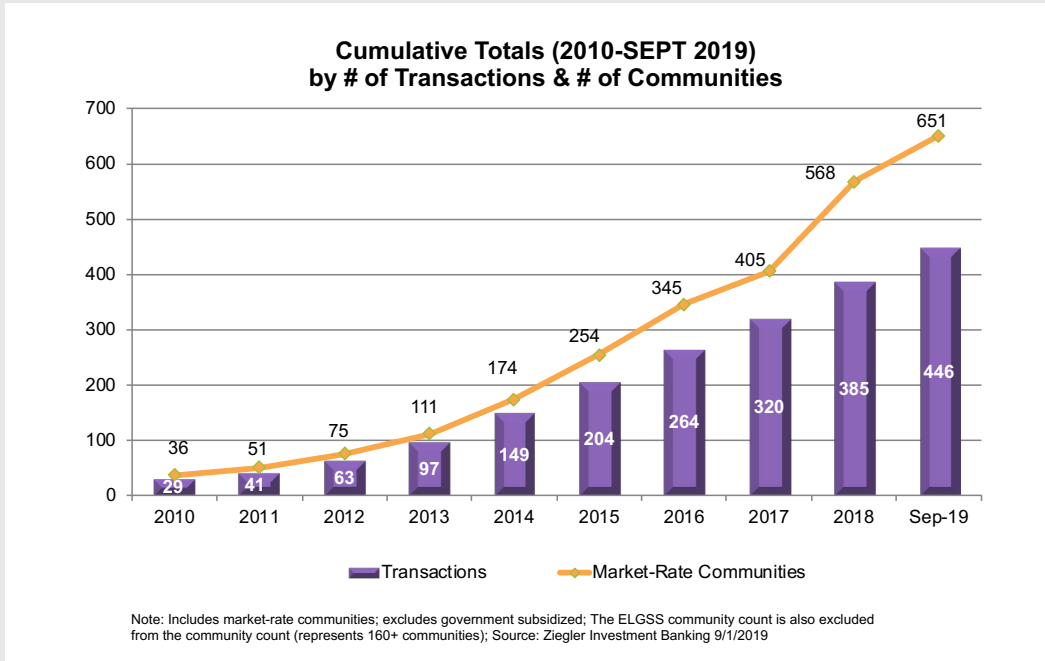
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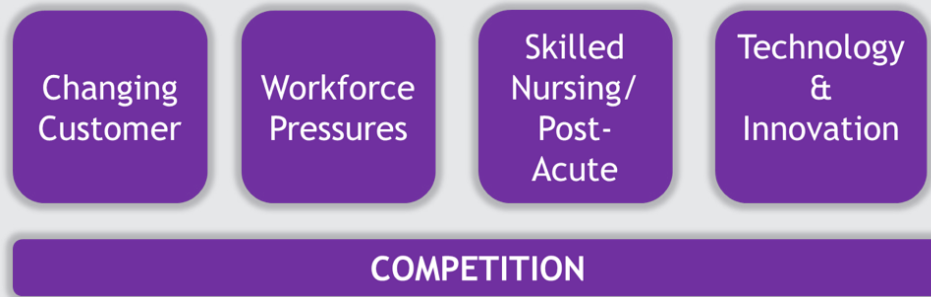
FEATURED ARTICLE

ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART II) (CONT.)

Mr. Hermann spent a meaningful amount of time reflecting on the consolidation in the sector. Since 2010, Ziegler has tracked nearly 450 not-for-profit change of owner/sponsor transactions. This equates to more than 800 market-rate communities changing hands. He further noted that 56% of those transactions have been dispositions to the for-profit/private sector. Trends being observed include the increase in the number of strategic affiliations and specifically the number of peer-to-peer mergers among multi-site providers.



To wrap up the final portion of the trends section of the presentation, Hermann and McCracken outlined the “Game Changers” impacting the current landscape for providers. The areas listed below were discussed and supported with the latest data and provider examples available.



Ziegler’s Rich Scanlon, Keith Robertson and Kevin Strom rounded out the session with an overview of the senior living capital markets and economic outlook. Robertson shared the trends in the bank lending environment, noting that while regional variances are observed, the national volume for bank activity in senior living has declined across the past year. Much of this is due to the attractive rates in the fixed-rate bond environment. He outlined the considerations for providers looking to access the bank market.

