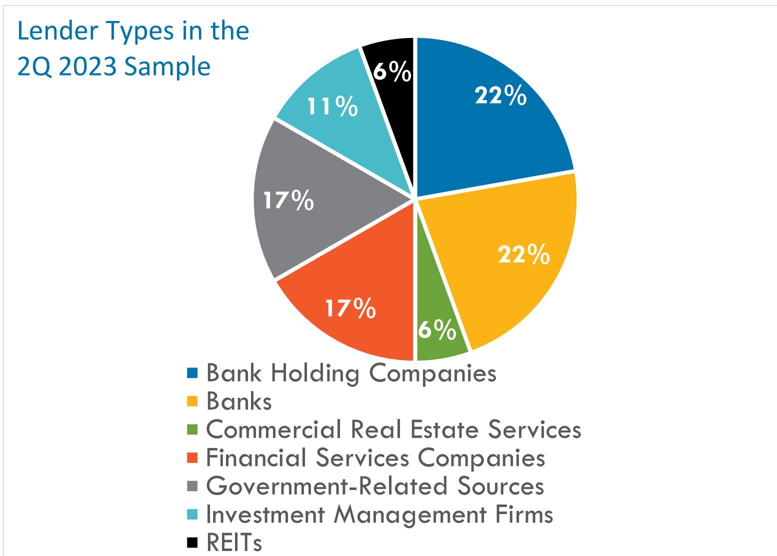
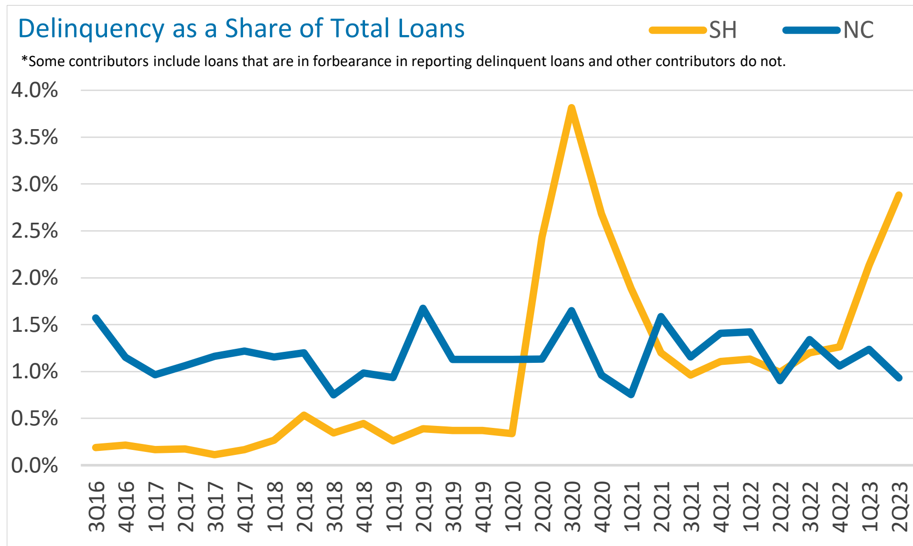
Current Quarter Snapshot	Senior Housing	Nursing Care	Total
1. Total Loan Volume Closed 2Q2023:	$ 1,005,800,414	$ 1,045,371,156	$ 2,051,171,570
1a. New Permanent Loan Volume Closed 2Q2023:	$ 572,282,853	$ 789,441,805	$ 1,361,724,658
1b. Mini-Perm/Bridge Loan Volume Closed 2Q2023:	$ 208,693,150	$ 255,929,351	$ 464,622,501
1c. New Construction Loan Volume Closed 2Q2023:	$ 224,824,411	$ -	$ 224,824,411
2. Total Loan Balances as of 6/30/2023:	$ 58,396,907,926	$ 29,167,080,016	$ 87,563,987,942
2a. Total Permanent Loan Balances as of 6/30/2023:	$ 45,659,931,601	$ 25,457,363,021	$ 71,117,294,622
2b. Total Construction/Mini-Perm/Bridge Loan Balances as of 6/30/2023:	$ 12,736,976,326	$ 3,709,716,995	$ 16,446,693,322
2b-i. Total Mini-Perm/Bridge Balances as of 6/30/2023:	$ 6,616,936,232	$ 2,724,427,544	$ 9,341,363,777
2b-ii. Total Construction Balances as of 6/30/2023:	$ 6,120,040,094	$ 985,289,451	$ 7,105,329,545
3. Total Balance of Delinquent Loans (60 days or more) as of 6/30/2023:	$ 1,984,829,029	$ 269,963,477	$ 2,254,792,505
4. Total Amount of Foreclosures during 2Q2023:	$ 14,711,781	$ 71,418,456	$ 86,130,237
Contributor Count	**18**	**16**	**18***



Source: NIC Lending Trends Report, NIC Analytics



Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways for 2Q 2023

For the past two quarters, NIC Analytics has reached out to our network of contributors, asking them questions about the lending environment for senior housing and nursing care. We are asking about their strategies in response to changing capital market conditions, lending patterns with respect to existing versus new clients, and any notable trends they are observing in the market.

In the face of changing capital market conditions, the responses in the second quarter 2023 continued to indicate that lenders are reacting to these changing conditions by focusing on strong sponsorship and credits. This trend reflects a reaction to a jump in the SOFR and 10-year Treasury rates, leaner loan proceeds as measured by lower loan-to-value (LTV) ratios, higher equity requirements and tighter spreads. Nevertheless, there was some level of lending activity as shown in the data derived from this survey.

The second quarter of 2023 also saw a focus on long-term relationships with many lenders extending loans predominantly to existing clients. Tightened lending standards and the increase in interest rates and inflationary pressures affected the industry, resulting in fewer new clients being onboarded.

The second quarter of 2023 also witnessed a series of market-shaping events, including Fannie Mae's revised guidelines focusing on lower leverage loans and higher DSCR requirements, respectively, posing challenges in identifying financing opportunities that fit within debt-service-constrained loans and contributing to a cautious lending environment.

Additionally, borrowers are adjusting to the prevailing "higher for longer" mindset, anticipating sustained rates without a potential decline in the near future. While short-term debt options are limited, those available often come with increased costs and additional credit enhancements e.g., the need for more equity or a repayment guaranty.

**Note: while there are 18 total contributors this quarter, not all of them lend for nursing care. Hence, nursing care has a lower count.*

The ongoing rise in interest rates prompted a stronger focus on stabilized senior housing and nursing care properties in proven markets with limited new construction and with proven stability and strong sponsors, as opposed to “riskier” or non-stabilized properties in tertiary markets. Considering these factors, the lending environment is expected to continue tightening throughout the latter half of 2023.

