

ZIEGLER INVESTMENT BANKING

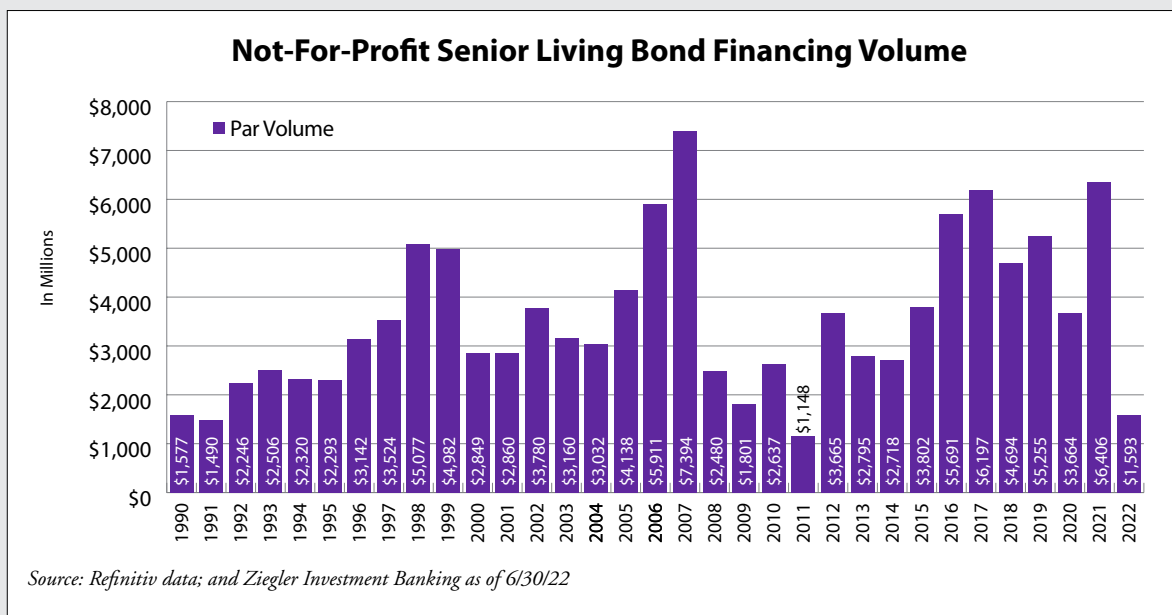
SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

2022 MID-YEAR UPDATE: INFLATION DRIVING THE MARKET IN THE FIRST HALF

Inflation has been driving the market in the first half of 2022. Although interest rates improved for borrowers the last two weeks, and we saw fund inflows versus outflows last week according to Lipper (reported in The Bond Buyer, July 15, 2022), rising interest rates have not been kind to market demand. It is expected that the Fed will raise short-term rates again this month by approximately 75 basis points in an attempt to stabilize the market.

Each year, Ziegler gives a mid-year update of bond financing volume. Senior living tax-exempt debt issuance for the first half of 2022 was slightly less than the same period last year (down roughly 9%) compared to 41% in 2021 compared to 2020 (due to the pandemic). Total par volume was slightly below last year at nearly \$1.6 billion through June 30th compared with nearly \$1.8 billion for the same period in 2021. Although the pandemic lingered into 2021, the first half showed borrower confidence as interest rates were still very low and senior living bond issuance closed 2021 with more than \$6.4 billion.



New Money in the first half of 2022 was roughly 64% of the total volume, however, it was a 9% decrease compared to the same time period last year. Senior living providers are accessing the public debt markets for project financings. New money issuance in the first half of 2022 was more than \$1.0 billion, compared to the slightly more than \$1.1 billion issued for project financings during the same period last year. New money volume in the first half of 2022 accounted for new communities, campus expansions, affiliations/acquisitions, renovations and capital improvements.

