

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

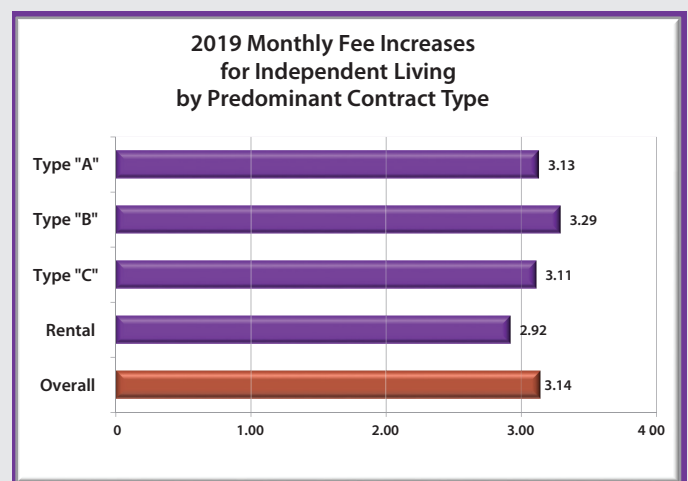
## FEATURED ARTICLE

## RESIDENT MONTHLY FEES: 2019 RECONCILIATION &amp; 2020 FORECASTING

Each year, Ziegler conducts a survey through the Ziegler CFO Hotline<sup>SM</sup> to evaluate monthly fee increases among not-for-profit providers. This year's survey captured data from nearly 200 senior living financial professionals and provided feedback on what 2019 fee increases ended up being for the year and what the 2020 forecasted increases will be.

The table below details the 2019 increases by level of care. The maximum increase in Independent Living was 6.88%, with eight organizations increasing fees 5% or more. At the other end of the scale, 11 reported a less than 2% increase, with five reporting no increase to monthly fees last year. Since 2013 the 1st Quartile average increase has inched up from 2.5% to 3%. No organizations reported decreasing fees. The median increase remains 3%. Overall, the communities that primarily offer a Type B contract reported the highest increases this past year.

2019 Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	0.0%	0.0%	0.0%
1st Quartile	3.0%	3.0%	3.0%
Median	3.0%	3.0%	3.0%
3rd Quartile	3.75%	3.85%	4.0%
Maximum	6.88%	6.88%	6.88%
<b>Average</b>	<b>3.14%</b>	<b>3.11%</b>	<b>3.14%</b>



Similar questions were posed on potential increases for 2020. The results for the coming year are detailed below by level of care. The predicted 2020 fee increases are among the highest observed since tracking the information via the annual poll. Based on feedback from the open-ended comment field on the survey, it is apparent that labor-related costs are the primary drivers behind the increases. Respondents commented about rising health insurance costs, above what was anticipated, and wage increases to not only remain competitive, but also to be in-line with increases in minimum wage levels.

2020 Estimated Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	0.0%	0.0%	0.0%
1st Quartile	3.0%	3.0%	3.0%
Median	3.0%	3.0%	3.0%
3rd Quartile	4.0%	4.0%	4.0%
Maximum	14.0%	10.0%	8.0%
<b>Average</b>	<b>3.44%</b>	<b>3.27%</b>	<b>3.26%</b>

The full report details additional cross-tabulations of the data as well as historical comparisons. The report can be accessed via the Ziegler website or by [clicking here](#). For additional questions about items in this report, we encourage you to reach out to the Ziegler banker in your region.

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

AS OF OCTOBER 30, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Carol Woods Retirement Community (NC)	S&P	A+ Stable	Upgraded ICR	10/25/19
Buckner Retirement Services (TX)	Fitch	A Stable	Affirmed Rating	10/30/19

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 &P: Copyright © 2018, S&P Global Market Intelligence  
 \*ICR – Issuer Credit Rating (Standard & Poor's)  
 Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.*

