ZIEGLER INVESTMENT BANKING
SENIOR LIVING FINANCE Z-NEWS
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FEATURED ARTICLE

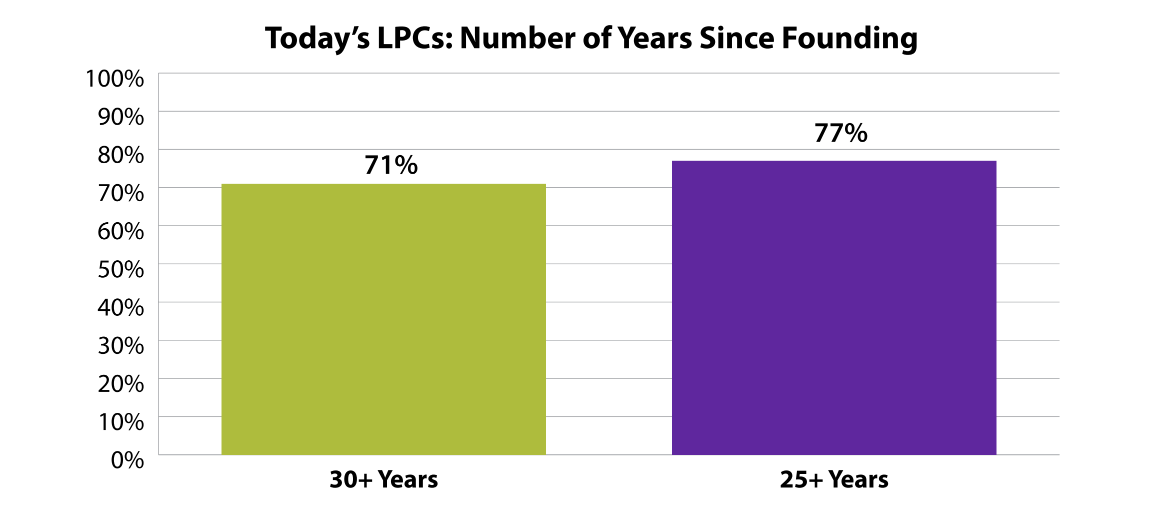
A HISTORY AND PROFILE OF THE LPC/CCRC MODEL

There has been a good bit of focus recently on the Life Plan Community (LPC)/Continuing Care Retirement Community (CCRC) model. We know that throughout the life of the pandemic, the LPCs/CCRCs fared the best in terms of occupancy and COVID-19 outbreaks. There has been discussion about the connection between the housing market, economy and health of the LPC/CCRC sector. Knowing that roughly three-quarters of LPCs are not-for-profit sponsored, how does the fast pace of growth of the IL/AL/MC model impact the full-continuum model? These are just some of the current hot topics and discussions. We felt it made sense to dedicate a ***Z-News*** article to provide perspective on the history and evolution of this model and observations as to where this type of resident housing option is heading.

What Lies Ahead for 2022?

The labels "Continuing Care Retirement Communities" and even more recently, "Life Plan Communities," were not in place many years ago when a number of today's current LPCs were originally founded. Many of today's communities were founded as homes for widows and orphans and go back to the 1800s and early 1900s. According to Ziegler's tracking records, the oldest of today's LPCs was founded in 1817. Today known as The Poydras Home, in 1817, the "Female Orphan Society" was established to care for the female children of widows left destitute by New Orleans' yellow fever outbreaks. They later expanded to providing care for elderly adults. Just as with the Poydras Home, many of these historical communities were made possible through the financial support of wealthy individuals and/or donated land. Additionally, in the history of these early communities, it was not uncommon for the site of the community to move to perhaps a larger parcel of land or a different part of town.

When talking about the history of these developments, it is important to comment on definitions. Ziegler utilizes the terms "purpose-built" versus "non-purpose built" to categorize LPCs. Specifically, a purpose-built community is one that was built from day one to be an LPC, so has had Independent Living through Nursing Services on the same campus from the beginning. The non-purpose-built communities are those that evolved into the model. Most of these started as nursing-centric homes for elders and over time, added levels of living, generally independent living, and thus are now defined as an LPC. Ziegler's figures show that among today's LPCs, roughly 59% are purpose-built. Clearly, today's communities have a deep history of serving seniors throughout the country. As detailed below, 71% of today's LPCs were founded more than 30 years ago.



Source: Ziegler LPC/CCRC National Database

LPCs Today
Ziegler currently tracks 1,930 Life Plan Communities nationally. These are communities that offer, at a minimum, Independent Living and Nursing Care on the same campus. This number has gone down slightly in recent years as some providers have exited the skilled nursing business. This trend will be addressed in the "moving forward" section below. The data points below provide some additional details on the 2022 profile of LPCs.

Total Number of LPCs Nationally: 1,930	
Sponsor/Owner	
Percentage that are Not-for-Profit Sponsored	75%
Percentage that are For-Profit Owned	25%
Single/Multi-Site	
Single-site LPC	32%
Part of a Multi-Site	68%
Contract type	
Entry-Fee (EF)	50%
Rental	39%
Blend (Offer both EF and Rental)	10%
Equity	1%

Source: Ziegler LPC/CCRC National Database

The Model Moving Forward
Having Life Plan Communities that have been in existence for 100+ or 150+ years, the sector has clearly experienced change for many years. Adaptability and innovation have been foundational to these communities for many decades. Just as in the past, providers continue to adjust as needed based on current trends and what is needed to be successful moving forward. Common changes we are seeing within the LPC sector include:

- **Name changes:** A number of providers in recent years have rebranded and are utilizing more modern names to reflect their mission and services. Recent examples include Brightspire (fka Presbyterian Homes, NC), Brio Living Services (fka UMRC/Porter Hills, MI), and EveryAge (fka United Church Homes and Services, NC) to name a few.