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askziegler@ziegler.com



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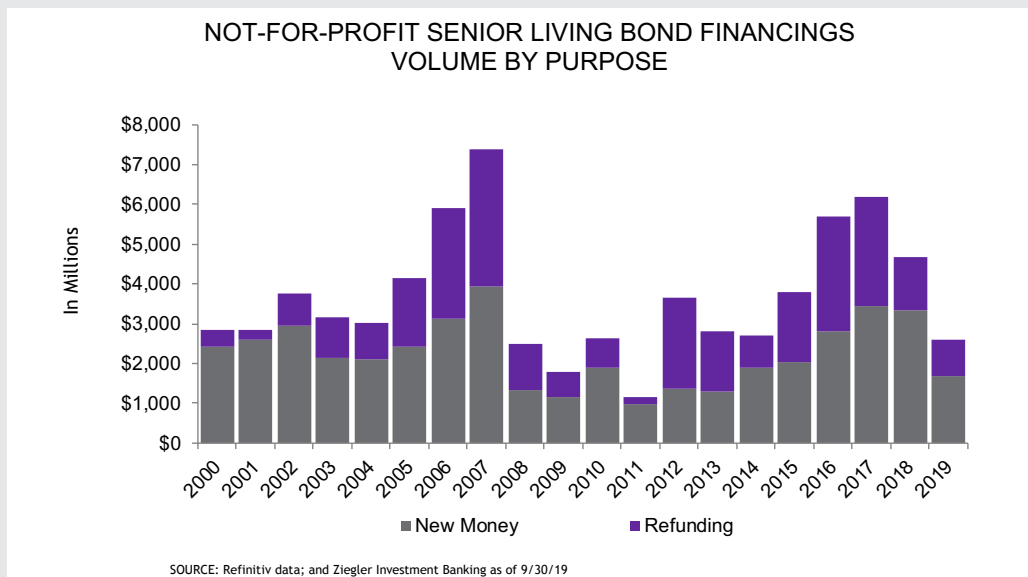
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ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART II) (CONT.)

Rich Scanlon delved into the fixed-rate bond market, including overall volume updates, separated out by new money versus refundings. The graph below details the industry figures as of September 30, 2019. He also commented on the credit ratings in the sector, noting that across the past year, there was a net loss of one rating year-over-year. Fitch continues to be the dominant rating agency in the space and the majority of not-for-profit providers are in the “BBB” category.



Ziegler’s Executive Managing Director and Head of Capital Markets, Kevin Strom, closed the session by identifying the various global factors that are impacting the markets today and in the near future. Global “friction points” will continue to play a role in the U.S. markets. Municipal bond fund flows remain healthy and investors continue to have great interest in the tax-exempt senior living marketplace.

Future issues of *Z-News* will delve into the various sessions of this year’s conference. For additional questions about this issue of *Z-News* or other related topics, please refer to the Ziegler banker in your region.

LISA MCCrackEN
DIRECTOR
SENIOR LIVING RESEARCH AND DEVELOPMENT
ZIEGLER

ZIEGLER

One North Wacker Drive | Suite 2000
Chicago, IL 60606

B.C. Ziegler and Company | Member SIPC & FINRA

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF SEPTEMBER 30, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Terwilliger Plaza (OR)	Fitch	BBB Stable	Affirmed Rating	9/24/19

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INTEREST RATES/YIELDS


(AS OF SEPTEMBER 27, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.01%	2.08%	2.64%
Senior Living 30-Yr "A"	3.01%	3.08%	3.51%
Senior Living 30-Yr "BBB"	3.21%	3.28%	3.79%
Senior Living Unrated	4.11%	4.18%	4.61%
Senior Living New Campus	6.00%	6.00%	6.47%
SIFMA Muni Swap Index	1.58%	1.47%	1.56%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.27%	4.27%	2.27%

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

FEATURED FINANCINGS



CHRISTIAN LIVING COMMUNITIES

CHRISTIAN LIVING NEIGHBORHOODS
Englewood, Colorado

Colorado Health Facilities Authority,
Revenue Refunding and Improvement
Bonds, Series 2019

\$25,770,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the major stock indexes fell modestly for the second consecutive week, with the S&P 500 and the NASDAQ posting declines that were steeper than in the previous week. With one trading day left in the third quarter, the major U.S. stock indexes were little changed from where they had been three months earlier, despite a spike in volatility along the way. The S&P 500 was up 0.7% quarter to date as of Friday, the Dow was up 0.8%, and the NASDAQ was down 0.8%

