

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### FEATURED ARTICLE

# THE ANNUAL “LOOK BEHIND...AND LOOK AHEAD” PART II: SENIOR LIVING FINANCE ACTIVITY

In last week's issue of *Z-News* we looked at what occurred over the past year while predicting what to expect as we look ahead in the new year. This issue of *Z-News* will review the 2024 municipal bond issuance, capital markets, interest rates, and the nearly 50 transactions Ziegler led this past year.

We won't forget the past few years when inflation hit 9.1% its highest in 40 years, when gas prices hit \$5.00 a gallon, when consumers didn't know whether to pay their mortgage or buy groceries, when mortgage rates hit the highest level in 20 years. The only positive to date, inflation closed out 2024 at 2.9%, down from 3.4% in 2023, but higher than the Fed's goal of 2.0%.<sup>(1,2)</sup> It will be a wait-and-see what the Fed will do at the next committee meeting scheduled for January 28-29. With all that said, we can only look ahead; it is the time to move forward and 'Thrive in '25.'

According to *The Bond Buyer Daily Report* (12/31/2024), total municipal bond issuance in 2024 was \$507.6 billion, up 31.8% from \$385.1 billion in 2023, and surpasses the previous record of \$484.6 billion in 2020 by more than \$20 billion.

Although the start of 2024 was slow going with rates still on the high side and borrowers reluctant to test the waters, Ziegler successfully priced more than a few deals in the first half of 2024, and proficiently completed the remaining deals by year's end. The first deal of the year was with **The United Methodist Retirement Homes (NC)** for a \$67.2 million expansion and improvements at their Cypress Glen campus. Ziegler went on to complete an additional 23 bond financings, more than 20 bank transactions, and two private placements in 2024. This reflects a year-end combined total of more than \$2.2 billion in not-for-profit senior living bond financings and bank transactions. Ziegler's 2024 tax-exempt bond financings for senior living represented roughly 45% market share reported by LSEG data.

Ziegler was pleased to represent several new clients in 2024. Among those **Penick Village (NC)** for \$73.3 million to fund an expansion; **GingerCare Living (MA)** financed \$51.2 million to acquire and

redevelop a skilled nursing facility; **Heritage of Green Hills (PA)** for two bank transactions totaling \$47.0 million; **United Methodist Homes (NY)** for a \$52.4 million bank placement refunding; **RiverSpring Health Senior Living (NY)** for a line of credit in the amount of \$25.0 million; **Silver Maples of Chelsea (MI)** in the amount of \$9.250 million; **Fairview (CT)** for \$21.6 million; **The Nottingham (Loretto) (NY)** in the amount of \$28.1; **Evergreen Living (KS)** to fund a \$14.5 million construction project; and **Wartburg (NY)** an \$8.4 million taxable term loan.

Ziegler assisted two clients on bond financings for more than \$100 million: **Shell Point (FL)** for an expansion project; and **PRS California Obligated Group (CA)** for an expansion project and refinancing.

There were two BANs (bond anticipation notes) deals for future development: **Convivial-St. Petersburg (FL)**, in the amount of \$23.4 million to fund the construction of a new campus; and **HutsonWood (TN)** in the amount of \$14.7 million to reposition and expand an existing community in Spring Hill.

There were also financings for a combination of refundings, new money for expansions and capital improvements, acquisitions and affiliations. Among the bond financings were **John Knox Village (MO)** for a \$44.3 million for a refunding and to replace and expand an existing building; **Carolina Meadows (NC)** in the amount of \$76.2 million to replace an existing nursing facility; **Bayview (WA)** for \$13.3 million for improvements; **PRS Trinity Terrace (TX)** for \$72.6 million to refinance all existing debt; **Garden Spot Village (PA)** in the amount of \$67.3 million for refinancing and new money improvements; **Lutheran Senior Services (LSS) (MO)** for \$79.2 million with respect to the member substitution agreement with Diakon (PA), **LSS** closed a \$38.4 million taxable term loan for new money, and later financed \$41.8 million for an expansion project at Mason Pointe; **Parkshore at Juanita Bay (Transforming Age) (WA)** in the amount of \$62.4 for an expansion; **Eskaton Properties (CA)** who financed \$82.9 million for capital improvements and to refund debt; **Presbyterian Retirement Communities (FL)** financed \$82.3

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million to fund capital improvements and retire outstanding debt; **Christwood (LA)** who financed \$33.8 million to refund debt and make improvements to multiple communities; **Community-First Solutions (OH)** financed \$46.1 million for a refunding and acquisition; **Shell Point (FL)** in the amount of \$98.7 to construct a town center; **EveryAge (NC)** who financed \$25.3 million in conjunction with a taxable loan for \$23.4 million for an acquisition; **Presbyterian Manors (KS)** in the amount of \$77.4 million to refund debt and fund certain improvements; **Village on the Isle (FL)** financed \$78.2 million in conjunction with a taxable term loan in the amount of \$4.5 million to fund an expansion; and **RiverWoods at Exeter (NH)** in the amount of \$39.7 million for a refunding.

There were more than 20 Ziegler-assisted direct bank placements including transactions for new project financings, construction loans, lines of credit and taxable term loans similar to what has taken place in recent years. Bank-related transactions are traditionally smaller in size than bond financings, but the 2024 average deal was more than \$25.0 million. This is slightly less than the 2023 average deal of \$27.0 million. The bank deals ranged in value from \$1.3 million **Brio Living Services (Huron Valley PACE) (MI)** to more than \$66.0 million **Vicar's Landing (FL)**.

