

## Healthcare REITs

## BofA healthcare REIT employment tracker

## Industry Overview

**BLS data: tracking labor pressures across healthcare REITs**

In this report, we track Bureau of Labor Statistics employment data for senior housing, skilled nursing and CCRCs. The key data points we look at are employment growth, hourly earnings and weekly payrolls. We view these data points as an important proxy for labor pressures across healthcare REIT operators. We are keenly focused on senior housing employment statistics for VTR (Ventas) and WELL (Welltower) given their direct exposure to labor via their senior housing operating (RIDEA) assets.

**Senior housing labor market > SNF labor market**

Key takes: (1) SNF labor growth remains robust but at the trailing 3-month pace will take 10.75 months to recovery COVID job losses. (2) SNF Y/Y wage growth is off peak levels but remains above the Pre-COVID growth rate (currently: 4.0%). That contrast with senior housing wage growth that is now below pre-pandemic levels (currently: 3.5% vs 2016-2020 average of 4.1%) (2) Senior Housing employment levels have surpassed pre-covid levels while SNF employment remains below. Overall, the latest employment report shows points to a healthier labor market backdrop for Senior Housing operators. On the flip side, SNFs face employment levels that are below pre-pandemic levels and wage growth remaining stickier. We expect this dynamic to continue to play out. Overall it supports our Buys on VTR and WELL (senior housing focused REITs).

**SH employment points to further margin expansion**

In December, average hourly earnings for assisted living workers increased 1.9% M/M (prior month: -2.2%). Hourly earnings increased 3.5% Y/Y (previously: 1.3% Y/Y). In December, total US assisted living workers increased by 3.1k employees (prior month: increased 4.2k employees). Quarter to date, assisted living employment increased 3.1k employees (prior quarter: increased 5.4k employees).

**Skilled nursing faces a more challenging labor backdrop**

In December, average hourly earnings for skilled nursing workers increased 0.4% M/M (prior month: decreased -0.2%). Hourly earnings are up 4.0% Y/Y (previously: 4.1% Y/Y). In December, total US skilled nursing workers increased by 16.5k employees M/M (prior month: increased 4.5k employees). Quarter to date, skilled nursing employment increased 21k employees (prior quarter: 36.7k employees).

**What you will find inside the report**

We track key BLS employment data for the senior housing sector including the total number of employees, hourly earnings and weekly payroll. We provide a quarterly and annual correlation analysis between the BLS senior housing employment data and WELL's SS labor expense. Interestingly, we found a low correlation between WELL's SS labor expense and broader industry wage growth.

Link to the data: [BofA's healthcare REIT employment file](#)

06 February 2024

Equity  
United States  
REITs

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**Key terms:**

BLS: Bureau of labor statistics  
RIDEA: REIT Investment Diversification and Empowerment  
SH: senior housing  
SNF: skilled nursing facilities  
SS: same store  
AL: Assisted Living  
CCRC: Continuing care residential care  
SHOP: Senior housing operating portfolio

Note: The detailed data that we utilize in this report is lagged one month relative to the monthly employment report data. The one exception is the SNF employment level data.

For more key terms see our Healthcare REIT primer [here](#).

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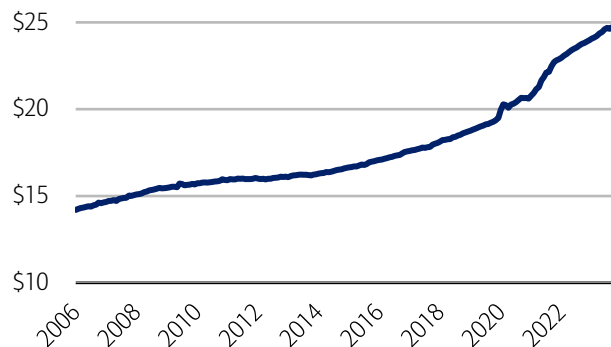
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Timestamp: 06 February 2024 12:01AM EST

# BLS hourly earnings data

## Exhibit 1: Hourly earnings for nursing care facilities (\$/hr)

Average hourly earnings of nursing and residential care employees steadily accelerates post 2020

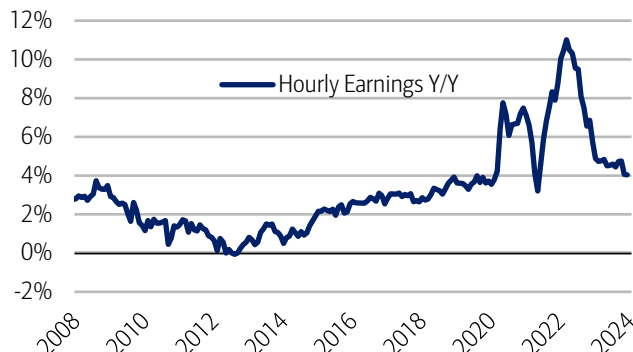


Source: Bureau of Labor Statistics

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## Exhibit 2: Hourly earnings Y/Y for nursing care facilities