As background, the lending environment continued to tighten through the second quarter of 2023. The Federal Reserve nudged rates higher by another 0.25 percentage points (pps) in May 2023, bringing the federal funds rate to a target range of 5.00% - 5.25%. This was the tenth rate hike since the Federal Reserve’s adoption of a hawkish stance to tame inflation in March 2022. Inflation, as measured by the consumer price index (CPI), has decelerated since June 2022. By June 2023, the rate had slowed for a twelfth consecutive month to 3.1%, marking a considerable decrease from the previous year’s high of 9.1% in June 2022.

The higher interest rate environment since March 2022 has limited the availability of debt and driven borrowing costs significantly higher. Federal Reserve data tracking senior loan officers' observations of credit conditions across the U.S. showed tighter lending conditions in the second quarter of 2023 in construction, multifamily, and commercial and industrial (C&I) loans. These observations align with the trends identified in the most recent NIC Lending Survey.

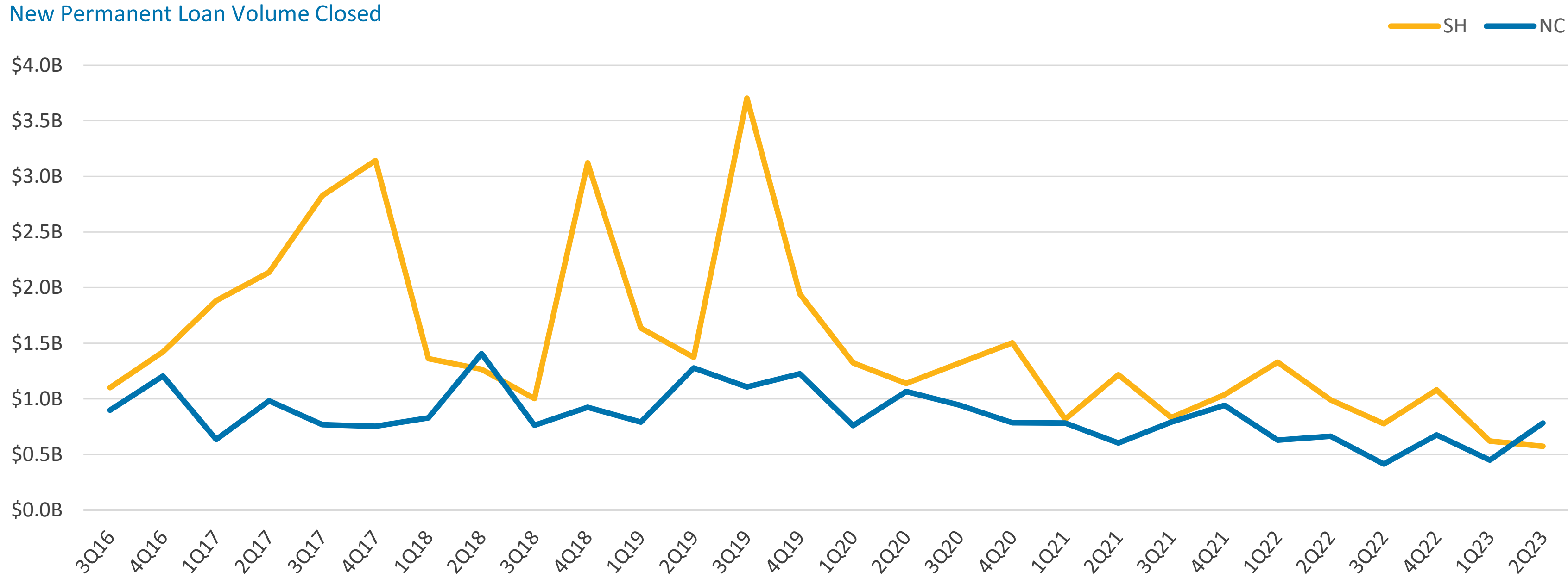
Additionally, the disruption to the banking system in the second quarter of 2023 following the failures of Silvergate, Silicon Valley Bank, and Signature Bank, and the sale of First Republic Bank to JP Morgan Chase raised concerns about potential contagion among regional banks.

Looking Ahead. As we look beyond the second quarter of 2023, though inflation has decreased significantly from its peak of over 9% last year, the recent months have seen a halt in progress, with inflation still remaining more than a percentage point above the central bank's 2% targeted rate. The Federal Reserve implemented a 0.25 percentage point increase to 5.25% - 5.50% in July 2023, maintaining stability since then and at its most recent meeting on October 31st-November 1st. However, the Fed has left open the possibility of another hike, potentially in December 2023.

Key Takeaways

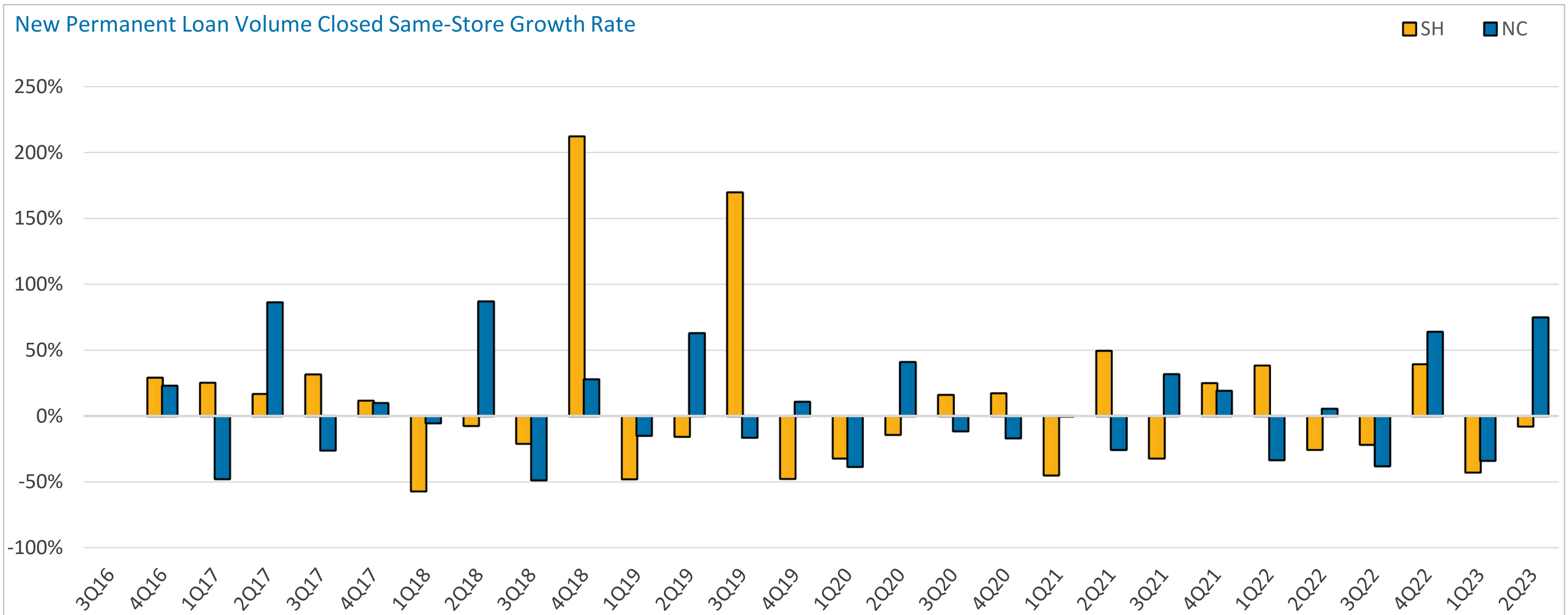
In the second quarter of 2023, closed new permanent loan volumes for senior housing fell to $572.3M, reaching a new time series low and reflecting changing capital market and credit conditions. Lending for nursing care edged up to $781.3M, reaching levels last seen in the first quarter of 2020. For the sample of lenders in the NIC Lending Trends Report, the volume of new permanent loans closed for nursing care surpassed that for senior housing for the first time since 2018, reflecting a 75% increase versus a decline of 8% for senior housing loan volume from the prior quarter.

