CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 12/13/16

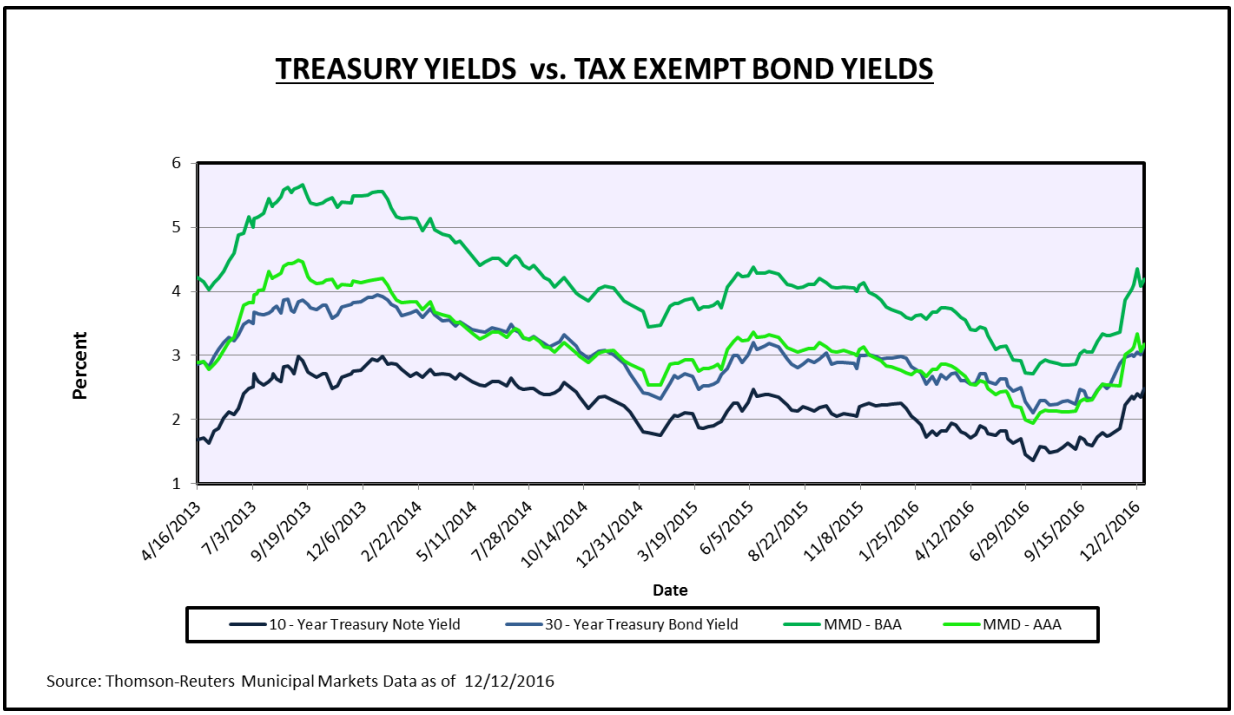
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.770%	2.600%	3.100%	3.45%	3.00-3.75%	4.00-4.50%
10 yr.	NA	2.600%	3.550%	4.100%	4.40%	4.00-4.50%	4.75-5.25%
20 yr.	NA	3.410%	4.450%	4.850%	5.25%	4.75-5.50%	5.25-5.75%
30 yr.	3.680%	3.650%	4.600%	5.000%	5.35%	5.00-5.75%	6.00-6.50%

Senior Living new issue rates for borrowers in specialty states are 20-30 basis points lower in yield.

SIFMA Index	LIBOR
0.57%	0.65%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.87%	2.4700%	3.1300%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.82%	1.17%	1.41%	1.57%	1.76%
Weekly LIBOR Swap Rates	1.15%	1.59%	1.92%	2.15%	2.36%



HJ Sims 2017 Conference Update

Please watch your mail for our updated Conference brochure with information on the program and sessions.

In addition, if you would like to read the biographies of the fabulous speakers who will be sharing their knowledge and expertise with us, please visit this link: Speaker Biographies.