Average hourly earnings of nursing and residential care employees sharply increases in 2021 Y/Y

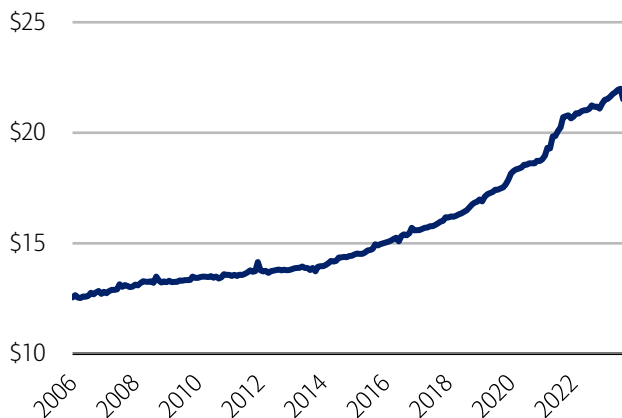


Source: Bureau of Labor Statistics

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## Exhibit 3: Average hourly earnings for AL workers (\$/hr)

Wage growth accelerated starting in late 2021

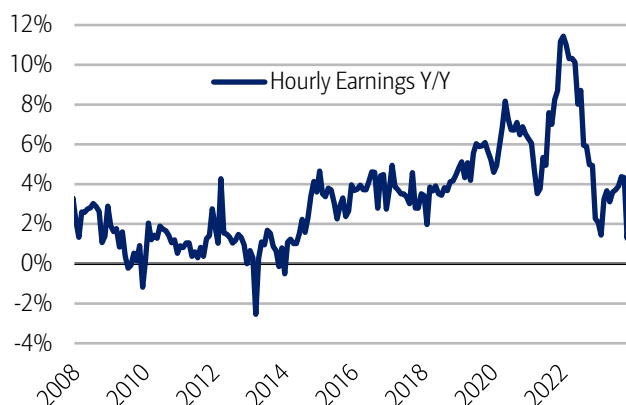


Source: Bureau of Labor Statistics

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## Exhibit 4: Hourly earnings Y/Y for AL workers

Average hourly earnings of assisted living employees for the elderly sharply increases in 2021 Y/Y

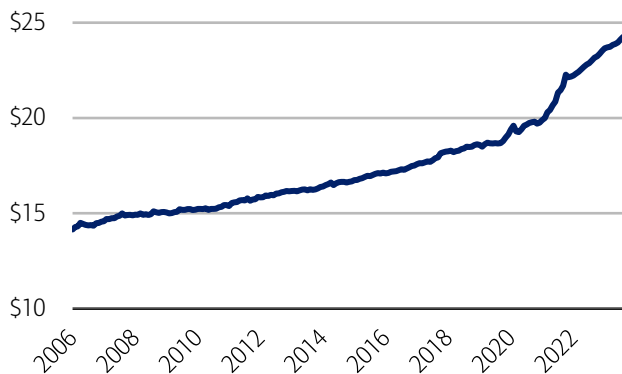


Source: Bureau of Labor Statistics

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## Exhibit 5: Average hourly earnings for CCRC workers (\$/hr)

Wage growth accelerated starting in late 2020

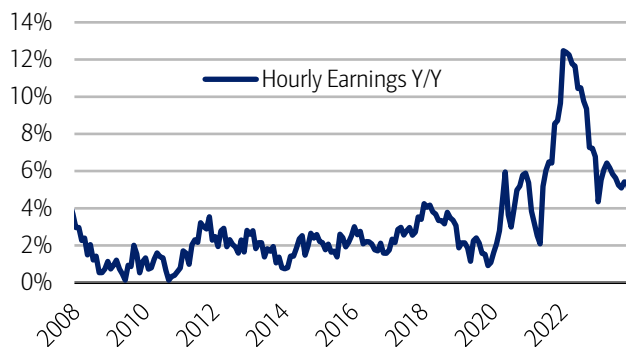


Source: Bureau of Labor Statistics

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## Exhibit 6: Hourly earnings Y/Y for CCRC workers

Average hourly earnings of continuing care retirement community employees sharply increases in 2021 Y/Y



