

FEATURED ARTICLE

STRATEGIC 'LAND BANKING'

One strategy for growing your organization's footprint is to strategically 'Land Bank,' which essentially means taking advantage of the opportunity to acquire parcels of land at a time where there may or may not be an immediate development plan. Depending on the economic environment, there can be times where strategically acquiring parcels of land can be very advantageous to an organization that may want or need to expand or build new in the foreseeable future. During the great economic recession of 2008-2010, we observed a number of organizations who took advantage of acquiring land at a much-reduced price than it was years' prior. We are similarly observing some of these acquisition strategies unfold today. For a number of organizations, they may be waiting to initiate an actual project until related construction prices subside, but are using the time to bring additional land under their ownership. It's a buy and hold strategy. This land might be contiguous to an existing community and part of a larger expansion plan or it might be a distinct parcel of land for a satellite campus or new community. There are some organizations that have multiple parcels of land that they sit on for years. Some of those pieces of land may actually see development or in some instances, those parcels of land are deemed outside of the current strategic scope or development plan and are later sold to another buyer (hopefully at a higher price than what the organization bought it for!).

Why Considering Land Banking?

There are a number of drivers for why an organization might be intentional about acquiring land.

- **Campus Expansion:** For those organizations who are not land-locked and have the ability to further build-out their campus, it makes sense to continue to grab parcels of land that are contiguous to the community. This may be greenfield parcels or it might even be acquiring land with homes on them when homeowners are ready to sell. These opportunities do not always present themselves on a regular basis, so being able to respond when the time is right is critical.
- **Growth in Designated Market/Region:** Building off of an existing brand is a logical strategy for growth. Increasingly, we see this executed through the development of satellite

campuses or a new distinct community in a nearby market. Scouting land in your local or regional market makes sense.

- **Defensive Moves:** There can definitely be times when you might not necessarily want an additional parcel of land, but you certainly do not want others to have it. This generally comes into play with land that borders an existing campus. There may be no intention of developing that land, but it has the potential to provide a meaningful buffer against other developments or businesses that could be unfavorable to the community.
- **Knowing Where the Puck is Going:** We are familiar with a number of organizations that keenly observe the direction in which certain markets are expanding in neighboring areas that are blossoming. If you play this right, you can take advantage of less costly land today that will multiply in value for years to come. Some of these can be long-games as the growth plays out, but there has been success in watching demographic and economic growth trends in your existing region(s).

How to Execute on Land Banking

There are clearly proactive strategies whereby organizations scout land in designated markets. For larger organizations, they often have internal resources devoted to some of this development strategy and land acquisition tactics. For many others, however, this is a combination of internal awareness by the leadership team and perhaps even board members, and dependence on partners such as developers, architects or even your investment banking team. These partners are often aware of opportunities where land may be available for sale and suitable for development projects. Simply making your partners aware of openness to explore land purchases will likely lead to opportunities being brought to you. Having these experts at the table can also be helpful when assessing land suitability and price valuations.

The other approach is one that is more opportunistic. There are indeed times where you may receive outreach from a landowner or nearby homeowner looking to sell. This is where fostering positive relationships in the community over time can pay dividends.

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



CAPITAL :: INVESTMENTS :: ADVICE

The one element that also needs to be considered relates to the financial resources to purchase the land. It is important to have some degree of capital planning to take advantage of these opportunities. This might be something that is weaved into a financing for other needs, it might be tapping into an existing line of credit, or it might be funded by a strategic growth fund if one exists. It is important to be proactive with this planning rather than reactive. The danger in a reactive financing plan may mean a missed opportunity.

The final comment to be made is that there are times when acquiring desirous parcels of land are definitely a long-game.

Patience can be a virtue. Desperation purchases are not always a good thing. It is important to know what limits exist on you, what you are willing to spend, and in what market makes sense.

If you have additional questions related to this article, we encourage readers to reach out to the Ziegler representative in your region.

LISA McCRACKEN
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
lmccracken@ziegler.com

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF FEBRUARY 6, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Three Pillars Senior Living Communities (WI)	Fitch	BBB+ Negative	Affirmed Rating Revised Outlook	2/1/23
Moorings, Inc. (FL)	Fitch	A Stable	Affirmed Rating Affirmed IDR*	2/2/23
Smith Crossing (IL)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	2/2/23

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* IDR – Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS

WEEK ENDING FEBRUARY 3, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.13%	3.18%	3.15%
Senior Living 30-Yr "A"	4.70%	4.75%	4.60%
Senior Living 30-Yr "BBB"	5.10%	5.15%	5.00%
Senior Living Unrated	5.95%	6.00%	5.73%
Senior Living New Campus	7.10%	7.15%	6.61%
SIFMA Muni Swap Index	1.87%	1.66%	1.44%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.41%	5.39%	2.21%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING

BISHOP GADSDEN



BISHOP GADSDEN
Charleston, South Carolina

Bank Placement
New Money

\$29,200,000

January, 2023

MARKET REVIEW

MONEY MARKET RATES

	02/03	Last week
Prime Rate	7.75	7.50
Federal Funds (weekly average)	4.56	4.32
90 Day T-Bills	4.51	4.55
30-Day Commercial Paper (taxable)	4.49	4.39
Libor (30-day)	4.57	4.56
SOFR	4.30	4.56
7 Day Tax-Exempt VRDB	1.87	1.66
Daily Rate Average	1.72	1.21

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.10	5.10	1 Year	2.27	4.47	3.92	3.37	2.52	2.32
5 Year	3.48	4.73	5 Year	1.99	4.29	3.74	3.14	2.34	2.09
7 Year	3.44	4.84	7 Year	2.03	4.43	3.93	3.33	2.43	2.18
10 Year	3.39	5.09	10 Year	2.13	4.63	4.13	3.68	2.68	2.33
30 Year	3.54	5.84	30 Year	3.13	5.88	5.33	4.88	3.88	3.48

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.39	3.37	+0.02
11 Bond Index	3.29	3.27	+0.02
Revenue Bond Index	3.67	3.65	+0.02
30 Year MMD	3.13	3.18	-0.05
Weekly Tax-Exempt Volume (Bil)	0.63	4.34	-3.71
30 Day T/E Visible Supply (Bil)	4.98	1.93	+3.05
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	109.6	112.0	-2.40

Source: Bloomberg