HJ SIMS FINANCED RIGHT®
Member FINRA/SIPC

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CAPITAL MARKET UPDATE

Tel: 800-HJS-1935 www.hjsims.com

Senior Living New Issue Rates as of 2/13/18

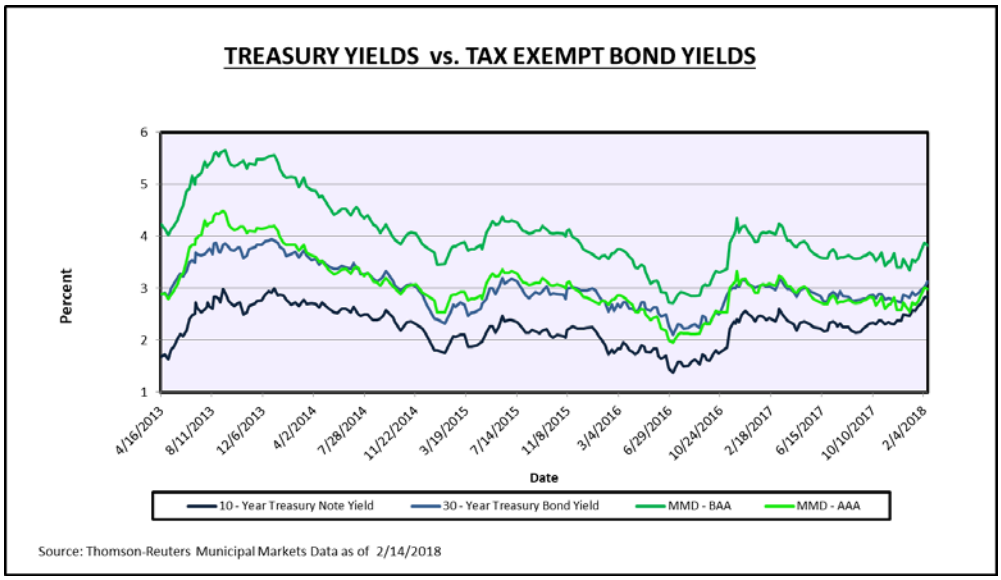
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.860%	2.600%	2.750%	3.00%	2.85-3.35%	4.10-4.60%
10 yr.	NA	2.700%	3.150%	3.450%	3.75%	3.60-4.10%	4.60-5.10%
20 yr.	NA	3.250%	3.650%	3.850%	4.20%	4.20-4.70%	5.35-6.10%
30 yr.	3.820%	3.470%	3.800%	4.000%	4.30%	4.35-4.85%	5.85-6.45%

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

SIFMA Index	LIBOR
0.98%	1.58%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.22%	2.8280%	3.1160%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.55%	1.87%	2.01%	2.15%	2.35%
Weekly LIBOR Swap Rates	2.15%	2.49%	2.64%	2.75%	2.85%



Market Commentary

Last week, oil prices fell 9.5% to $59.20 a barrel. Gold was down 1.3% to $1,316 an ounce. The new Federal Reserve Chairman took his seat on a day when the volatility index (VIX) spiked by 116%, and all markets seemed to grudgingly recognize the reality of rising rates and inflation. Despite all the good economic news, plus the recent tax cuts, plus the stimulus provided by a fat, two-year budget agreement and the lifting of the debt ceiling, the prospect that higher rates could quash economic growth had the effect of smelling salts on the unconscious. The Dow Jones Industrial Average took a record-setting intraday nosedive of nearly 1,600 points on Monday, and, after several sessions of heart-stopping oscillation, closed the week down 1,330 points, wiping out the entire year's gains. When the final bell rang, major U.S. stock indices lost 5.2% on top of the 4% that disappeared the week before. The global markets had become a battlefield for the giants and robots. Most human investors took to the sidelines to watch program trading run wild and arcane products, designed to bet against volatility, get carried off the field. Assets in the VelocityShares Daily Inverse VIX Short Term exchange traded note, for example, have plunged from $1.88 billion on January 31 to $80.1 million.

James Carville, the campaign adviser to then-candidate Bill Clinton, famous for his "It's the economy, stupid" line in the 1990s, also once quipped that if he were reincarnated he would like to come back as the bond market because it can intimidate everybody. That was certainly the case 25 years ago, and it appears to be holding true now in similar conditions of rising rates, debt and budget deficits. The 10-year and 30-year Treasuries have long served as benchmarks for pricing most everything else in the marketplace, and their yields are up more than 15%, or 42 basis points on the 30-year [from 2.73 to 3.15], this year. That is most unsettling to a world that has been enjoying cheap money for almost 10 years. Increasing wages, Fed asset sales and the Treasury's enormous borrowing needs all point to inflation and higher interest rates, and not even the world's safe haven was spared from last week's market rout. The Treasury's 3-year, 10-year and 30-year auctions were characterized as soft, and yields climbed for the fifth week in a row. The 10-year Treasury added 2 basis points to close at a yield of 2.85%, and the 30-year bond rose 7 basis points to 3.16%.

