

RATING ACTION COMMENTARY

Fitch Affirms Lifespace Communities, Inc. at 'BBB'; Outlook Stable

Thu 06 Nov, 2025 - 4:35 PM ET

Fitch Ratings - New York - 06 Nov 2025: Fitch Ratings has affirmed the 'BBB' Issuer Default Rating (IDR) on Lifespace Communities, Inc. (Lifespace) and the 'BBB' rating on approximately \$525 million of bonds issued through various authorities on behalf of Lifespace. Fitch has also affirmed the 'BBB' rating on series 2015 retirement facility revenue bonds issued by the Tarrant County Cultural Education Facilities Finance Corporation on behalf of Querencia at Barton Creek (Querencia).

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Lifespace Communities (IA)	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
Lifespace Communities (IA) /General Revenues/1 LT	LT	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable

Querencia at Barton Creek (TX)
/General Revenues/1 LT

LT

BBB Rating Outlook Stable

Affirmed

BBB Rating Outlook
Stable

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The affirmation of the 'BBB' rating and Stable Outlook reflect Lifespace's performance meeting Fitch's expectations, as the changes Lifespace made to its obligated group (OG) over the last year are proving to be financially accretive and, when combined with recent improvements in independent living unit (ILU) occupancy, are allowing for better operating performance and stabilization of capital-related metrics at improved levels.

The rating and Outlook also incorporate the effect of Lifespace's redevelopment projects, which are beginning to stabilize and generate sufficient initial entrance fees to redeem short-term debt. Once these units have filled and if Lifespace can maintain improvement in its ILU occupancy, Fitch believes the company will generate sufficient additional revenues and cash flows to absorb its additional debt plans and the settlement payments owed to the Edgemere resident trust and grow its balance sheet, allowing for the rating to remain stable at the 'BBB' level.

SECURITY

Pledge of unrestricted receivables of the OG and a mortgage interest in certain property.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

Large, Geographically Diversified Platform, Improving ILU Occupancy

Fitch views Lifespace's large, geographically diversified platform as the core strength of its revenue defensibility. The addition of Newcastle Place (NCP) to the Lifespace OG last year expanded its footprint to a new state (Wisconsin). While Florida remains home to the largest number of Lifespace's communities (four of 11 in the OG), Fitch believes this concentration does

not detract from the benefits of Lifespace's overall revenue diversity, with none of Lifespace's individual communities accounting for more than 13% of gross revenues of the OG.

Lifespace OG's ILU occupancy struggled to recover in the immediate post-pandemic period, averaging 78% in 2021-2023, but the organization has since experienced significant improvement in ILU occupancy, standing at 84% as of Dec. 31, 2024 and 86% as of Sept. 30, 2025. Lifespace's marketing projections show the organization reaching average ILU occupancy of 87.1% by the end of 2025 and reports that its recently opened growth initiatives are all stabilized, including Oak Trace, which is over 90% occupied. This trend combined with the additions and divestitures Lifespace has made within the OG, places the organization on a realistic trajectory to achieve its target of sustained 90% ILU occupancy over the next several years.

Lifespace OG's various markets generally have good economic and demographic characteristics and there is limited overlap between its respective markets. Competition varies by community; however, Fitch views the geographically diversified platform as mitigating single-site demand risk and supporting expectations for a strong overall market position.

Operating Risk - 'bbb'

Improved Operating Performance, Capital Plans Progressing as Expected

Fitch assesses the Lifespace OG's operating risk at 'midrange', reflecting its predominantly type A contract mix, track record of adequate cost management and substantial capital investment, with projects expected to enhance Lifespace OG's competitive positioning in its respective markets. Weaker ILU occupancy and increased staffing costs compressed Lifespace OG's operating margins in 2021 and 2022, despite higher-than-average rate increases, but performance has improved with an operating ratio of 100.6%, net operating margin (NOM) of 7.4% in FY24. This improvement is attributable to the stabilization of several of Lifespace's capital projects and improved occupancy, as well as the sale of Abbey Delray - a community that was generating about \$4 million in annual operating deficits - and the addition of NCP to the OG - a community consistently producing net operating profits (NOPs) that were among the highest compared to the NOPs of the other OG communities.

Lifespace has sustained these operational improvements in FY25, with operating ratio of 100.3% and NOM of 7.5% in 3Q25. Lifespace's NOM-adjusted has remained consistently midrange, averaging 21.4% from 2021-2024 and equaling 20.3% in

3Q25.

Lifespace applied approximately \$14.1 million of series 2024 bond proceeds to fund new capex at NCP, including commons renovations and the addition of 13 new cottages, which are nearly 100% presold. Lifespace closed on the sale of Abbey Delray on March 31, 2025, netting \$46 million in proceeds, which it expects to apply to capital investment within the state of Florida by spring 2027. Management has not yet determined whether this will come in the form of investment in an existing campus or the acquisition of a new community in the state.

Lifespace still has several ongoing and planned capital projects all of which are running on time and on budget. The Waterford phase I project (ILU commons areas expansion/renovation and SNF renovations) is under construction and is expected to be completed in 2Q26. All eight of the planned new ILU patio homes are occupied. Ongoing projects at NCP (ILU expansion and campus renovations) are under construction and progressing on time and on budget. Management has received permits for its planned capital projects at Harbour's Edge (ALU/MSU addition) and anticipates a construction start in 4Q25. Fitch anticipates that continued successful execution of these projects, along with the planned changes to the OG, will materially benefit Lifespace's operating performance.

