

## **STRONG FUNDAMENTALS SUPPORT STUDENT HOUSING LENDING**

Student housing lending will be steady because of solid fundamentals and strong lender appetite. Proximity to campus, retail infrastructure, enrollment and occupancy trends are all primary demand drivers. The sponsor's operational track record and the property's historical performance will be the most important factors. Lenders are placing greater emphasis on markets with high barriers to entry and are keeping a close eye on new/pending deliveries. Looking ahead to 2027, flagship state schools and elite universities will remain full. At the same time, as students weigh the cost of higher education more carefully, smaller institutions will likely face continued enrollment pressure and consolidation. Based on recent investment sales activity, count on the rest of 2026 and 2027 to be very active. The toughest part will be getting buyers and sellers together on pricing. The recent rise in Treasuries and with credit spreads holding steadily and the increase in the cost of capital could move buyers and sellers further apart.

The agencies and life companies will provide the best pricing. Debt funds remain active too, offering only slightly more leverage than banks but at wider spreads, typically mid-200s over SOFR. Borrowers will see leverage reach 60% to 75%. Construction financing can reach 75% to 80% LTC, though most deals are landing around 65%. Rates will vary based on lender type and start at SOFR+ 150 basis points. Stabilized properties will see spreads generally running around 200 basis points over the corresponding Treasury. Experienced student housing operators in growing enrollment markets can get 1.25x to 1.30x DSC, while others will see 1.35x. Debt yield will be 8% to 9%. Those metrics can be bit lower for properties that are still stabilizing or have a value-add story.

Count on **Freddie Mac** and **Fannie Mae** to be active with 60% leverage and rates based on the five-year Treasury+ 185 basis points. They will require a 1.35x DSC and 9%+ debt yield. CMBS lenders can be competitive when borrowers want higher proceeds, and they will underwrite more aggressively with 1.20x DSC on an interest-only basis.

Banks such as **KeyBank**, **Bank OZK**, **Regions Real Estate Capital Markets**, **Amalgamated Bank** and **Old National Bank** will be active. Look for banks to be more competitive with several now allowing pricing over SOFR instead of the five-year Treasury. Borrowers will see SOFR+ 160 to 175 basis point rates and 65% leverage. Life companies such as **PGIM Real Estate**, **MetLife**, **Aegon Asset Management**, **TruStage** and **Guardian Life** will fund deals. Look for some LCs to underwrite to a 1.25x on a 30-year amortization schedule. Rates will start at SOFR+ 180 basis points at 60% leverage non recourse, or the five- to 10-year

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Treasury+ 150 basis points. Insurance companies will favor larger transactions over one-off assets.

Debt fund and private money lenders such as **Canyon Partners Real Estate**, **CenterSquare Investment Management**, **Harrison Street Asset Management**, **GID**, **S3 Capital**, **QuadReal Property Group** and **Osprey Capital** will fund deals. Rates will start at SOFR+ 200 to 250 basis points and leverage will be 70% non recourse. **Madison Realty Capital**, **ORIX**, **HALL Structured Finance** and **Pearlmark** will provide construction loans, while **Greystone**, **Obra Real Estate**, **A10 Capital**, **AVANA Capital** and **RRA Capital** will offer bridge loans. **CrossHarbor Capital Partners**, **Parse Capital** and **ABR Capital Partners** will provide equity.

Lenders are paying much closer attention to enrollment trends and targeting larger Division I schools with stable or growing enrollment. Properties at schools with declining enrollment are seeing more scrutiny and potentially tighter terms. Lenders are digging deeper into demographics and institutional health rather than just looking at current occupancy. Lenders will seek larger schools with balanced supply and demand fundamentals. Proximity to campus has always mattered, but proximity combined with limited land for future development is especially valuable. Lenders prefer properties within a mile of campus, and specifically within walking distance of major academic buildings. Proximity to administrative buildings or athletic facilities alone is not enough. Schools with over 20,000 in undergraduate enrollment will get the most attention. Power 4 schools and universities that have the obvious risk mitigants will see the most available capital. *Continued on Next Page*

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## **Strong Fundamentals Support Student Housing Lending...**

*Continued from Page 1*

Older 1970s and 1980s vintage properties are doing well because of affordability as students are seeking lower-cost options. Demand is shifting away from Northeast institutions toward Southern schools, where enrollment growth is outpacing other regions. While the Midwest and Southeast are performing well overall, there are notable outliers and well-known universities that were once undersupplied but are now oversupplied and waiting for demand to catch up. The Southeast remains strong; LSU and Ole Miss are standout markets, while Tallahassee, Florida, might be a bit overbuilt. Markets with bad fundamentals such as declining enrollment will see less available capital. Several of the hottest student housing markets from a year or two ago are now

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facing preleasing headwinds due to a wave of new supply, compounded by declines in international student enrollment.

