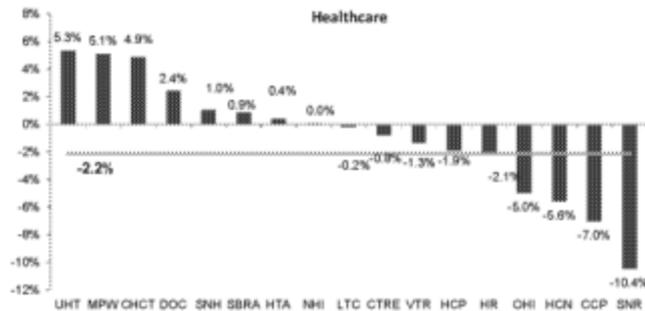




Healthcare: Rents continue upward climb as primary markets mostly shrug off new supply

Figure 90: 1-Month Healthcare performance



As of 10/14/16

Source: Deutsche Bank, SNL

Figure 91: YTD Healthcare performance



As of 10/14/16

Source: Deutsche Bank, SNL

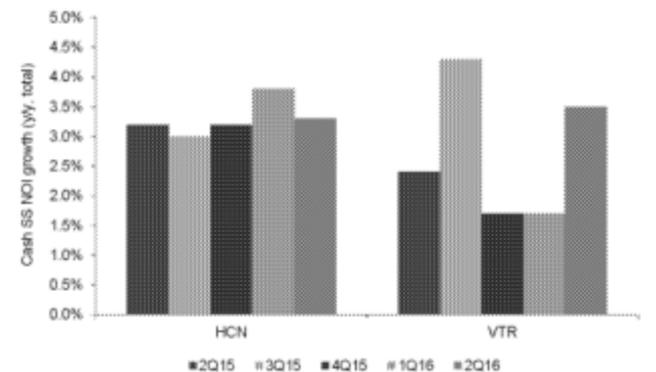
Figure 92: Primary mkt Sr Housing occ & rent growth



- Sr Housing occupancy up 12bps q/q in 3Q but down 9bps y/y
- IL occupancy up 16bps q/q and up 2bps y/y
- AL occupancy up 6bps q/q and down 22bps y/y
- Sr Housing rent growth improved to +3.78% vs +3.18% in 2Q driven by IL +4.21% (+3.43% in 2Q) and AL +3.16% (+2.81% in 2Q). This is the highest rent growth since 2007
- IL starts declined to 1,500 units in 3Q (2,100 in 2Q), staying in line with the 4-quarter average. AL construction starts in primary markets picked up with 2,600 units started in 3Q (2Q starts revised to 2,100 from 1,800), slightly below the rolling 4-quarter average of 2,800
- Construction as a % of inventory was down slightly to 5.78% in 3Q vs 5.99% in 2Q (IL 3.89% from 4.25% and AL 8.34% from 8.36%)

Source: Deutsche Bank, NIC MAP® Data and Analysis Service

Figure 93: Total portfolio SS NOI growth



- Pre-3Q guidance for both companies implies some deceleration in 2H16
- While rent growth and occupancy remained healthy in 3Q as per NIC data, elevated supply continues to be a near-term concern for SHOP growth
- SNFs remain a risk as well with HCN more exposed vs. VTR. As the post-acute sector transitions to value-based payment systems, uncertainty around Medicare reimbursements will continue to weigh on SNF assets and valuation

Source: Deutsche Bank, company data