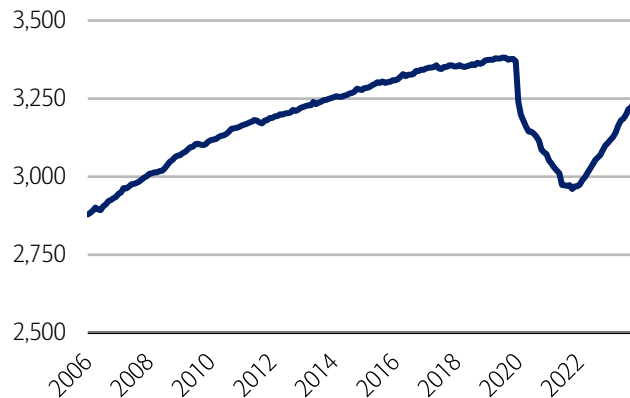
Source: Bureau of Labor Statistics

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# BLS employment growth data

## Exhibit 7: Number of employees working in SNFs (thous.)

Employment levels remain depressed vs pre-pandemic levels

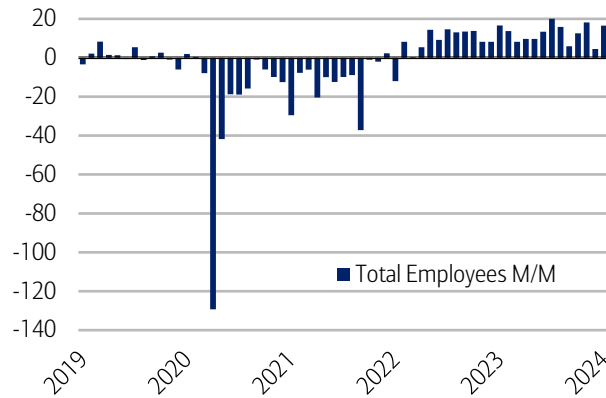


Source: Bureau of Labor Statistics

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## Exhibit 8: All employees M/M for nursing care facilities (thous, SA)

In June, SNF employment levels increased by 10K employees

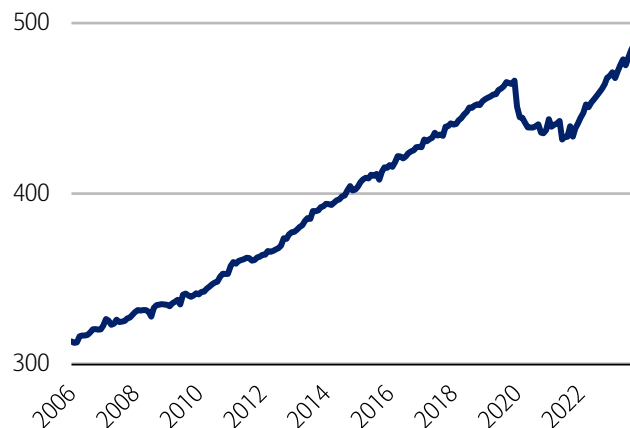


Source: Bureau of Labor Statistics

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## Exhibit 9: Number of employees working in AL (thous.)

Employment levels surpass pre-pandemic levels

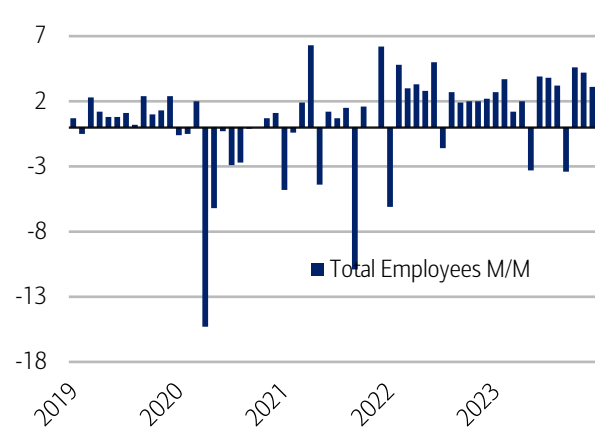


Source: Bureau of Labor Statistics

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## Exhibit 10: All employees M/M for AL facilities (thous, SA)

In June, assisted living employment levels increased by 1.5K employees

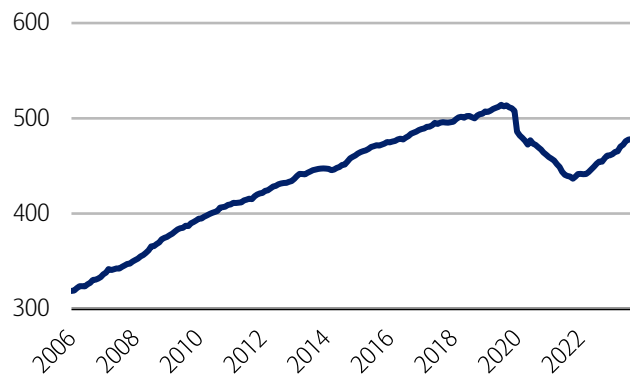


Source: Bureau of Labor Statistics

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## Exhibit 11: Number of employees working in CCRCs (thous.)