New Permanent Loan Volume Closed



Source: NIC Lending Trends Report, NIC Analytics

New Permanent Loan Volume Closed Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

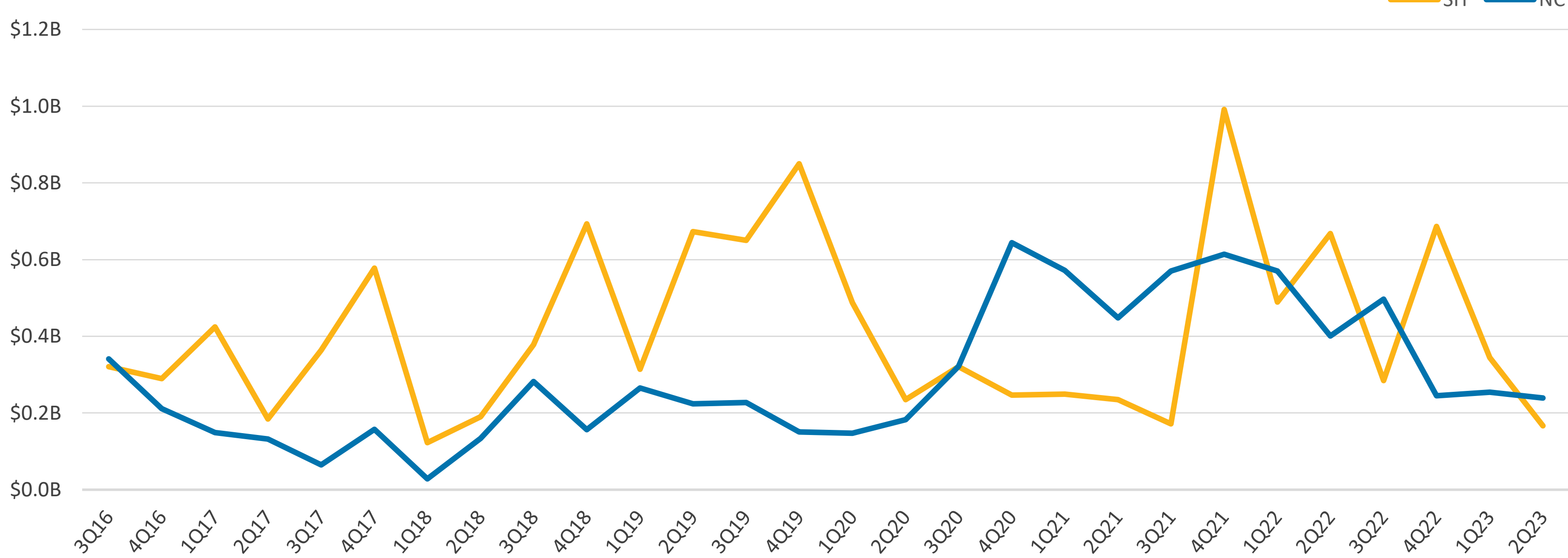
Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	19	19	19	18	18	17	19	18	19	18	19	17	17	17	17	16	15	15	14	14	14	15	14	14	14	15	15	15
Nursing Care	17	17	17	16	16	15	17	16	17	16	17	15	15	15	15	14	13	13	12	12	12	13	12	12	12	12	12	13

Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways

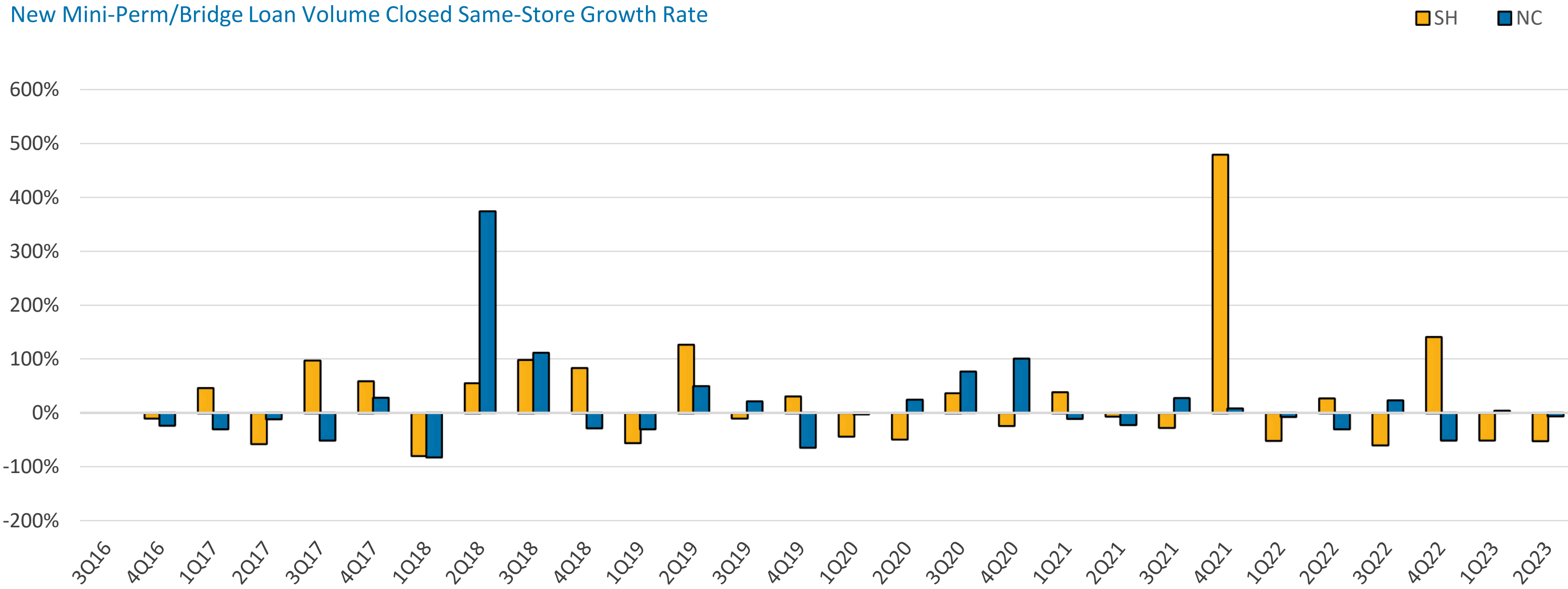
The issuance of mini-perm/bridge debt for senior housing continued to decline through the second quarter of 2023, down by 52% from the prior quarter and 76% from late 2022 levels. Concurrently, nursing care mini-perm/bridge loan closings remained relatively low and on par with pre-pandemic levels. Borrowers are adjusting to the prevailing “higher for longer” mindset, anticipating sustained rates without a potential decline in the near future. While short-term debt options are limited, those available often come with increased costs and additional credit enhancements e.g., the need for more equity or a repayment guaranty.