- **Skilled Nursing Changes:** This space has been particularly disrupted the past two years, but was undergoing change prior to the onset of the pandemic. Many providers are downsizing their nursing beds, often through the conversation of semi-private to private rooms, and some providers have fully exited this service line. The full exit of nursing on the campus of an LPC has taken a number of forms. In a number of these instances, certain states allow for a great deal of flexibility within the Assisted Living realm, thus some providers have gone to a higher-level Assisted Living. This is particularly true in the western region of the U.S. Additionally, it should be noted that a number of newly developed communities in recent years are being built with IL/AL only, without nursing beds onsite. All of these trends also present some challenges to the historical definition of the LPC/CCRC. Providers are continuing to offer aging-in-place options, which supplement some of the historical healthcare services offered in the skilled nursing setting. Ziegler is continuing to monitor this trend and its overall impact on the definition of an LPC/CCRC.

- **Contract Diversification:** Increasingly, the older adult customer is looking for greater choice and flexibility. This is especially true for the Baby Boomer generation. Additionally, as providers focus on the middle-market consumer, greater focus is on the ability to offer rental contracts in additional to entry-fee. Each of these contract types target a different segment of the older adult customer and also have different financial and operational implications. Providers need to plan carefully when rolling out contract options.

- **Scale:** Life Plan Communities generally benefit from larger scale, which can be accomplished a number of ways. Many LPCs have undergone expansion projects in recent years, largely adding independent living units. It is not uncommon for communities to acquire adjacent parcels of land for expansion purposes. Another approach to garnering greater scale is through affiliation or acquisition. Just as other sectors have gradually consolidated over time, we are seeing this trend unfold as well, some markets to a greater extent than others. The number of LPCs that are part of a multi-site organization has increased.

The LPCs/CCRCs in the U.S. provide residential housing and care services to hundreds of thousands of older adults every day and have been doing so successfully for decades. Change is inevitable and today's communities will need to be focused on success in the future, which foundationally requires adaptation. Ziegler will continue to track the sector and periodically report out the latest statistics and LPC/CCRC-specific trends.

If you have any specific questions related to the content of this article or other related items, we encourage readers to reach out to the Ziegler representative in your region.

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

Article Source: Ziegler Investment Banking Research & Development

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 22, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Legacy at Willow Bend (TX)	Fitch	BB Negative	Downgraded Rating and IDR*	5/19/22
Westminster Manor (TX)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	5/19/22
Eliza Jennings Senior Care Network (OH)	Fitch	BB+ Stable	Assigned Rating Assigned IDR*	5/20/22
EveryAge (NC)	Fitch	BBB- Negative	Affirmed Rating Affirmed IDR* Revised Outlook	5/20/22

* *IDR – Issuer Default Rating (FitchRatings)*

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

INTEREST RATES/YIELDS

WEEK ENDING MAY 20, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.34%	3.27%	1.84%
Senior Living 30-Yr "A"	5.00%	4.93%	2.58%
Senior Living 30-Yr "BBB"	5.35%	5.28%	2.89%
Senior Living Unrated	6.00%	5.93%	3.86%
Senior Living New Campus	6.70%	6.63%	5.33%
SIFMA Muni Swap Index	0.82%	0.76%	0.15%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index†	4.97%	4.96%	1.63%

† Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCINGS

THE Briarwood Community

SALEM COMMUNITY CORPORATION (THE BRIARWOOD COMMUNITY)

Worcester, Massachusetts

Massachusetts Development Finance Agency,
Revenue Refunding Bonds
Series 2022

$38,850,0000

April, 2022

CYPRESS COVE

CYPRESS COVE AT HEALTHPARK FLORIDA, INC.

Fort Myers, Florida

Lee County Industrial Development Authority,
Healthcare Facilities Revenue Bonds
Series 2022

$68,035,000

April, 2022

MARKET REVIEW

MONEY MARKET RATES

	5/20	LAST WEEK
Prime Rate	4.00	4.00
Federal Funds (weekly average)	0.80	0.80
90 Day T-Bills	1.01	0.96
30-Day Commercial Paper (taxable)	0.84	0.82
Libor (30-day)	0.96	0.88
7 Day Tax-Exempt VRDB	0.82	0.76
Daily Rate Average	0.72	0.59

COMPARATIVE YIELDS

TAXABLE REVENUE		
	GOVT	A
2 Year	2.58	3.33
5 Year	2.80	3.80
7 Year	2.81	4.06
10 Year	2.78	4.33
30 Year	2.98	5.08

	MMD	NR*	BB	BBB	A	AAA
1 Year	1.97	3.97	3.62	3.37	2.72	2.12
5 Year	2.57	4.67	4.37	4.07	3.47	2.87
7 Year	2.82	5.02	4.77	4.42	3.77	3.17
10 Year	2.99	5.44	4.99	4.74	3.99	3.39
30 Year	3.34	5.99	5.59	5.24	4.59	3.94

(Representative of institutional sales)*

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.47	3.37	+0.10
11 Bond Index	3.37	3.27	+0.10
Revenue Bond Index	3.75	3.65	+0.10
30 Year MMD	3.34	3.27	+0.07
Weekly Tax-Exempt Volume (Bil)	4.94	5.41	-0.47
30 Day T/E Visible Supply (Bil)	10.20	11.20	-1.00
30 year “A” Rated Hospitals as a % of 30 Year Treasuries	154.0	137.2	+16.80