



# Senior Housing -

A Growing Opportunity In  
Commercial Real Estate

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Senior housing looks very different than it did a few years ago. Occupancy has climbed back into the high-80% range, with independent living above 90% in many markets, according to the National Investment Center for Seniors Housing & Care. New construction, meanwhile, sits near historic lows as higher rates and construction costs keep many ground-up projects on hold. That mix—stronger demand and limited new supply—gives well-run communities a clearer path to stable cash flow, but it also raises the stakes for capital planning, staffing, and reinvestment in aging buildings.

At the same time, demographics are starting to exert real pressure. The 80+ population is set to grow meaningfully over the next decade, and today's construction pace will not keep up with projected demand. Operators that can maintain quality, manage labor and expenses, and keep properties physically competitive are positioned to benefit from this structural tailwind. Underinvested or highly leveraged assets likely will find it harder to keep up.

In this environment, how you finance a senior housing asset matters as much as whether you finance it at all. In 2025, which saw some big developments in senior housing financing, HUD introduced Express Lane processing for low-risk Section 232/223(f) loans, raised the 232/223(f) repair threshold, lowered DSCR and increased LTV/LTC for certain FHA multifamily programs, and moved to a flat 0.25% mortgage insurance premium (MIP) for FHA multifamily across the board while phasing out green MIP categories.

These changes are about getting low risk Section 232/223(f) healthcare loans through processing faster so they can close more quickly and free up HUD's financing capacity. For eligible borrowers, this can open more paths to fund needed capital plans, better match debt to business plans, and manage execution risk in a market where long-term, reliable financing is a competitive advantage.

# The Range of Senior Housing

Senior housing spans a continuum of care, from lifestyle-oriented communities to facilities with clinical services:

## Independent Living

Private apartments or condos with hospitality-style amenities and optional services, typically with limited or no hands-on care

## Assisted Living and Memory Care

Help with activities of daily living, medication management, and specialized cognitive care in licensed settings

## Skilled Nursing Facilities (SNFs)

Licensed facilities delivering 24/7 clinical support, rehabilitation, and higher-acuity medical care

## Continuing Care/Life Plan Communities (CCRCs)

Campuses that combine multiple levels of care so residents can transition as needs change

## Adult day services, respite, in-home care

Flexible options that supplement or defer residential moves for seniors and family caregivers

Each model carries different staffing needs, regulatory requirements, margins, and capital plans. The right financing structure depends on where a property sits along this continuum and how the operator manages care, reimbursement, and occupancy risk.

## Market Context

### ► Tight Supply, Improving Occupancy

The sector entered 2025 with real momentum. Across the 31 primary markets that NIC tracks, senior housing occupancy reached roughly 88.7% in the third quarter of 2025, marking the seventeenth consecutive quarter of improvement. Independent living surpassed 90% occupancy, while assisted living climbed into the high-80% range.

New construction, however, remains constrained. Senior housing starts sit near 0.2% of existing inventory, one of the lowest levels on record, and overall inventory growth is well below pre-pandemic norms. The combination of steady demand and limited new supply has tightened fundamentals, supported rent growth, and given lenders more confidence in well-stabilized properties.

Costs and care needs still shape margins. Construction inputs remain elevated, interest rates sit above the prior decade's lows, and labor continues to drive operating decisions. Operators face wage pressure and staffing constraints, even as occupancy improves. The cost of care to consumers also continues to rise, putting a premium on efficient operations and thoughtful capital planning.

INDEPENDENT  
LIVING UP  
**90%**

ASSISTED LIVING  
JUMPED  
**↑80%**

# Senior Housing at an Inflection Point

Senior housing is shifting from “recovering” to “repositioning.” Operators are no longer asking whether demand will return—they’re deciding which assets to reinvest in, which to reconfigure, and where to grow as the care needs and expectations of older adults’ change. Here’s where the pressure is building fastest and where thoughtful capital and operating decisions can turn that pressure into durable advantage.

## Key Challenges

- 🔑 **Staffing and wage pressure.** Tight labor pools and higher wage expectations continue to weigh on operating margins, especially in higher-acuity settings that rely on licensed nursing and clinical staff.
- 🔑 **Limited new construction.** Elevated construction and capital costs make it harder to get new projects off the ground, even as demand builds in many markets.
- 🔑 **Capital cost and execution risk.** Rate volatility and lender selectivity can slow or reshape new development and repositioning plans, particularly for projects without a clear path to stabilized operations.

## Key Opportunities

- 🔑 **Rising occupancy and strong absorption.** As of the end of 2025, senior housing has logged more than a dozen quarters of positive absorption, with occupancy marching back toward or above pre-2019 levels in many markets.
- 🔑 **Demographic tailwinds.** Between 2025 and 2030, the U.S. population aged 80+ is expected to grow by more than 4 million people, reaching about 18.8 million. That cohort drives much of the need-based demand for senior housing and care.
- 🔑 **Persistent supply gap.** NIC MAP Vision estimates that, at today’s construction pace, the industry will deliver only a fraction of the units needed by 2030. Meeting projected demand would require development to increase to more than 3.5 times the current pace, implying a significant, long-run runway for well-located, well-run communities.