The latest reading on U.S. inflation showed price gains continue to be small, despite potentially inflationary pressures from steadily rising wages. The U.S. Federal Reserve's preferred gauge for measuring inflation rose by a seasonally adjusted 0.03% in August relative to the prior month—the smallest amount since January. The United States and China are expected to resume high-level trade negotiations in the second week of October. U.S. Treasury Secretary Stephen Mnuchin confirmed the plans on Monday at the start of a week that featured mixed signals as to whether the two countries were getting closer to a resolution or further apart. The week's most closely watched economic report is likely to be Friday's labor market release. The pace of job growth has recently slowed, with August's gain of 130,000 leaving the year-to-date monthly jobs growth average at 158,000, down from 2018's 223,000.

In fixed income, U.S. Treasury bond yields fell for the third week in a row. The 10-year Treasury bond yield fell to around 1.68% on Friday, down from 1.75% a week earlier. In Munis, yields matched treasury movements. The 10-Year and 30-Year MMD each decreased 5 bp's and 6 bp's from 1.47% to 1.42% and 2.07% to 2.01%, respectively. The tax-exempt bond funds saw an inflow of approximately \$1,637.72 million.

ADAM 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

	9/27/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.00	5.25	5.25	5.25
Federal Funds (weekly average)	1.83	2.08	2.11	1.97
90 Day T-Bills	1.77	1.90	1.98	2.19
30-Day Commercial Paper (taxable)	1.92	2.06	2.02	2.13
Libor (30-day)	2.03	2.04	2.10	2.24
7 Day Tax-Exempt VRDB	1.58	1.47	1.35	1.56
Daily Rate Average	1.58	1.45	1.40	1.58

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.77	2.37	1 Year	1.26	2.96	2.66	2.06	1.71	1.56
5 Year	1.56	2.61	5 Year	1.23	3.03	2.78	2.23	1.93	1.63
7 Year	1.62	2.87	7 Year	1.27	3.27	2.97	2.32	2.12	1.72
10 Year	1.66	3.46	10 Year	1.42	3.52	3.22	2.62	2.42	1.87
30 Year	2.13	3.93	30 Year	2.01	4.11	3.81	3.21	3.01	2.46

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	2.66	2.76	-.10	4.24	2.66
11 Bond Index	2.20	2.30	-.10	3.71	2.20
Revenue Bond Index	3.14	3.24	-.10	4.71	3.14
30 Year MMD	2.01	2.08	-.07	3.11	1.84
Weekly Tax-Exempt Volume (Bil)	8.32	6.11	+2.21	9.36	0.20
30 Day T/E Visible Supply (Bil)	9.09	8.21	-.88	11.23	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	141.31	141.93	-.62	141.93%	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)		
09/27/19	1.58	5.00	1.83	1.77	1.92	2.03	3.01	-	2.46
09/20/19	1.47	5.00	2.08	1.90	2.06	2.04	3.08	-	2.53
09/13/19	1.31	5.25	2.10	1.94	2.05	2.03	3.03	-	2.48
09/06/19	1.28	5.25	2.11	1.95	2.03	2.04	2.60	-	2.05
08/30/19	1.35	5.25	2.11	1.98	2.02	2.10	2.54	-	1.99
08/23/19	1.36	5.25	2.10	1.94	2.02	2.14	2.61	-	2.06
08/16/19	1.35	5.25	2.11	1.87	2.07	2.18	2.57	-	2.02
08/09/19	1.32	5.25	2.10	1.99	2.11	2.20	2.71	-	2.16
08/02/19	1.40	5.25	2.28	2.05	2.18	2.24	2.89	-	2.34
07/26/19	1.40	5.50	2.40	2.10	2.22	2.27	2.95	-	2.40
07/19/19	1.27	5.50	2.38	2.04	2.28	2.27	2.97	-	2.42
07/12/09	1.18	5.50	2.38	2.13	2.23	2.32	2.98	-	2.43
07/05/19	1.49	5.50	2.38	2.17	2.36	2.39	2.97	-	2.47
06/07/19	1.40	5.50	2.37	2.26	2.38	2.41	3.03	-	2.53
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
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

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