Lifespace also continues to contemplate a phase II expansion at The Waterford that would add 39 new ILUs, 24 new assisted living units (ALUs) and 16 new memory support units (MSUs). However, this project is still in the planning stages and has been considerably scaled down from the original plans (an estimated cost of between \$90 million and \$100 million versus the original estimate of \$175 million). Management will only seek board approval for this phase of the project if Lifespace can achieve adequate presales on the proposed new ILUs that results in The Waterford and Lifespace achieving targeted coverage and liquidity goals.

Lifespace's repositioning projects and expanded footprint have resulted in additional top-line revenue, which has enabled its capital-related metrics to stabilize, albeit at weaker levels, reflecting its considerable capital redevelopment plan over the last several years and the borrowing to fund payments to the Edgemere residents trust in 2023. Lifespace's MADS of \$60.9 million represented a very high 19.9% of revenues and negative 0.1x revenue-only MADS coverage in 2022, but these ratios have improved to 16.2% and 0.6x, respectively, in 2024 and 15.0% and 0.7x, respectively, in 3Q25, which Fitch believes is indicative of stabilized levels going forward.

Lifespace OG's debt-to-net available was a high 11.7x in 2022. This figure has also moderated to 8.9x in 2024 and 9.0x in 3Q25. While it could weaken again depending on the Waterford phase II plan of finance, over time it should stabilize at improved levels as Lifespace's capital projects fully stabilize and existing ILU occupancy continues to improve.

Financial Profile - 'bbb'

Weak Financial Profile, but Expectations for Improvement

Lifespace's leverage metrics are weak, with unrestricted cash of \$181.5 million representing a slim 24.6% of its adjusted debt as of YE24. Lifespace's cash-to-adjusted debt was a similarly weak 24.0% as of Sept. 30, 2025, but MADS coverage was solid at 1.7x as of YE24 and 3Q25.

Fitch's forward-looking scenario analysis shows Lifespace's financial profile improving over the next five years, even in a stress case scenario. However, this analysis is predicated on Lifespace successfully filling its new ILUs and improving its existing operating performance as Fitch expects. Inability to achieve this could hamper expected financial profile improvement, as well as Lifespace's ability to absorb the Edgemere settlement payments and possible Waterford Phase II borrowings and remain at the 'BBB' rating level.

Lifespace's agreement to fund the Edgemere resident trust includes the ability for Lifespace to defer its payments if such deposit would result in a reduction of Lifespace's liquidity to below 250 days cash on hand (DCOH) or if such payment would cause an event of default under the Lifespace master trust indenture. On Dec. 15 of each year, Lifespace will calculate its DCOH to determine the deposit amount. Within 150 days after the YE, the deposit amount will be trued-up, as necessary. Lifespace had 196 DCOH as of YE24 and 181 DCOH as of Sept. 30, 2025, which Fitch considers neutral to the assessment of Lifespace's financial profile, although a sustained liquidity ratio of below 200 DCOH may justify an asymmetric risk to Lifespace's financial profile assessment, which could pressure the rating.

Asymmetric Additional Risk Considerations

No asymmetric risk considerations are relevant to the ratings.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Any reversal in the current trend of improving ILU occupancy could suggest a lower revenue defensibility assessment and pressure Lifespace's rating;
- A reversal in Lifespace's current trend of improving operating performance that leads to compressed MADS coverage at levels of 1.3x or below would pressure the rating;
- Sustained slim liquidity ratios with cash-to-adjusted-debt below 30% and/or DCOH below 200 would trigger negative rating pressure.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Positive rating action is unlikely pending the completion of Lifespace's capital projects and clarification on the size and scope, and plan of finance for the Waterford phase II project;
- Over time, stabilization of Lifespace's capital related metrics at current levels coupled with growth in cash to adjusted debt to levels approximating 75% or better, factoring in additional debt plans, could give the rating positive momentum.

PROFILE

Headquartered in Des Moines, IA, Lifespace is one of the largest life-plan communities (LPC) systems in the country, currently operating 17 LPCs in nine states. The OG consists of 12 LPCs in seven states: Abbey Delray South and Harbour's Edge in Delray Beach, FL, The Waterford in Juno Beach, FL, Village on the Green in Longwood, FL, Beacon Hill in Lombard, IL, Oak Trace in Downers Grove, IL, Claridge Court in Prairie Village, KS, Friendship Village of Bloomington in Bloomington, MN, Friendship Village of South Hills in Upper St. Clair, PA, Querencia at Barton Creek in Austin, TX, and NCP in Mequon, WI. The OG currently operates 2,800 ILUs, 270 ALUs, 149 MSUs, and 739 SNF beds and had total revenues of \$370.9 million in 2024.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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APPLICABLE CRITERIA[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\) \(including rating assumption sensitivity\)](#)[U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria \(pub. 21 Feb 2025\) \(including rating assumption sensitivity\)](#)**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v2.0.1 (1)

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