New Mini-Perm/Bridge Loan Volume Closed



Source: NIC Lending Trends Report, NIC Analytics

New Mini-Perm/Bridge Loan Volume Closed Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	17	17	17	16	16	16	18	17	18	16	18	16	15	16	16	15	14	14	13	13	13	14	13	13	13	14	14	14
Nursing Care	17	17	17	16	16	16	18	17	18	16	18	16	15	16	16	15	14	14	13	13	13	14	13	13	13	13	13	14

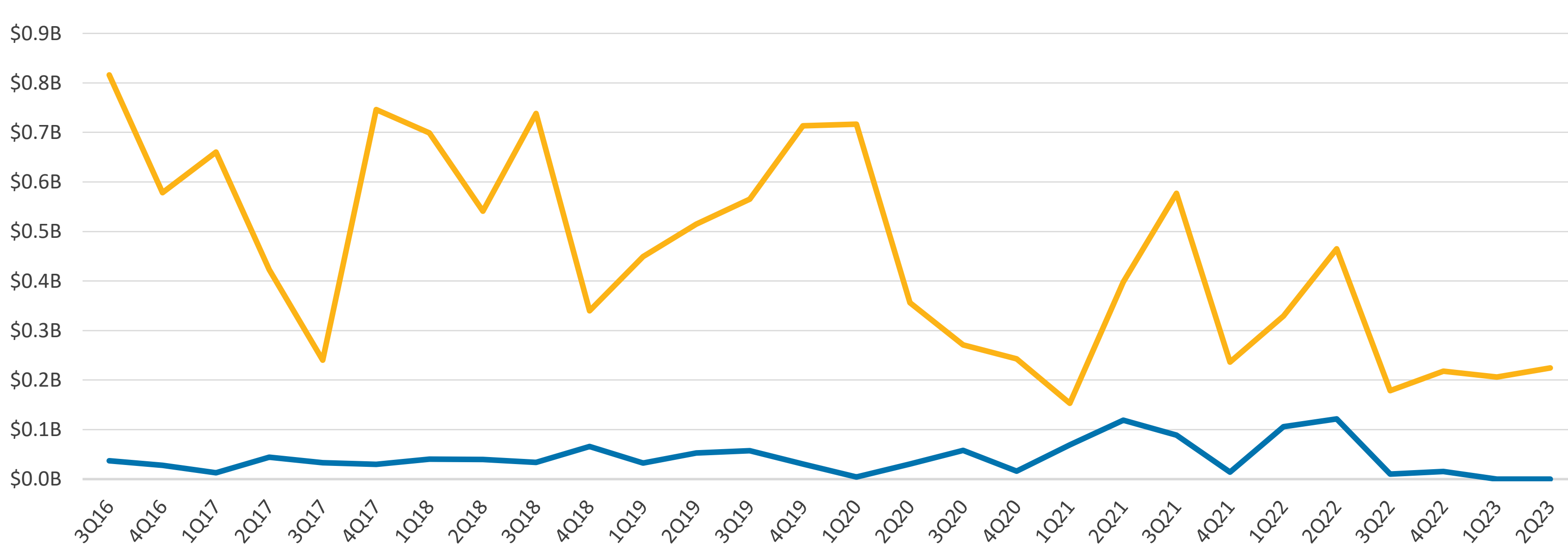
Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways

New construction loan closings for senior housing remained remarkedly weak in the second quarter of 2023 compared with historical standards. This is evident in construction starts which remained relatively weak in the second quarter of 2023, and the number of senior housing units under construction in the 31 NIC MAP Primary Markets which remained near its lowest level since 2015, according to data released by NIC MAP Vision.

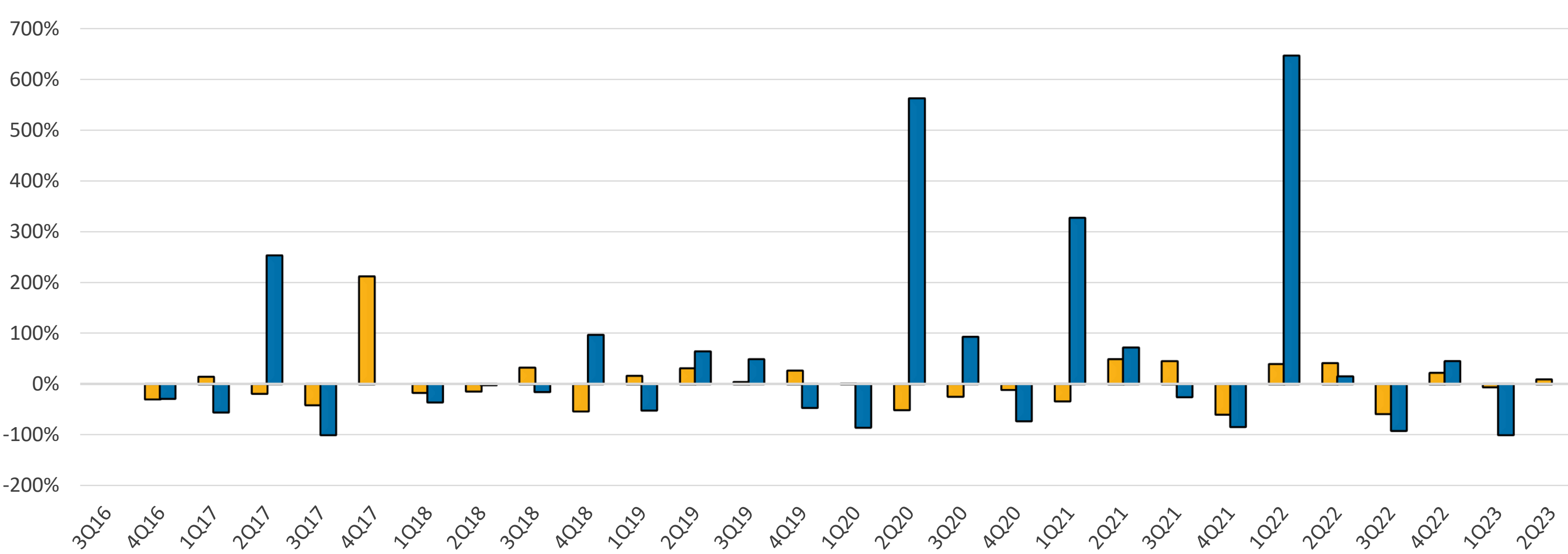
As for nursing care, the issuance of construction debt was virtually non-existent for the lenders sampled in the Lending Trends Report. This aligns with the observed pattern of limited debt financing for new nursing care property construction since NIC began data collection in 2016. In fact, there has been limited development of new nursing care properties and overall inventory has been declining for several years.