Market Commentary

Heading into the holidays and 2017's Inauguration Day, major stock indices have risen between 5% and 8% since Election Day. The 10-year Treasury yield is up 34% to 2.48%, and the 10-year AAA municipal general obligation bond yield is up 38% to 2.36%. Municipal bond yields have yet to stabilize, but borrowers continue to find the low-rate environment appealing for new capital projects as well as refinancings. Last week, the California Municipal Finance Authority brought a $203.8 million BBB-minus rated issue for Northbay Health Group and obtained a 5.25% rate on bonds maturing in 2047. Jennie Stuart Medical Center in Christian County, Kentucky was in the market with a $62.9 million BB+ rated deal that included 2044 term bonds priced to yield 5.65%. The Saint Louis Land Clearance Redevelopment Authority sold $93.9 million of non-rated annual appropriation revenue bonds for the National Geospatial Intelligence Agency; its 30-year term bonds had a yield of 5.259%. Saint Paul's Housing and Redevelopment Authority brought a $44.5 million BB+ rated lease revenue bond issue for Hmong College Prep Academy that featured 2051 term bonds priced at 6.00% to yield 5.95% while the Arizona Industrial Development Authority's $31.6 million BB+ rated issue for Kaizen Education Foundation sold 2051 term bonds priced at 5.80% to yield 6.00%, and the Philadelphia Authority for Industrial Development had two issues for MAST I and MAST II charter schools structured with 2051 term bonds priced to yield 5.50% and 6.00%, respectively.

With only a handful of trading days left in 2016, a distracting Federal Reserve Open Market Committee meeting in progress and the Dow on a tear to 20,000, tax-free bond fund outflows continue at levels not seen since the Fed taper tantrum and Detroit bankruptcy in mid-2013. $12.7 billion has been withdrawn from muni bond funds in the past four weeks, while $18.4 billion has been added to U.S. and global equity funds. New municipal bond issuance dips this week to $4 billion and includes a $34 million non-rated financing for Silver Comet Village in Powder Springs, Georgia. The $38 million non-rated refunding for Carondelet Village in Saint Paul, Minnesota is back on the calendar, as is a $130 million non-rated financing for C.C Young Memorial Home in Dallas.

In recent years, we have grown accustomed to the partisan divide in Washington and an economy run on monetary policy. The extreme easing measures taken by the Federal Reserve will have no parallel or precedent in their unwinding as we move toward what looks like a return to fiscal policy's pre-eminence. Tax cuts. Deregulation. Infrastructure and defense spending. The policy statement released by the Federal Reserve Open Market Committee on Wednesday will seal the fed funds rate increase already reflected in the markets and may offer more than dots by way of insight into what voting members foresee with respect to our economic future.

Sims Mortgage Funding Closes $20,677,900 for Multifamily Rental Housing

Partnered Right	• Vintage Realty Company was looking for financing for the Reserve at Couret Farms, a proposed 175-unit project to be located in a Traditional Neighborhood Development (TND) in an up-and-coming area of Lafayette.
Structured Right	• SMF obtained key waivers from HUD that shortened the financing timeframe and maximized loan proceeds by underwriting at a higher loan-to-cost ratio.
Executed Right	• The timeframe from submission of the mortgage insurance application to closing was slightly under 6 months.
Financed Right	• Sims has closed 19 HUD-insured loans, totaling $278 million, for Vintage since 2002.

Partnered Right

Vintage Realty Company, a major regional developer and property manager headquartered in Shreveport, LA, formed a joint venture with Southern Lifestyle Development, a Lafayette-based developer with experience in Traditional Neighborhood Development (TND) projects. The development team, passing on conventional financing options, turned to Sims Mortgage Funding to obtain HUD-insured construction and permanent financing for the Reserve at Couret Farms.

Structured Right

SMF obtained waivers from HUD that permitted Vintage to bypass the preliminary application stage and allowed SMF to underwrite the loan at the higher loan-to-cost and lower debt service coverage ratios that would be going into effect well *after* the application was filed. These waivers shortened the financing schedule, helped to avoid an escalation of construction costs and enabled Vintage to maximize loan proceeds.

Executed Right

The $20,677,900 loan was insured under the Section 221(d)(4) program and was underwritten at 85% of replacement cost. The loan features a 40-year amortization commencing 4 months after construction and a fixed interest rate that was considerably below projections. The debt service coverage ratio is 1.31. Closing escrows were approximately $1.76 million.

Financed Right

SMF successfully obtained construction and permanent financing for a start-up project at a competitive, fixed, long-term interest rate and on better terms than were available through commercial financing options. HUD mortgage insurance is an excellent source of capital for the development of market-rate rental housing and, under certain conditions, age-restricted senior housing. It is also a competitive source of capital to refinance or acquire existing projects and to expand or renovate existing, HUD-insured properties with supplemental financing.

For additional information, please contact Kerrie Tomasiewicz at 201-307-9383 or ktomasiewicz@simsmortgage.com.

For more information, please contact an HJ Sims banker.

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