**INTEREST RATES/YIELDS**

(AS OF OCTOBER 25, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.05%	2.05%	2.54%
Senior Living 30-Yr "A"	3.05%	3.05%	3.41%
Senior Living 30-Yr "BBB"	3.25%	3.25%	3.70%
Senior Living Unrated	4.15%	4.15%	4.53%
Senior Living New Campus	6.00%	6.00%	6.43%
SIFMA Muni Swap Index	1.29%	1.29%	1.54%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.30%	4.36%	2.26%

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

**FEATURED FINANCINGS**


**LUTHERAN SENIOR SERVICES**  
 St. Louis, Missouri

Health and Educational Facilities  
 Authority of the State of Missouri,  
 Senior Living Facilities Revenue Bonds,  
 2019C

**\$123,915,000**

## MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the Major indexes sustained their weekly winning streak, with all three up more than 1% at Friday's close. The S&P 500 and the NASDAQ scored a fourth consecutive week of gains, boosted by solid quarterly earnings results and better-than-expected data on jobs and GDP growth. The S&P 500 and NASDAQ climbed to record highs, topping previous records set in late July. The Dow wasn't far behind, ending the week up 1.4%, less than a tenth of a percentage point below its record high.

U.S. economic growth slowed in the third quarter, coming in at 1.9% but exceeding economists' forecast of around 1.6%. Consumer spending kept GDP growth steady, albeit slower than the 3.1% rate in the first quarter. As widely expected, the Fed cut interest rates on Wednesday by 25 basis points, to a range of 1.5% to 1.75%. FOMC commentary hints that a December repeat is unlikely. Employers added 128,000 jobs in October, handily beating expectations. Unemployment rose slightly to reach 3.6%, hovering just above September's 50-year low of 3.5%.

In fixed income, the 10-year Treasury bond yield dropped to around 1.71% on Friday, down from 1.80% a week earlier. In Munis, yields matched treasury movements. The 10-Year and 30-Year MMD each decreased 2 and 3 bp's respectively from 1.51% to 1.49% and 2.10% to 2.06% respectively. The tax-exempt bond funds saw an inflow of approximately \$1,161.60 million.

ADAM 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

	11/01/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.75	5.00	5.00	5.25
Federal Funds (weekly average)	1.70	1.83	1.85	2.18
90 Day T-Bills	1.52	1.66	1.71	2.25
30-Day Commercial Paper (taxable)	1.66	1.83	1.90	2.25
Libor (30-day)	1.78	1.80	1.99	2.31
7 Day Tax-Exempt VRDB	1.12	1.19	1.49	1.61
Daily Rate Average	1.20	1.13	1.47	1.61

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.52	2.12	1 Year	1.11	2.81	2.51	1.91	1.56	1.41
5 Year	1.54	2.59	5 Year	1.15	2.95	2.70	2.15	1.85	1.55
7 Year	1.62	2.87	7 Year	1.27	3.27	2.97	2.32	2.12	1.72
10 Year	1.71	3.51	10 Year	1.49	3.59	3.29	2.69	2.49	1.94
30 Year	2.20	4.00	30 Year	2.06	4.16	3.86	3.26	3.06	2.51

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	2.79	2.75	+0.04	4.24	2.59
11 Bond Index	2.33	2.29	+0.04	3.71	2.13
Revenue Bond Index	3.27	3.23	+0.04	4.71	3.07
30 Year MMD	2.06	2.10	-.04	3.11	1.84
Weekly Tax-Exempt Volume (Bil)	5.70	7.70	-2.00	9.36	0.20
30 Day T/E Visible Supply (Bil)	14.22	8.46	+5.76	14.22	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	135.09	135.37	+3.72	145.27%	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)		
11/01/19	1.12	4.75	1.70	1.52	1.66	1.78	3.06	-	2.51
10/25/19	1.19	5.00	1.83	1.66	1.83	1.80	3.10	-	2.55
10/18/19	1.29	5.00	1.85	1.66	1.87	1.84	3.05	-	2.50
10/11/19	1.40	5.00	1.80	1.66	1.90	1.92	2.92	-	2.37
10/04/19	1.49	5.00	1.85	1.71	1.90	1.99	2.92	-	2.37
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
08/02/19	1.40	5.25	2.28	2.05	2.18	2.24	2.89	-	2.34
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

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