FitchRatings

RATING ACTION COMMENTARY

Fitch Rates LifeSpire of Virginia, LLC Ser 2026 Rev Bonds 'BBB'; Affirms Outstanding; Outlook Stable

Fri 08 May, 2026 - 10:04 AM ET

Fitch Ratings - New York - 08 May 2026: Fitch Ratings has assigned a 'BBB' rating to the series 2026A residential care facilities revenue bonds and series 2026B-1, B-2 and B-3 TEMPS to be issued by the Virginia Small Business Financing Authority on behalf of LifeSpire of Virginia (LifeSpire). The bonds are expected to price on or about June 10 via negotiated sale.

Fitch has also affirmed LifeSpire's 'BBB' Issuer Default Rating (IDR) and the 'BBB' ratings on six series of LifeSpire's previously issued revenue bonds.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR

LifeSpire of Virginia, LLC (VA)	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
LifeSpire of Virginia, LLC (VA) /General Revenues/1 LT	LT	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The rating affirmation reflects Fitch's expectation that demand for LifeSpire's independent living unit (ILU) expansions associated with its master facilities plan (MFP), of which the series 2026 projects comprise the latest phase, will be strong. Fitch expects this will result in stable to improved operating and cash flow margins, which in turn will allow the organization to absorb the additional debt associated with its MFP and maintain a financial profile consistent with a 'BBB' rating. The Stable Outlook reflects LifeSpire's position as a multi-market, diversified life plan community (LPC), with a consistent track record of adequate operations, successfully managed capital investments and resilient balance sheet.

SECURITY

Joint and several obligations of each member of the obligated group (OG). First mortgage lien on all OG communities, gross revenue pledge of the OG and a debt service reserve fund.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

Multi-Market LPC, Stable Demand and Pricing Characteristics

LifeSpire is a large and diversified senior living provider that operates five LPCs across the commonwealth of Virginia. Its ILU occupancy rate has grown to a very strong 98% in FY24 and FY25 (YE Dec. 31), with regular fee increases and robust waitlists at each community indicating a resilient demand profile. Competition is limited, with price points and amenities varying materially across LifeSpire's markets.

Currently, 96% of planned new ILUs at Lakewood and 100% of planned new ILUs at The Summit campus are presold with 10% deposits, which bodes well for successful fill and repayment of associated short-term debt.

Operating Risk - 'bbb'

Improved Core Operations, Multi-Year Master Plan

Fitch's 'bbb' assessment of LifeSpire's operating risk is based on its track record of adequate cost management, which improved following the stabilization of several ILU expansions. The assessment also reflects LifeSpire's mix of type-A (lifecare) and type-C (fee-for service) contracts and history of well-managed capital investment in its multi-year, phased MFP.

The series 2026 projects constitute the latest phase of LifeSpire's MFP and encompass ILU expansions at Lakewood and The Summit. It also includes a healthcare repositioning project at Lakewood, all with the goal of achieving an 80%/20% mix of ILUs and healthcare units across the organization. Ongoing capital projects at The Glebe and The Summit are on time and on budget.

Financial Profile - 'bbb'

Projects Expected to be Accretive to Financial Profile

Fitch's 'bbb' assessment of LifeSpire's financial profile considers the system's strong revenue defensibility and midrange operating risk assessments. It also reflects Fitch's expectation that the MFP projects will be accretive to operations as they stabilize. Fitch expects LifeSpire to maintain balance sheet and liquidity metrics consistent with a 'bbb' financial profile over the next five years. This considers a period of operating volatility, as assumed in Fitch's stress case scenario.

Asymmetric Additional Risk Considerations

None.

RATING SENSITIVITIES

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

-- Sustained deterioration in operating performance such that net operating margin (NOM) is expected to remain below 3% or the NOM-adjusted remains below 15%.

-- Unexpected additional debt issuance, especially if it results in expectations for cash-to-adjusted debt to be sustained at or below 40% or MADS coverage to be sustained below 1.2x.

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

-- Positive rating action is unlikely pending completion of LifeSpire's master facilities plan. Over time, balance sheet accretion such that cash-to-adjusted debt is sustained at or above 70% could provide positive momentum.

PROFILE

Virginia Baptist Homes (VBH), d/b/a LifeSpire of Virginia (LifeSpire), is the sole corporate member of six affiliates. Fitch's analysis is based on the LifeSpire OG, which comprises LifeSpire's five LPCs and AgeSmart, an LPC "without walls". Together, the LPCs operate 953 ILUs, 225 assisted living units, 108 memory support units, and 226 skilled nursing beds. LifeSpire OG had total revenues of $140.8 million in 2025.

Sources of Information

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

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for LifeSpire of Virginia, LLC (VA).

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 Finance Not-For-Profit Life Plan Community Rating Criteria (pub. 21 Feb 2025) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 May 2026) (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)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Virginia Small Business Financing Authority	EU Endorsed, UK Endorsed

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