Employment levels remain depressed vs pre-pandemic levels

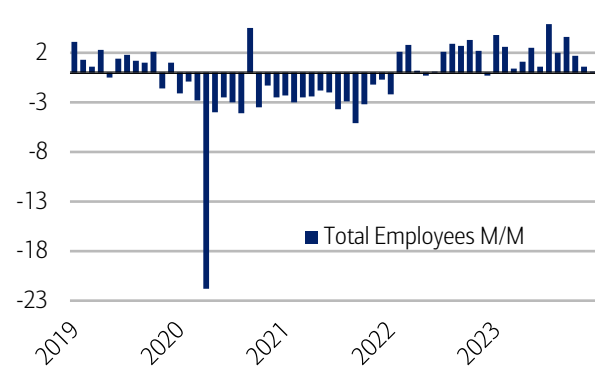


Source: Bureau of Labor Statistics

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## Exhibit 12: All employees M/M for CCRC facilities (thous, SA)

In June, CCRC employment levels decreased by 0.1K employees



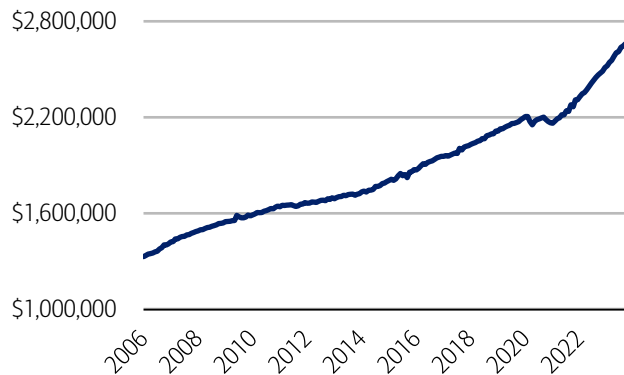
Source: Bureau of Labor Statistics

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# BLS weekly payroll data

## Exhibit 13: Aggregate weekly payroll for SNFs (\$)

Payroll growth accelerated starting in early 2021

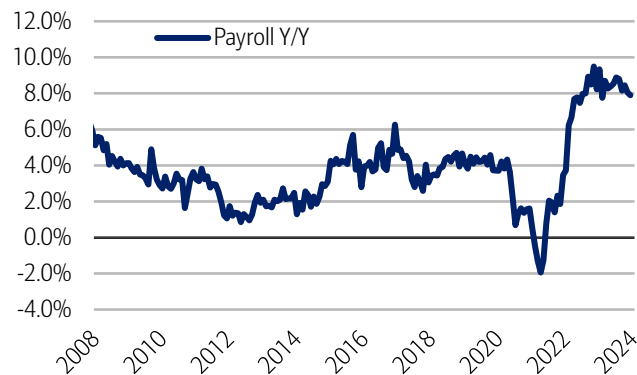


Source: Bureau of Labor Statistics

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## Exhibit 14: Y/Y change in SNF weekly payrolls

Since 1H21, weekly payroll growth has accelerated

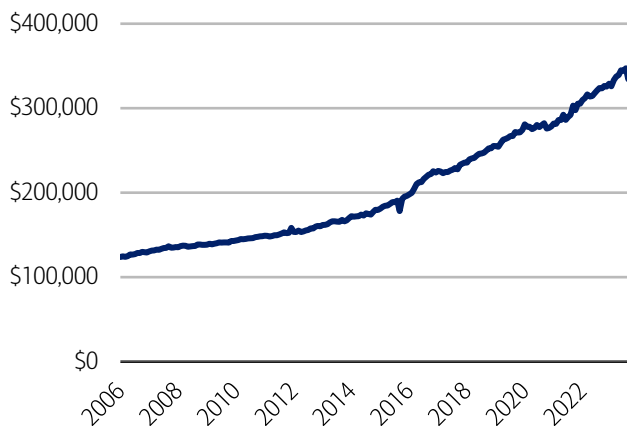


Source: Bureau of Labor Statistics

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## Exhibit 15: Aggregate weekly payroll for SNFs (\$)