Lenders want to see a well-capitalized borrower and experience will be more scrutinized today than ever before. Expect lenders wanting at least four to 10 properties in the portfolio. It shows that the borrower has real operational scale and experience managing student housing. Sponsors who can point to other properties they have executed as preleasing comps, which can be difficult data to track, are well positioned to make lenders comfortable. Owning, operating and managing a student deal is different than a market-rate multifamily asset. Having in-house management also helps. Borrowers without experience will need to outsource management to qualified third-party companies.

Page 2

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## **DEALMAKER DATABANK**

BWE

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BWE's Chicago team has arranged more than \$500M in student housing financing for properties serving universities across the country. The team works with sponsors on construction, acquisition and refinance transactions, drawing on deep relationships with a broad range of capital sources.

Colliers is closing low-leverage financing for student housing with a life company. The deal is a 1031 exchange. Young was able to lock in the rate at application when the five-year UST was just above 4%. The all-in rate was 5.5%, full-term interest only, flexible prepay, on a five-year term.

IPA closed a \$150M non-recourse loan for a student housing property. The rate was SOFR+ 180 basis points or five-year Treasury+ 145 basis points (SOFR was the more accretive option given where rates stood). The leverage was 65% loan to purchase price.

IPA arranged a full-stack raise across equity and debt for the acquisition of a large manufacturing portfolio in Houston. Slocumb also placed a JV partner for an adaptive reuse development of an open-air destination retail center in Las Vegas and equity for multifamily throughout the Carolinas.

JLL has several student housing deals in closing now that should fund by late October. While Weaver had student closings last quarter, the pipeline reflects what he is seeing: strong interest in properties at schools with solid enrollment trends, with most preferring agency execution.

10 / 12 / 26

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Lee & Associates arranged a \$19.8M refinancing for a six-building mixed-use portfolio in Manhattan's NoMad neighborhood. The 18-month bridge loan paid off approximately \$18.8M in past due CMBS debt, fund closing costs and reserves and allowed the borrower time to stabilize the buildings.

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## BUSY EQUITY INVESTORS

(2026 PROJECTED INVESTMENT VOLUME AND PREFERENCES)

### EQUITY INVESTOR VOLUME DETAILS

**Tryperion Holdings** \$100M Invested \$75M so far this year; \$10M+ JV and pref equity pieces for all transactions except land and

development; opportunistic deals; mid- to high teens returns; nationwide

**Time Equities** \$75M-\$100M Invested \$74M so far this year; \$1M-\$150M JV equity pieces for Class A and B properties across all asset

10 / 12 / 26

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classes except hotels; value-add, ground-up and core deals; 20% returns; secondary and tertiary markets in the U.S., Canada and Europe

**LEM Capital** \$75M-\$90M Invested \$75M so far this year; \$10M-\$20M JV equity pieces for value-add multifamily deals; 10% preferred

return, deal-level 15%-18% IRRs; diverse growth markets across the U.S., non-gateway

**Red Starr Investments** \$50M+ Invested \$30M so far this year; \$3.5M-\$15M JV and pref equity pieces for all asset classes; all deals other

than core; mid- to high teens+ returns; nationwide and Puerto Rico

## **Newport Capital Advisors**

\$30M-\$50M

Invested \$15M so far this year; \$2M-\$20M+ JV, gap pref equity and pref equity pieces with a preference for multifamily, other cash-flowing commercial considered, Class C to B- properties, value-add and/or rehab required is acceptable with a focus on affordable and workforce housing; a preference for higher cap rate markets so Newport Capital Advisors is willing to consider smaller markets and non-major metro areas around the country

**ABR Capital** ~\$30M-\$40M \$5M-\$15M in the LP position, \$3M-\$10M in the co-GP position; JV equity for industrial, multifamily, hotels,

student and senior housing; value-add deals; 18%+ and 1.7x+ for LP transactions, 20%+ and 2.0x for co-GP transactions; the top 50 MSAs

**Atlantic Pacific Credit Partners** \$30M Invested \$15M so far this year; \$2.5M-\$15M pref equity pieces for multifamily; core, core-plus and

value-add deals; 12%-15% returns; primary and secondary markets in the Southeast and TX

**Dekel Capital** \$20M \$5M+ JV equity, \$3M+ pref equity pieces for multifamily, retail, industrial; ground-up and

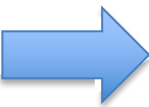
opportunistic deals; low to mid-20% returns for JV equity and mid- to high teens for pref; the western half of the U.S.