Taken together, these forces point to a decade where demand should remain durable, while operational discipline and access to reliable long-term capital will separate resilient communities from those that struggle.

## Annual National Median Cost of Care to Consumers:



Assisted Living  
Community  
**\$70,800**



Semi-Private Nursing  
Home Room  
**\$111,325**



Private Nursing  
Home Room  
**\$111,325**

These figures underscore the stakes for residents and families—and why stable operations and capital structures matter so much for senior housing providers.

SOURCE: 2024 CareScout/Genworth Cost of Care Survey



# Where Capital Fits Today

In a market with limited new inventory and improving occupancy, capital structure becomes a strategic choice rather than only a closing detail. For many owners and operators, the core considerations include:

- How to match long-term debt to an asset's expected holding period and business plan
- How to fund ongoing capital needs—roofs, systems, life-safety upgrades, and unit refreshes—without straining cash flow
- How to manage interest rate and refinance risk in a volatile rate environment.

HUD's Section 232/223(f) program remains a central tool for eligible properties. It offers:

- Long-term, fixed-rate, non-recourse financing (subject to standard carve-outs)
- Amortization periods that can extend well beyond typical bank or bridge loans.
- Program-driven leverage and DSCR standards that support resilience through operating cycles

## **HUD EXPRESS LANE**

In June 2025, HUD introduced Express Lane for qualifying Section 232/223(f) residential care facilities. The goal: prioritize low-risk, underwrite-ready submissions without changing the underlying program or relaxing credit standards.

### **HUD Express Lane Is:**

- ☞ A process pathway within the existing 232/223(f) program
- ☞ Designed for stabilized, lower-risk properties with strong historical performance and clean regulatory histories
- ☞ A way to potentially reduce timeline uncertainty for applications that meet HUD's criteria

### **HUD Express Lane Is Not:**

- A separate loan product
- A guarantee of faster processing or specific closing dates
- A substitute for strong underwriting, documentation, or property performance

# High-Level Eligibility Themes

While specific requirements are detailed in HUD guidance and lender term sheets, Express Lane generally focuses on:

- **Stable cash flow:** Minimum DSCR based on unadjusted trailing-12-month NOI, with no adjustments for items such as bad debt or rate increases
- **Conservative leverage:** Maximum 70% loan-to-value (LTV) for Express Lane transactions.
- **Quality of care:** Minimum overall and health-inspection ratings, and an absence of serious recent regulatory issues
- **Seasoned operations:** An experienced operator in place for a defined period prior to application
- **Clean HUD history:** No recent FHA insurance claims or defaults

Within that framework, HUD sets minimum debt service coverage ratios of 2.0x for skilled nursing components and 1.6x for non-skilled portions, based on unadjusted T-12 NOI. These thresholds reinforce the focus on stable, lower-risk assets while giving qualifying borrowers a clearer path to priority review placement.

Actual processing times still depend on deal complexity, completeness of the application, and broader HUD workload.

## CASE STUDY

# HUD Express Lane in Practice

X-Caliber recently provided capital for an underwrite-ready skilled nursing refinance that qualified for Express Lane. The execution did more than compress the calendar; it changed the borrower's risk profile. By moving from Application Submission to Firm Commitment in just 8 days—and from submission to closing in 71 days—the operator locked in long-term, fixed-rate, non-recourse financing before further rate volatility could erode proceeds or disrupt plans. The structure refinanced a maturing obligation, funded replacement reserves, and supported targeted upgrades to patient rooms, therapy areas, and equipment—all within a single 232/223(f) loan.

For the borrower, that meant predictable debt service and a clearer capital plan. Instead of spending months in a prolonged approval process, management could redirect time and attention to resident care, staff retention, and executing on the facility's clinical and operational goals. The deal illustrates how, for qualifying assets, Express Lane can translate underwriting strength and preparation into real-world benefits: faster access to capital, greater execution certainty, and the ability to reinvest in care environments without unnecessary delay.



# HUD Changes Shaping Senior Housing

Beyond Express Lane, HUD has updated several program features that directly affect senior housing owners and operators.

## 01 Updated “Substantial Rehabilitation” Threshold for Section 232

Historically, the 232/223(f) program limited the number of repairs, replacements, and improvements that could be financed within a 223(f) execution. Hard costs could not exceed 15% of the project’s value after completion without triggering “substantial rehabilitation” treatment, which meant pursuing a different, more complex structure.

In 2025, HUD issued new guidance that:

- Increases the repair cap for 232/223(f) to 25% of value after completion
- Updates the substantial rehabilitation definition, including removal of the old test that automatically treated projects as “sub rehab” when work touched two or more major building components above the prior cost cap.

For owners and operators, the practical effect is more room to execute heavier capital plans—roofs, mechanical systems, life-safety upgrades, and comprehensive unit renovations—within a 232/223(f) refinance, if the project stays within the new 25% threshold and meets HUD’s other criteria. That can simplify financing structures and reduce execution risk for many mid-scale rehab plans.

