

FEATURED ARTICLE

THE SENIOR LIVING CONSTRUCTION ENVIRONMENT: UPDATES & PREDICTIONS

Last week, more than 200 financial professionals from the not-for-profit senior living & care sector convened in New Orleans for the **24th Annual Ziegler LeadingAge National CFO Workshop**. The conference was the first in-person gathering since 2019 and was a huge success. The conference covered a number of strategic topics of importance to CFOs and finance professionals. One of the most highly attended sessions of the week was devoted to construction trends. This week's *Z-News* highlights some of the key takeaways from that important session.

A *Ziegler CFO Hotline*SM poll showed that more than half of providers are looking to conduct some type of community project over the next two years, largely through campus expansion projects. Given the recent and future construction activity in the space, providers are clearly focused on managing a successful project in the midst of the current pressured economic environment.

In the session, **Construction Update & Forecast for the Senior Living Sector**, presenters Chris Harrison (Weitz) and Doug McMillan (zumBrunnen) outlined a number of the key pressures facing today's construction industry. Among them are:

- Increasing costs of materials (steel, lumber)
- Rising freight costs (trucking, ocean shipping, diesel pricing)
- Construction wage increases hitting a 40-year high
- Construction job openings exceeding the number of new hires
- Lengthened lead times for materials

Will Pressure Continue Throughout 2022?

The presenters shared that while most material and equipment costs are predicted to continue to increase throughout the remainder of the year, there have been some decreases in costs of select materials. Specifically, both steel and rebar are down from record highs and are forecasted to continue to trend downward for the rest of 2022. Generally speaking, however, Weitz is predicting a 1%/month increase in most material costs.

Tips for Success

Despite the ongoing pressures, there are some strategies that providers can implement to make their construction projects go smoothly. The presenters went into great depth on these recommended practices, several of which are outlined below.

- **Experienced team:** The current market conditions necessitate an experienced team. This includes both in-house leadership as well as strong partners who have prior experience with campus projects. There needs to be a dedicated team focused on successful project execution and one that is regularly focused on constant and consistent reconciliation of scope, schedule and budget.
- **Smart Construction Contracts:** There are clear best practices as it relates to structuring a contract, one in which delivers a win-win for the provider and contractor(s). Important elements include insurance provisions, liquidated damages, schedule provisions, requirements for status reporting, documentation, payments, etc. and change order management among other items.
- **Project Contingencies:** There needs to be planning for various project contingencies, ranging from hard costs, soft costs (e.g., design, marketing/sales), and internal contingencies inside of the GMP contract. There are many potential risk factors that can impact the level of contingencies and it is critical to be prepared for various scenarios.

The construction environment is being closely watched by many senior living provider organizations as they look ahead to future projects. Ziegler plans to host a webinar in the coming weeks that will mimic the content and speakers from this session at last week's CFO Workshop. Stay tuned for registration details in the near future.

If you have questions related to the contents of this article or other relative topics, we encourage you to reach out to the Ziegler representative in your region.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF APRIL 29, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Still Hopes (SC)	Fitch	BB Stable	Affirmed Rating Affirmed IDR*	4/21/22
General German Aged People's Home of Baltimore (Edenwald) (MD)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	4/25/22
The Village at Germantown (TN)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	4/26/22
Diakon Obligated Group (PA)	Fitch	BBB+ Stable	Affirmed Rating Affirmed IDR*	4/28/22

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* IDR – Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS

WEEK ENDING APRIL 29, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.05%	3.01%	1.75%
Senior Living 30-Yr "A"	4.39%	4.35%	2.42%
Senior Living 30-Yr "BBB"	4.84%	4.80%	2.74%
Senior Living Unrated	5.59%	5.55%	3.74%
Senior Living New Campus	6.49%	6.45%	5.28%
SIFMA Muni Swap Index	0.44%	0.46%	0.11%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	4.58%	4.57%	1.53%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCINGS

**WESTMINSTER
CANTERBURY RICHMOND**
 Richmond, Virginia

 Economic Development Authority of
 Henrico County, Virginia
 Residential Care Facility Revenue
 Bonds
 Series 2022A

\$98,195,000

April, 2022


**SALEM COMMUNITY
CORPORATION
(THE BRIARWOOD
COMMUNITY)**
 Worcester, Massachusetts

 Massachusetts Development Finance
 Agency
 Revenue Refunding Bonds
 Series 2022

\$38,850,000

April, 2022

MARKET REVIEW

MONEY MARKET RATES

	4/29	LAST WEEK
Prime Rate	3.50	3.50
Federal Funds (weekly average)	0.32	0.32
90 Day T-Bills	0.83	0.78
30-Day Commercial Paper (taxable)	0.51	0.38
Libor (30-day)	0.80	0.70
7 Day Tax-Exempt VRDB	0.44	0.46
Daily Rate Average	0.33	0.30

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	2.71	3.46	1 Year	1.94	3.94	3.49	3.14	2.59	2.09
5 Year	2.95	3.95	5 Year	2.45	4.55	4.10	3.75	3.20	2.75
7 Year	2.98	4.28	7 Year	2.57	4.77	4.37	4.02	3.42	2.92
10 Year	2.93	4.53	10 Year	2.72	5.17	4.62	4.22	3.67	3.12
30 Year	3.00	5.15	30 Year	3.05	5.70	5.25	4.75	4.20	3.65

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.21	3.19	+0.02
11 Bond Index	3.11	3.09	+0.02
Revenue Bond Index	3.49	3.47	+0.02
30 Year MMD	3.05	3.03	+0.02
Weekly Tax-Exempt Volume (Bil)	3.02	3.18	-0.16
30 Day T/E Visible Supply (Bil)	12.42	12.21	+0.21
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	140.0	142.1	-2.10