New Construction Loan Volume Closed



Source: NIC Lending Trends Report, NIC Analytics

New Construction Loan Volume Closed Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

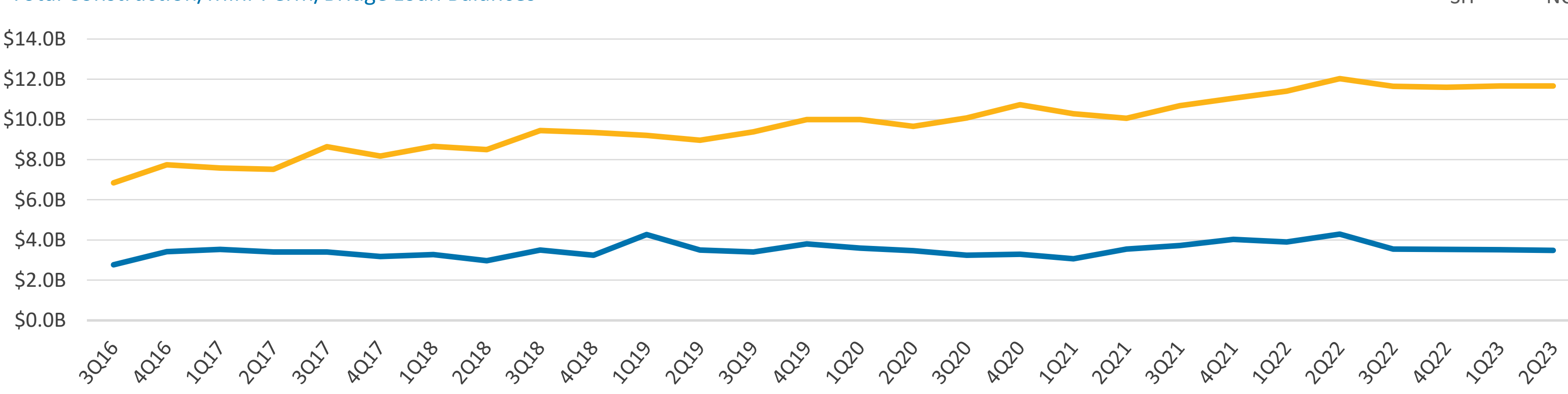
Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	15	15	15
Nursing Care	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	14	14	15

Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways

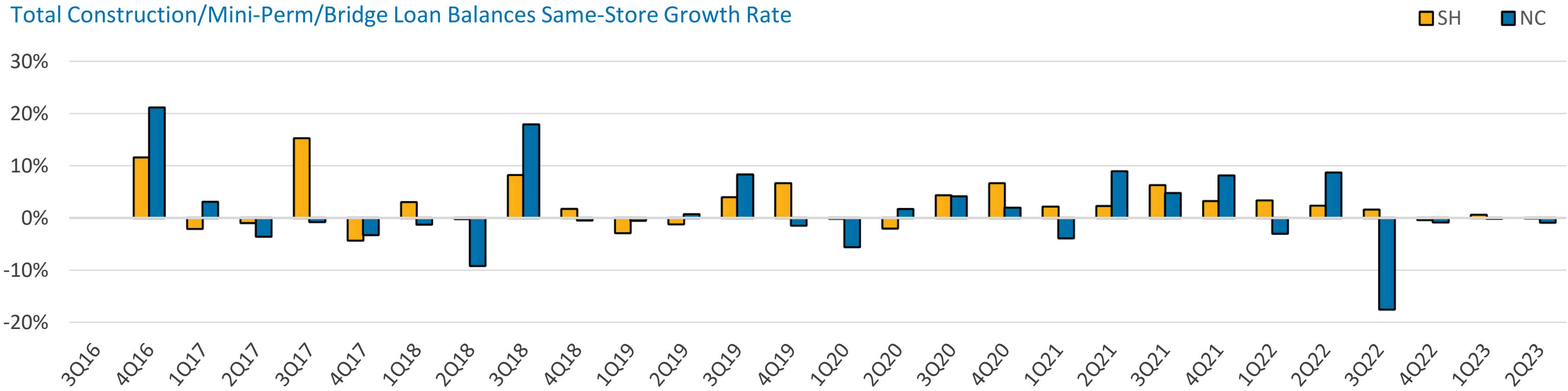
Total construction/mini-perm/bridge loan balances for senior housing were generally unchanged at relatively high levels in the second quarter 2023, off only 3% from their time series high in the second quarter of 2022. Nursing care loan balances slipped more than senior housing, down 19% from their time series high in the second quarter of 2022. These trends reflect the current state of today's credit markets.

Total Construction/Mini-Perm/Bridge Loan Balances



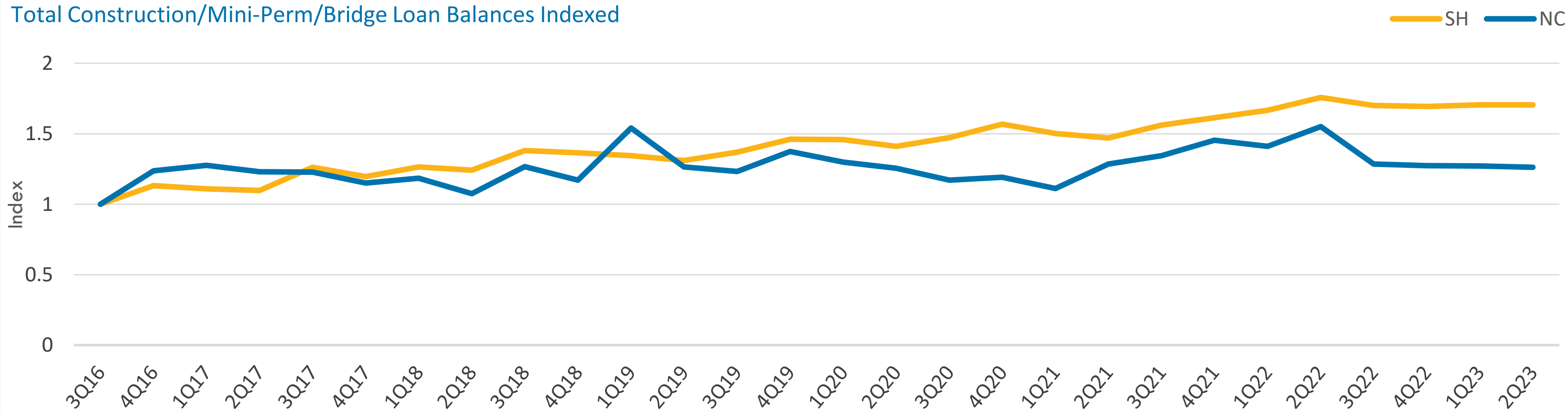
Source: NIC Lending Trends Report, NIC Analytics