Municipal bonds managed to recover a little bit of ground by Friday after 5 straight weeks of weakening prices. The 10-year AAA general obligation bond strengthened by 4 basis points to yield 2.42%, and the 30-year benchmark improved by 3 basis points to a 2.97% yield. Municipal bond mutual funds took in $3.7 billion of new money in a fifth consecutive week of inflows while U.S. and global equity funds were hit with $12.5 billion of redemptions. HJ Sims was in the market last week, underwriting a taxable tax increment limited obligation bond issue for the RBR Development Project in McComb City, Mississippi. The non-rated offering was priced at par to yield 7.10% in 2033. The City of Houston sold $137 million of BB-minus rated airport system special facilities revenue bonds for United Airlines Technical Operations Center, structured with a single 10-year term bond subject to the alternative minimum tax that priced with a coupon of 5.00% to yield 3.60%. The Village of Esencia, California had a $76.9 million non-rated special tax bond issue that included 2047 term bonds priced at 5.00% to yield 3.75%. The City of Chicago issued $29.5 million of non-rated 10-year certificates of participation for River Point Plaza that priced at par to yield 4.835%. And the California Municipal Finance Authority was in the market with a $16.2 million BB rated offering for River Charter Schools with a final maturity in 2053 that priced at 5.50% to yield 5.20%.

This week, we expect another small slate of issues at $3.5 billion, bereft of high yield paper and dominated by the A1 rated Pennsylvania tobacco master settlement payment revenue bond financing. In the senior living sector, the Bexar County Health Facilities Development Corporation of Texas is bringing a $28.7 million BBB rated refunding for Army Retirement Residences. The Administration's FY19 budget proposal and infrastructure plan are being rolled out, and markets await data on consumer prices, building permits, housing starts and retail sales. The 15th Annual Late Winter Conference being hosted by HJ Sims is only two weeks away, and those joining us in Orlando are looking forward to two days of informative sessions as well as an array of special activities that include bass fishing, skeet shooting, airboats, off-road ATV and our championship golf tournament.

A Bronx Tale: SMF Recapitalizes Affordable Housing Property a Second Time

"Sims' knowledge and expertise in navigating with the HUD process, as well as, other governmental agencies and financial institutions has helped a great deal in reaching our designated goals for Notre Dame Apartments. We are grateful to Sims and would not hesitate using their services in the future and most certain feel highly confident in recommending their services to other groups who may also require the same level of expertise and support."

- Joseph Cicciu, President /CEO, Notre Dame Housing DFC. Inc.

Partnered Right	• Notre Dame needed capital for repairs and to replenish reserves that could not be funded from operating cash flow.
Structured Right	• SMF developed a refinancing loan that was sufficient to recapitalize the property and resulted in a 40% reduction of the interest rate.
Executed Right	• HUD approved the deal in 45 days.
Financed Right	• Through the new loan, Notre Dame has a sound capital and operating platform to continue its mission.

Partnered Right

Notre Dame Apartments, a former convent in the Belmont - Arthur Avenue neighborhood of the Bronx, NY, was redeveloped into a 98-unit affordable senior housing project by a local community agency in the mid-1980s. In 2005, SMF initially recapitalized Notre Dame with a HUD-insured Section 223(f) loan. The Sponsor turned to SMF again when it needed to finance significant exterior repairs and replenish its capital reserves that could not be financed from operations and existing reserves.

Cont. on Page 4

A Bronx Tale: SMF Recapitalizes

Cont. from Page 3

Structured Right

SMF underwrote a new $6,736,200 loan with a 35-year term insured under the Section 223(f) program. The new loan refinanced Notre Dame's 2005 debt. In addition, approximately $616,000 in loan proceeds were escrowed for exterior capital repairs, while the Replacement Reserve Fund was replenished with an additional $583,000 funded from the new loan.

SMF assisted the Project's legal team in structuring revisions to its Shelter Tax Agreement with the City of New York Department of Housing Preservation & Development, which ensured a long-term tax abatement for the property. The existing agreement did not meet HUD's current loan program requirements and therefore needed to be amended to recapitalize the Project.

Executed Right

The new loan reduced the interest rate by nearly 40%, increasing the Project's debt capacity to fund the repairs and reserves. The Northeast Regional HUD Office approved the Firm Commitment Application in 45 days, its targeted schedule for Section 223(f) loans.

Financed Right

Because of the SMF loan, Notre Dame Apartments has a source of new capital for improvements and reserves and a long-term tax abatement that will help to maintain a stable operating profile, enabling the Sponsor to continue its mission of providing affordable housing to low and moderate-income elderly.

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For more information, please contact an HJ Sims banker.

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