## 02 More Flexible DSCR and LTV/LTC Standards for FHA Multifamily

For independent living or age-restricted communities that use FHA multifamily programs rather than healthcare programs, HUD’s 2025 multifamily updates are also important:

- Reduced minimum DSCR for market-rate Section 221(d)(4) and 223(f) loans from 1.176x to 1.15x, and increased maximum LTV/LTC from 85% to 87%
- Reduced minimum DSCR for affordable 221(d)(4) and 223(f) loans from 1.15x to 1.11x, and increased maximum LTV/LTC from 87% to 90%

These adjustments modestly increase potential proceeds and create more sizing flexibility while preserving program discipline around leverage and coverage. For age-restricted or senior-focused multifamily communities that qualify under these programs, the changes can help more deals pencil in a higher-cost environment.

## 03 Flat 0.25% MIP for FHA Multifamily

In the fall of 2025, HUD finalized a uniform 0.25% annual mortgage insurance premium (MIP) for all FHA multifamily insurance programs. Previously, MIPs ranged widely higher for standard market-rate deals and lower for certain affordable and green categories.

Under the new structure:

- All FHA multifamily loans that fall under the affected programs now pay 0.25% annual MIP, the statutory minimum.
- HUD eliminated the prior Green and Energy Efficient, Affordable Housing, and Broadly Affordable MIP categories for multifamily.
- Owners no longer need to maintain separate green reporting or documentation solely to access reduced multifamily MIP.

For independent living and age-restricted communities financed through FHA multifamily programs, the combination of lower MIP and more flexible DSCR/LTV standards can improve long-term economics and increase project viability. As always, individual outcomes depend on each asset's underwriting, market positioning, and capital stack.

## 04 Elimination of Green MIP Category for Healthcare

HUD also eliminated the separate Green and Energy Efficient MIP category for Section 232 healthcare facilities. Going forward:

- New 232 loans no longer receive a special reduced MIP solely for meeting green building standards.
- Existing loans that closed under the Green MIP category no longer need to maintain the associated green regulatory riders or annual energy-performance reporting; those obligations are being phased out under HUD guidance.
- All Section 232 projects now pay the standard MIP rate set through prior notices for healthcare programs.

For senior housing borrowers, the takeaway is straightforward: Green design and energy efficiency can still be good business decisions, but they no longer carry a distinct MIP discount under the 232 program. Cost savings will come from operational efficiencies rather than an explicit MIP incentive.

# Practical Implications

## ► For Borrowers and Operators

The combination of stronger occupancy, limited new inventory, and 2025 HUD updates creates a clearer playbook for senior housing owners and operators who want to align capital with strategy.

### Key implications:

**Plan capital expenditures with the new 25% threshold in mind.** Many mid-sized rehab plans can now fit inside a 232/223(f) execution instead of requiring a full sub-rehab structure, as long as they stay within HUD's parameters.

**Evaluate whether Express Land is realistic for your asset.** Properties with stable NOI, strong quality metrics, and seasoned operators may benefit—but only if the application is complete and underwrite-ready.

**For independent living and age-restricted communities, revisit HUD multifamily.** Lower DSCR requirements, higher LTV/LTC, and a flat 0.25% MIP can make FHA multifamily more competitive in the capital stack relative to other permanent debt options.

**Use HUD's discipline to reinforce operational resilience.** Program-driven leverage and coverage standards can help insulate properties from volatility, but only when paired with realistic underwriting, conservative projections, and proactive asset management.

# Risks, Rules, and Execution

HUD program benefits don't eliminate risk. Rate volatility, reimbursement changes, regulatory shifts, and labor costs can still pressure margins. Senior housing remains an operating business first and a real estate investment second.

HUD's framework helps manage financing risk through:

- Fixed-rate structures that reduce interest rate uncertainty
- Long amortization that can support cash flow stability
- Non-recourse features that help contain downside risk to the property and its cash flows, rather than the sponsor's broader balance sheet

But the business still rests on operations and compliance. Facilities must maintain quality ratings, manage survey risk, handle reimbursement accurately, and invest in staff and the physical facility. Express Lane and other 2025 changes can enhance execution certainty, not replace the need for strong fundamentals.

Express Lane is best viewed as a process improvement, not a different product. It rewards readiness and lower risk with earlier review, while leaving underwriting standards intact. Sponsors should treat it as one tool for managing timeline uncertainty when their deals already meet the criteria.



## Concluding Insights



Senior housing sits at the intersection of real estate and care. With demand rising, new supply constrained, and the 80+ population set to expand significantly over the next decade, well-run assets have a credible path to durable cash flows—especially when capital matches the business model.

HUD's Section 232/223(f) and FHA multifamily programs remain cornerstones for eligible properties. Express Lane updated sub-rehab thresholds, more flexible DSCR/LTV standards, and a simplified 0.25% MIP for multifamily all reflect HUD's effort to keep capital flowing into this essential segment of the housing market.

For owners and operators, the opportunity lies in combining that stable capital with disciplined operations: realistic underwriting, strong clinical and service delivery, proactive asset management, and a clear plan for both near-term needs and long-term demographic demand.