Total Construction/Mini-Perm/Bridge Loan Balances Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Total Construction/Mini-Perm/Bridge Loan Balances Indexed



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

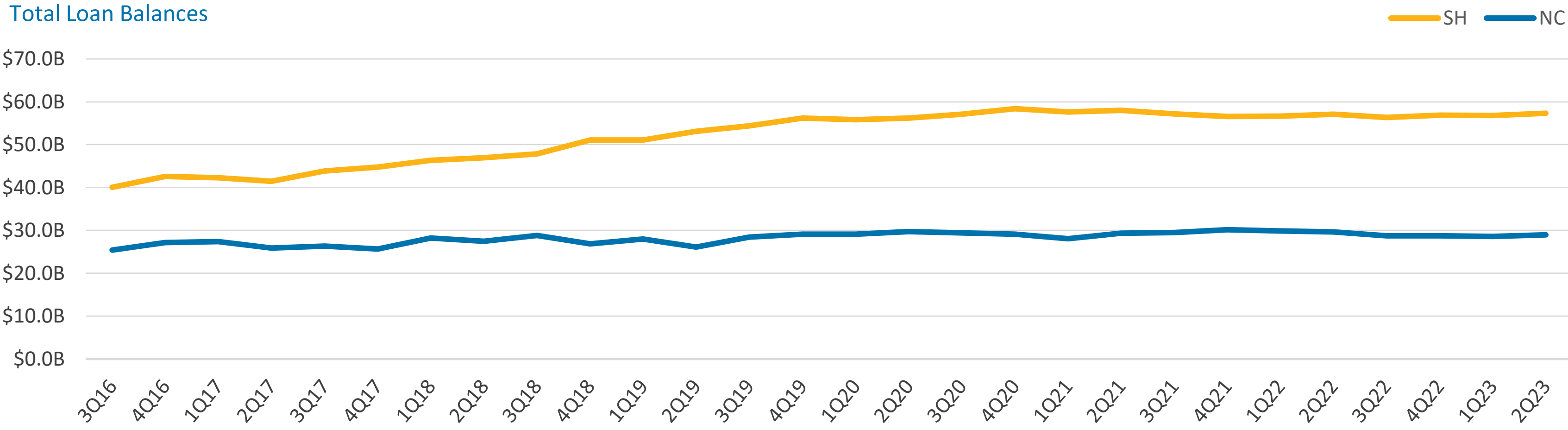
Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	15	15	15
Nursing Care	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	14	14	15

Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways

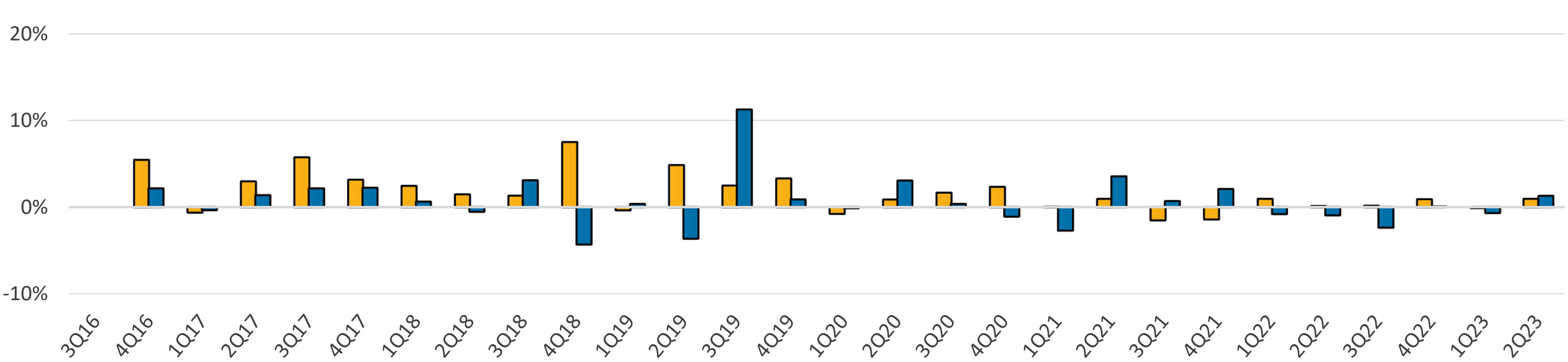
Total loan balances for senior housing remained relatively unchanged in the second quarter 2023. On a same-store basis, the senior housing loan balances edged up by 0.9%. By comparison, on a same-store quarter-over-quarter basis, the nursing care loan balances edged higher by 1.3%.

Total Loan Balances



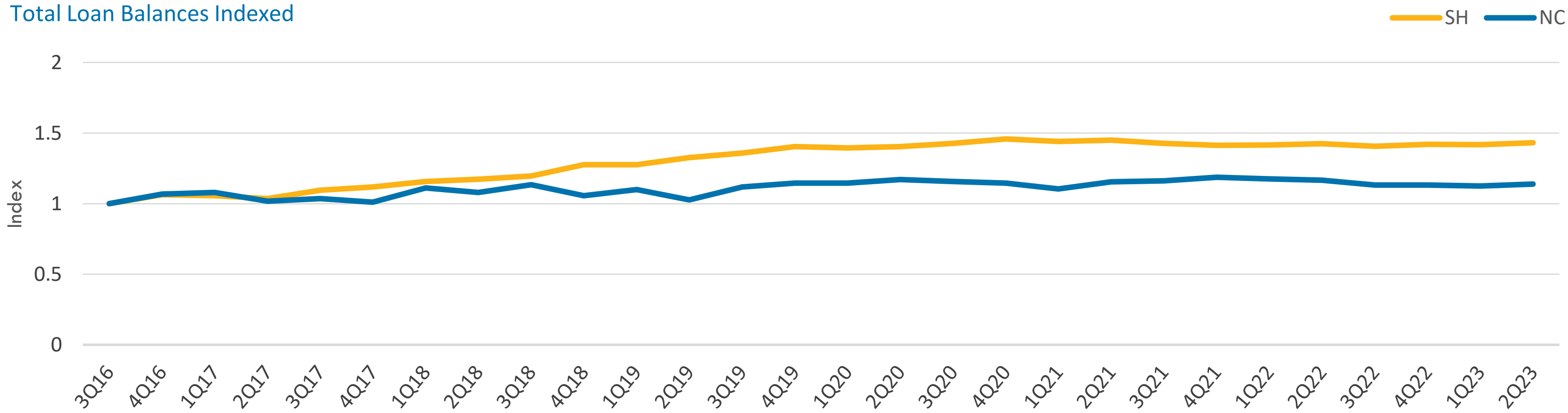
Source: NIC Lending Trends Report, NIC Analytics

