



Key Healthcare topics/questions for 3Q16

- Pricing/occupancy in markets with elevated supply such as Atlanta, San Antonio, Houston, Kansas City, Denver, Orlando, Chicago, Dallas, and Sacramento, with each having over 9% of inventory currently under construction
- Updated FX outlook for 2016 with GBP 7-8% weaker vs. 2Q. We expect HCN's and VTR's earnings to be largely insulated from GBP devaluation given hedging
- Long-term views on asset values in the UK
- Update on supply and demand dynamics across VTR and HCN markets. Recent reports show that AL construction remains highly concentrated while IL construction is heaviest in secondary markets
- Operating expense and labor costs trends. Recent NIC data suggests hourly wage growth for AL employees have decelerated to +2% y/y, down from roughly 4% posted during the last few quarters
- Update on skilled nursing, including reasons behind recent occupancy declines. NIC data shows 2Q (1-Q lag) occupancy at a 5-year low (-123bps q/q, -170bps y/y) with quality mix down as well (-140bps q/q, -130bps y/y)
- State of the transaction markets and investor interest given current cost of capital with Sr Housing & nursing care volume decreasing again to \$2.0B from \$2.6B in 2Q (5th consecutive Q with <\$5.0B in volume)
- Update on cap rate trends in light of low transaction activity for Sr housing (upward trend in cap rates continued in 3Q as per NIC report)
- Updated hospital outlook given recent transaction activity in the sector
- Acquisition outlook and investment appetite given current cost of capital