ZIEGLER

One North Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

800 366 8899
askziegler@ziegler.com

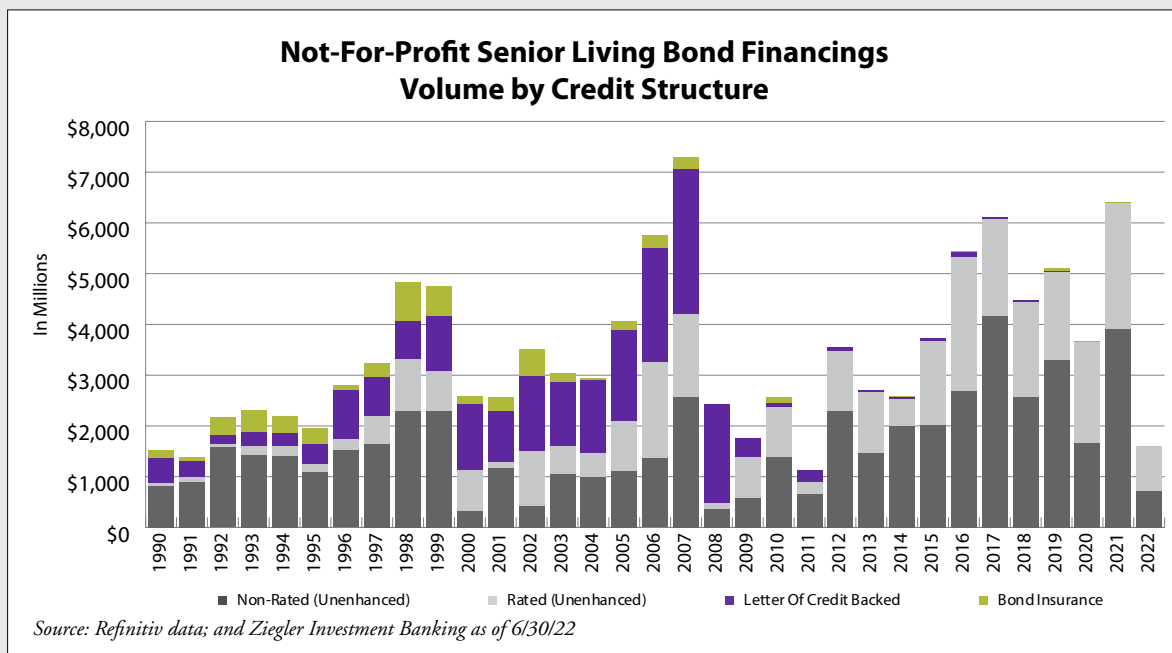


While we have seen a decrease in refinancings since 2019, the first half of 2022 is no different with more than \$577 million compared to nearly \$670 million (up 46% from 2020) for the same period last year.

Although a number of borrowers are still opting for bank direct purchase financings, as terms on these loans often extend to ten years or more, this has slowed in 2021 and 2022 compared to prior years. The majority of these bank financings are for new money issuance, refundings, expansions, and affiliations.

As we have seen in the last few years and as expected this year, much of the bond financing volume in the first half of 2022 has taken the form of fixed-rate issues rather than letter of credit-backed variable rate demand bonds (VRDBs). The last VRDB issuance was in the first half of 2019 and accounted for nearly \$35 million; there has not been any VRDB issuance since that time, as the bank direct purchase transactions mentioned above still drive the bank market.

Among fixed-rate issues, rated borrowers made up 55% of the volume in the first half of 2022, the share for rated issuance for the same period last year was 46%.



In the first few weeks of 2022, borrowers took advantage of the low interest rates carried over from 2021, however, in mid-February rates began to rise and disrupt the market. As the Federal Reserve began to raise short-term rates in order to battle inflation, we have seen a slight improvement. With another rate increase on the horizon, it is hopeful that inflation will trend downward and municipal bonds will see greater demand.

For more information on volume and market trends, please contact the Ziegler representative in your region.

CATHY OWEN
 VICE PRESIDENT, SENIOR LIVING RESEARCH
cowen@ziegler.com

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JULY 18, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
The Carmelite System Obligated Group (NY)	Fitch	A- Negative	Affirmed Rating Affirmed IDR* Revised Outlook	7/13/22
Immanuel Obligated Group (NE)	Fitch	AA Stable	Affirmed Rating Affirmed IDR*	7/14/22
Philadelphia Presbytery Homes Obligated Group (PA) dba HumanGood Pennsylvania	Fitch	BBB Stable	Affirmed Rating Affirmed IDR* Revised Outlook	7/15/22
HumanGood California Obligated Group; ABHOW and HumanGood NorCal (CA)	Fitch	A- Stable	Affirmed Rating Affirmed IDR*	7/15/22

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings LTD. and its subsidiaries

* 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 JULY 15, 2022


	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.98%	3.01%	2.09%
Senior Living 30-Yr "A"	4.42%	4.45%	3.00%
Senior Living 30-Yr "BBB"	4.82%	4.85%	3.33%
Senior Living Unrated	5.47%	5.50%	4.20%
Senior Living New Campus	6.47%	6.50%	5.52%
SIFMA Muni Swap Index	0.69%	0.78%	0.27%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.03%	5.02%	2.04%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING



**SHENANDOAH VALLEY
WESTMINSTER-CANTERBURY**
Winchester, Virginia

Bank Direct Purchase
New Money

\$71,000,000
July, 2022

MARKET REVIEW

MONEY MARKET RATES

	7/15	LAST WEEK
Prime Rate	4.75	4.75
Federal Funds (weekly average)	1.56	1.56
90 Day T-Bills	2.29	1.87
30-Day Commercial Paper (taxable)	1.91	1.69
Libor (30-day)	2.15	1.89
7 Day Tax-Exempt VRDB	0.69	0.78
Daily Rate Average	0.33	0.60

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	3.14	4.09	1 Year	1.40	3.40	3.10	2.60	1.85	1.50
5 Year	3.06	4.31	5 Year	2.00	4.10	3.85	3.45	2.55	2.20
7 Year	3.04	4.59	7 Year	2.29	4.54	4.19	3.69	2.94	2.54
10 Year	2.95	4.75	10 Year	2.44	4.79	4.44	3.94	3.19	2.74
30 Year	3.09	5.44	30 Year	2.98	5.53	5.18	4.68	3.98	3.48

(* Representative of institutional sales)z

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.34	3.37	-0.03
11 Bond Index	3.24	3.27	-0.03
Revenue Bond Index	3.62	3.65	-0.03
30 Year MMD	2.98	3.01	-0.03
Weekly Tax-Exempt Volume (Bil)	7.83	2.57	+5.26
30 Day T/E Visible Supply (Bil)	10.32	11.65	-1.33
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	128.8	123.7	+5.1

Source: Bloomberg