Total Loan Balances Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Total Loan Balances Indexed



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

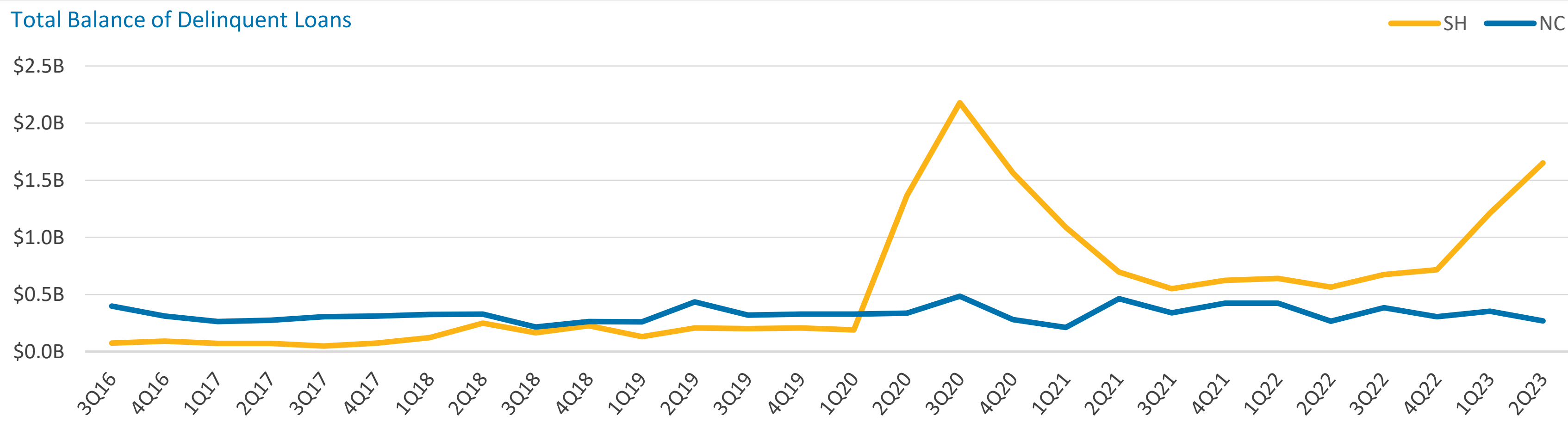
Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	20	20	20	19	19	19	21	20	21	19	21	19	18	19	19	18	17	17	16	16	16	17	16	16	16	17	17	17
Nursing Care	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	14	14	15

Source: NIC Lending Trends Report, NIC Analytics

Key Takeaways

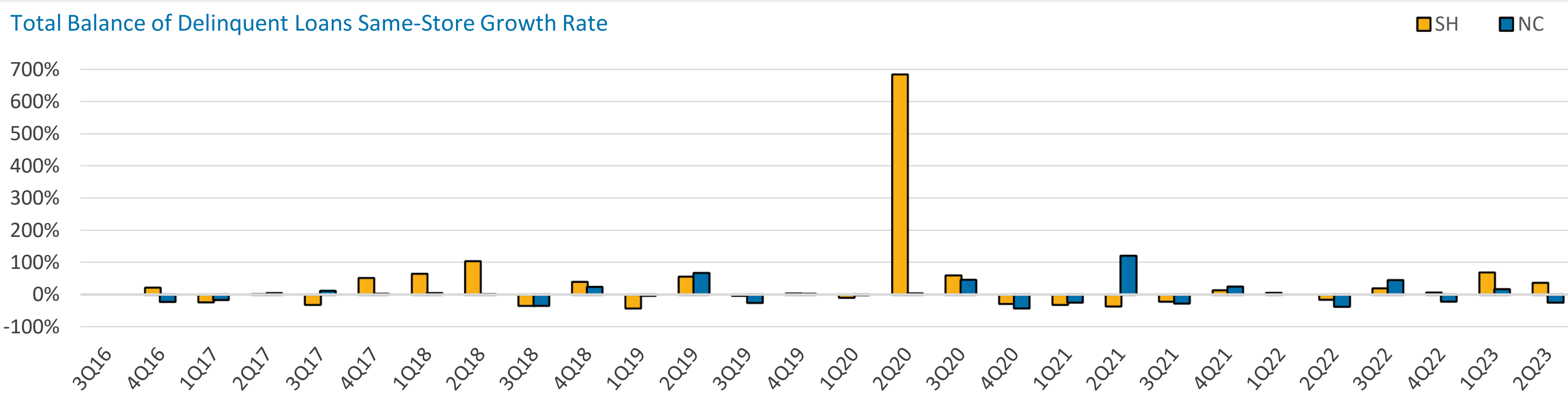
The total balance of delinquent loans for senior housing saw a notable increase, although still lower than the high levels seen in the third quarter of 2020. Delinquencies in senior housing rose by 36% in the second quarter 2023 while those in nursing care declined by 24% from the prior quarter. Delinquencies as a share of total loans rose to 2.9% for senior housing, up from 2.1% in the first quarter of 2023. For nursing care, the delinquency rate edged down to 0.9%. Note that loans in forbearance are reported in the delinquent loan data for some debt providers. Also of note, foreclosures were reported for the sample in second quarter 2023 for both senior housing and nursing care, $14.7M and $71.4M, respectively.