Several clients tapped into bank transactions in 2024 for a variety of purposes, such as **Williamsburg Landing (VA)** for new money in the amount of \$15.0 million; **Pleasant View Retirement Community (PA)** in the amount of \$18.9 million for new money; **BHI Senior Living (IN)** for \$19.0 million of new money and a construction loan for \$13.0 million to fund a two phase construction project; **Brio Living Services (MI)** in the amount of \$15.0 million and a later bank renewal for \$8.1 million; **Covenant Living Communities (IL)** in the amount of \$53.6 million on a taxable term loan for an affiliation and later a bank placement in the amount of \$42.6 million; **FellowshipLIFE (NJ)** for \$42.5 million for an affiliation; **Sunset Manor (MI)** a taxable term loan in the amount of \$52.1 million; **Masonicare at Rocky Hill (MA)** a taxable term loan in the amount of \$17.0 million for an acquisition; **Sun Health (AZ)** a taxable term loan in the amount of \$56.8; and **Connecticut Baptist Homes (CT)** for a

bank transaction in the amount of \$12.9 million. Additionally, **Convivial St. Petersburg (FL)** privately placed \$6.0 million; and **HutsonWood (TN)** privately placed \$3.0 million.

In 2024, the bank lending market saw modest loan growth, tighter lending standards, and increased regulatory supervision. However, banks are still expected to maintain steady issuance. Some banks focused largely on existing relationships and tightened terms for new construction projects due to inflation and supply. Yet, bank debt remained an attractive alternative in 2024, and we believe it will continue to remain attractive in 2025, particularly in regions of the country where competition among banks is strong.<sup>(3)</sup>

With the average MMD hovering in the 4.00% range in early 2025, we are optimistic that baseline tax-exempt rates will level out and that stability will lead to continued improvement in credit spreads for senior living borrowers.<sup>(4)</sup>

We encourage you to reach out to the Ziegler banker in your region to discuss options for the year ahead.

*For more information regarding the structure and use of each of these 2024 issues, please see the Electronic Municipal Market Access <https://emma.msrb.org> system's website or contact the Ziegler banker in your area.*

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- (1) CNN "US inflation hit 40-year high in June, driven by record gas prices" (7/13/22)
- (2) Bureau of Labor Statistics, Consumer Price Index as of 12/31/2024 ([www.bls.gov](http://www.bls.gov))
- (3) Ziegler Investment Banking (Jan. 2025)
- (4) LSEG TM3 Municipal Market Data (MMD) Reports

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

AS OF JANUARY 24, 2025

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
NewBridge on the Charles (MA)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	1/22/25
Riverview Retirement Community (WA)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR* Removed UCO**	1/23/25
Meadowlark Hills (KS)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	1/24/25

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\* IDR – Issuer Default Rating

\*\* UCO – Under Criteria Observation

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### INTEREST RATES/YIELDS

WEEK ENDING JANUARY 24, 2025

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	4.02%	4.07%	3.72%
Senior Living 30-Yr “A”	4.85%	4.90%	4.68%
Senior Living 30-Yr “BBB”	5.20%	5.25%	5.01%
Senior Living Unrated	6.30%	6.35%	6.22%
Senior Living New Campus	7.25%	7.80%	7.82%
SIFMA Muni Swap Index	2.96%	2.54%	3.31%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index†	5.40%	5.41%	1.40%

† Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

### FEATURED FINANCINGS



#### LUTHERAN SENIOR SERVICES

St. Louis, Missouri

Health & Educational Facilities  
Authority of the State of Missouri,  
Senior Living Revenue Bonds, Series  
2025A

**\$41,830,000**

December, 2024



#### CONNECTICUT BAPTIST HOMES

Brooklyn, Connecticut

Bank Placement  
New Money / Refunding

**\$12,870,000**

December, 2024



#### HURON VALLEY PACE (Brio Living Services)

Bank Placement / New Money

**\$4,000,000**

December, 2024

#### BRIO LIVING SERVICES Grand Rapids, Michigan

Bank Placement / Renewal

**\$8,154,000**

October, 2024

## MARKET REVIEW

## MONEY MARKET RATES

	01/24	Last week
Prime Rate	7.50	7.50
Federal Funds (weekly average)	4.32	4.32
90 Day T-Bills	4.31	4.29
30-Day Commercial Paper (taxable)	4.33	4.32
SOFR (30-day)	4.35	4.37
SOFR	4.35	4.29
7 Day Tax-Exempt VRDB	2.96	2.54
Daily Rate Average	1.32	1.01

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AA
2 Year	4.28	4.78	1 Year	2.72	4.72	4.12	3.37	3.07	2.72
5 Year	4.45	5.05	5 Year	2.84	4.94	4.29	3.54	3.24	2.84
7 Year	4.55	5.30	7 Year	2.89	5.09	4.39	3.64	3.34	2.89
10 Year	4.64	5.64	10 Year	3.07	5.37	4.62	3.87	3.57	3.07
30 Year	4.86	6.36	30 Year	4.02	6.62	5.72	5.02	4.72	4.02

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	4.19	4.28	-0.09
11 Bond Index	4.09	4.18	-0.09
Revenue Bond Index	4.48	4.57	-0.09
30 Year MMD	4.02	4.07	-0.05
Weekly Tax-Exempt Volume (Bil)	6.87	10.54	-3.67
30 Day T/E Visible Supply (Bil)	7.05	10.22	-3.17
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	97.1	98.3	-1.20

Source: Bloomberg