## **CrossHarbor Capital Partners** TBD

\$25M-\$50M JV and pref equity for multifamily, retail, industrial, build-to-rent, hotels, office, self-storage, cold storage, student and senior housing; value-add and opportunistic profile, also active in ground-up development; 15%+ total IRRs; nationwide with a preference for markets with strong underlying fundamentals, including strong in-migration patterns, growing job base, increasing levels of household formation and a pro-business climate

## EQUITY INVESTING WILL PICK UP STEAM IN 2027

Equity investing will continue to be challenging throughout the rest of the year. The market should start to pick up next year as owners cannot continue to kick the can down the road. There will be a bigger focus on sponsorship and the ability to perform going forward. Look for investors to start looking at more retail deals, as well as niche properties such as cold storage, MHC, student and senior housing. Select life companies such as **PGIM Real Estate, Nuveen, HIMCO** and **Barings** will play in the equity arena.



**Ares Management, Blackstone, Brookfield, Hines, Affinius Capital, KBS, Clarion Partners, Parse Capital, Marble Capital, Redco Development, CrossHarbor Capital Partners, LEM Capital, Time Equities, Phoenix Capital Management, 3650 Capital, ABR Capital Partners, Tryperion Holdings, Atlantic Pacific Credit Partners** and **Dekel Capital** will also be active equity providers going forward.

Anticipate more entrants coming into the space in the coming quarters. Insurance companies are building out dedicated real estate credit and equity platforms and several large insurance platforms have raised discretionary vehicles specifically for real estate first mortgage lending and in some cases equity. They bring a lower cost of capital than traditional private equity. Family offices that previously participated as passive LPs in larger funds are seeking more direct investment structures. They want better economics, more control and lower fees. International capital, especially from Asia, continues to seek U.S. real estate exposure for stability and diversification. On the pref equity side, the most active players will be platforms that have a debt background and are comfortable sitting in the capital stack behind the senior lender, especially the agencies. They understand the agency ecosystem, they can underwrite the senior loan, and they know how to structure the pref in a way that works for both the borrower and the lender.

Ground-up development will need 18% to 25% IRR and 1.8x to 2.2x equity multiples. Value-add deals will need 15% to 20% IRR and 1.8x to 2.0x equity multiples on a four- to five-year hold. Core-plus transactions will see 10% to 14% IRR and 1.5 to 1.7x equity multiples.

Look for equity investors to target institutional quality newer vintage multifamily communities. Recently delivered or near-stabilized assets where the lease-up story is

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credible and the market fundamentals support it will also be desired. Senior housing is seeing more investor interest and institutional equity is being allocated there.

Affordable and mission-driven multifamily will see some activity for the right investor profile. The long-term demographic demand story is compelling, and the agencies lean in harder on these assets, which affects the exit execution. Industrial continues to attract equity, particularly light industrial and small bay where supply is genuinely constrained. Grocery-anchored and necessity-based retail will see institutional capital looking for operating relationships.

Office will continue to be the most challenging, though there are select opportunities for groups willing to take on recapitalization or conversion risk at the right basis. Older vintage multifamily, particularly Class B and C in supply-heavy markets, will also be tougher. New supply with aggressive concessions is compressing the rent premium that older vintage assets rely on to justify their business plans. Investors cannot underwrite meaningful rent growth on a 1980s garden-style property when there is new product nearby offering a free month and modern finishes. The business plan that made sense two or three years ago simply does not hold up in that competitive environment. Secondary and tertiary retail without strong anchors will be difficult.

Investors will target major MSAs and New York City and San Francisco are both back in favor. Look for more capital going to Midwest markets such as Chicago, Indianapolis, Cleveland, Milwaukee and Minneapolis. Activity in the Mid-Atlantic will also pick up. Supply-constrained coastal markets are attracting the most institutional equity. New Sun Belt Class B and C multifamily in Austin, Phoenix, Denver and Charlotte, North Carolina, have all seen real supply pressure and the rent growth assumptions needed to make deals work are not supported by current market data.

Value-add deals with institutional quality assets and realistic business plans will be the most sought after. Core-plus is active for groups with patient, lower-return capital. Ground-up development with experienced developers with strong submarket conviction and proven relationships with equity partners will see capital. The bar for underwriting new development is much higher than it was but the groups with the right sites and the right sponsors are still finding equity. The toughest deals are speculative development without proven demand or defensible exit cap assumptions, or older, value-add in supply-heavy markets requiring aggressive rent growth to achieve returns. Ground-up construction for high rise multifamily product will also be tough.