Total Balance of Delinquent Loans



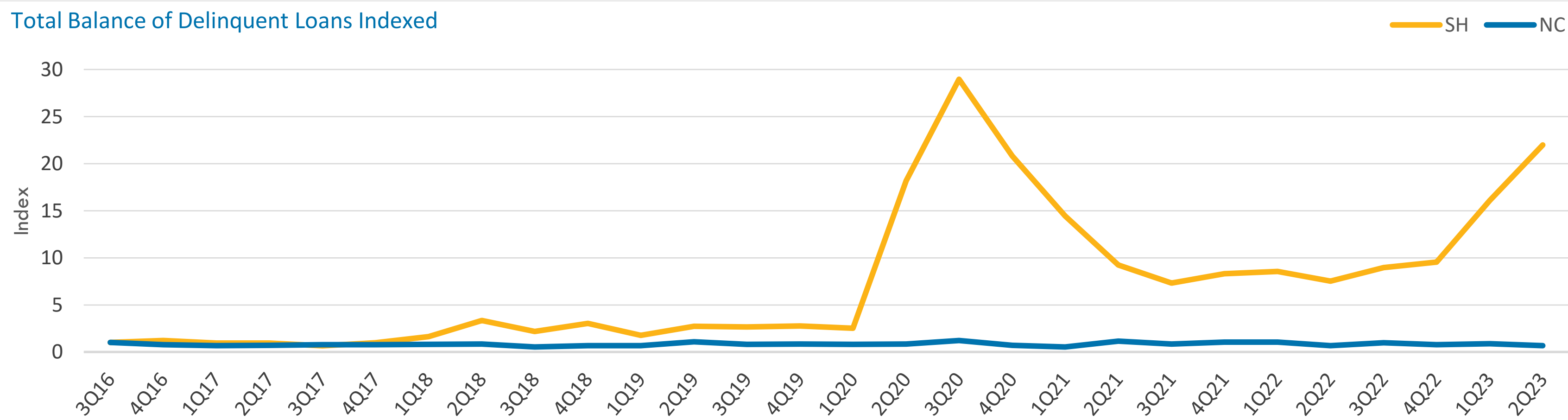
Source: NIC Lending Trends Report, NIC Analytics

Total Balance of Delinquent Loans Same-Store Growth Rate



Source: NIC Lending Trends Report, NIC Analytics

Total Balance of Delinquent Loans Indexed



Source: NIC Lending Trends Report, NIC Analytics

Contributor Counts per Quarter

Quarter	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2
Senior Housing	20	20	20	19	19	19	21	20	21	19	21	19	18	19	19	18	17	17	16	16	16	17	16	16	16	17	17	17
Nursing Care	18	18	18	17	17	17	19	18	19	17	19	17	16	17	17	16	15	15	14	14	14	15	14	14	14	14	14	15

Source: NIC Lending Trends Report, NIC Analytics

Note: some contributors include loans that are in forbearance in reporting delinquent loans and other contributors do not.

Loan Type Glossary

New Permanent Loan Volume Closed: Mortgage loans closed in a specific quarter for completed projects. These permanent loans generally have amortization periods between 15 and 30 years. These loans tend to be acquired following a construction loan or following a mini-perm loan.

Mini-Perm/Bridge Loan Volume Closed: Mini-perm/bridge loans are generally between 3 and 5 years and tend to function as an intermediary loan following a construction loan and prior to finding a longer-term mortgage loan.

New Construction Loan Volume Closed: A shorter term loan to finance the construction of a property.

Total Loan Balances: Total of all loan balances outstanding at the end of the quarter.

Total Permanent Loan Balance: Total of all outstanding permanent loans at the end of the quarter.

Total Construction/Mini-Perm/Bridge Loan Balance: The total balance of all construction loans, mini-perm, and bridge loans outstanding at the end of the quarter.

Total Mini-Perm/Bridge Loan Balances: Total of all mini-perm/bridge loans outstanding at the end of the quarter.

Total Construction Balances: Total of all construction loans outstanding at the end of the quarter.

Total Balance of Delinquent Loans: Total balances of loans that are delinquent by more than 60 days as of the end of the quarter. Note: some contributors include loans that are in forbearance in reporting delinquent loans and other contributors do not.

Total Amount of Foreclosures During the Quarter: Total amount of loans foreclosed upon during the quarter. For the current sample, this number is generally close to zero as there are relatively few foreclosures during the time that NIC has been collecting data from contributors.

Lender Type Glossary

Bank – A bank is a financial institution that accepts deposits and provides loans. Bank financing for senior housing and care properties covers a wide range of institutions and financing options. Commercial banks typically lend for new construction and acquisitions, and offer lines of credit, corporate credit lines, and shorter-term property financing options, i.e., bridge or mini perm loans.

Bank Holding Company – A bank holding company is a company that has one or more banks and possibly other assets. Generally, bank holding companies have more flexibility for methods of raising capital than traditional banks do.

Commercial Real Estate Services Company – Commercial real estate services companies can offer a range of investment services for several property types.

Financial Services Company – Financial services companies are a broad category that encompass businesses that offer a variety of services including banking, investment funds, or other services.

Government-Related Sources – Companies or organizations that are related to or funded by the government.

Investment Management Firm – Investment management firms offer their clients investment opportunities that the firm designs and manages. Investment management firms aim to create portfolios that generate returns with varying levels of risk, which can include lending services.

REIT – Real Estate Investment Trust (REIT) is a company that owns, manages, or finances income-generating real estate. To qualify as a REIT a company must: (1) invest at least 75% of its total assets in real estate; (2) derive at least 75% of its gross income from rents from real property, interest on mortgages financing real property or from sales of real estate; (3) pay at least 90% of its taxable income in the form of shareholder dividends each year among other requirements. Shareholders pay the income taxes on those dividends.

Methodology

Growth rates are calculated on a same-store basis. A data provider must have files for two consecutive quarters in order to be included in the quarter-over-quarter calculation. The same-store growth rate is a quarter-over-quarter metric that's calculated by taking the set of contributors that provided data files for two quarters back to back, summing all the values for each of the two quarters, then calculating the growth from one quarter to the next.

The indexed values for total construction/mini-perm/bridge loan balances, total loan balances, and total delinquent balances are calculated as a quarter's outstanding volume over the sum of the volume in 3Q2016, the base period for comparison. As a result, it is not same-store. Mergers account for some of the variability in contributor counts. Note: not all charts have the same axes.

About this Report

The NIC Lending Trends Report collects loan volume data for senior housing and care properties. NIC conducts this quarterly survey and generates this report to further enhance transparency of capital market trends in the senior housing and care sector. These data are not to be interpreted as a census of all senior housing and skilled nursing lending activity in the U.S. and reflect lending activty from participants included in the survey sample only. Property type is the industry's traditional categorization where each property is classified by its plurality care segment, and where: (1) memory care is considered a subset of assisted living and (2) individual CCRC/LPCs are classified according to their plurality care segment. Senior housing represents the aggregate of majority independent living and majority assisted living.

About NIC Analytics

This report was prepared by NIC Analytics at National Investment Center for Seniors Housing and Care (NIC), a nonprofit 501(c)(3) organization whose mission is to support access and choice for America's seniors. NIC's Analytics group interprets data and analyzes trends in the senior housing and nursing care sectors as they relate to and impact capital seekers (owners, operators, and developers) and capital providers (debt and equity entities).

How to Participate

If you would like to contribute your data, please contact us at analytics@nic.org.