Payroll growth accelerated starting in early 2021

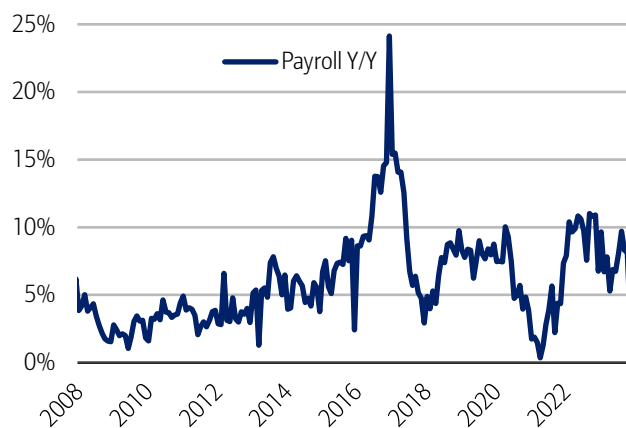


Source: Bureau of Labor Statistics

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## Exhibit 16: Aggregate weekly payroll Y/Y

Aggregate weekly payroll growth is above 2021 lows of 0.3%

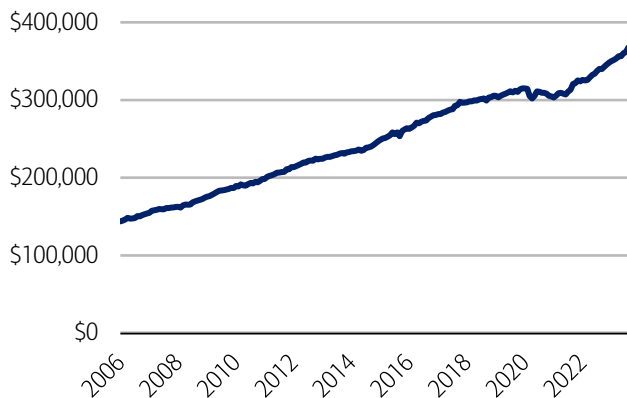


Source: Bureau of Labor Statistics

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## Exhibit 17: Aggregate weekly payroll for CCRCs (\$)

Payroll growth accelerated in early 2021

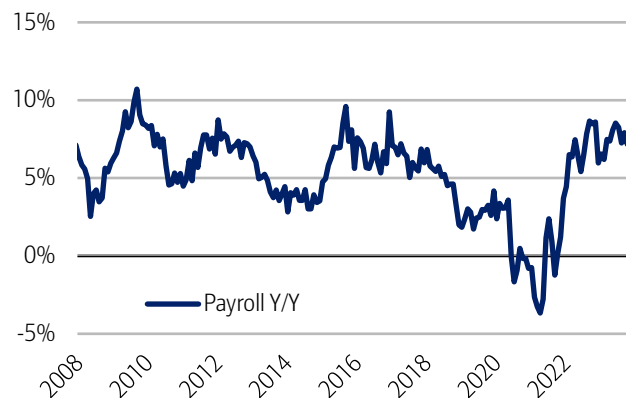


Source: Bureau of Labor Statistics

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## Exhibit 18: Aggregate weekly payroll Y/Y

Since 1H21, weekly payroll growth has accelerated



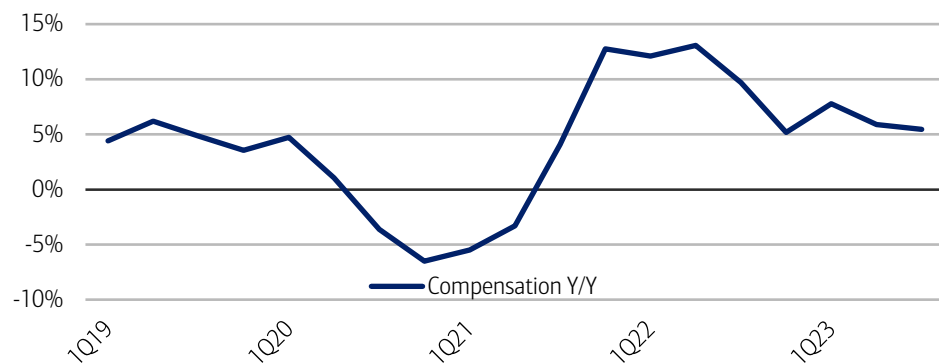
Source: Bureau of Labor Statistics

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# WELL: SS compensation expenses

## Exhibit 19: WELL's SS SHOP compensation expense (Y/Y)

Compensation expense growth averaged 4.8% Y/Y prior to the pandemic

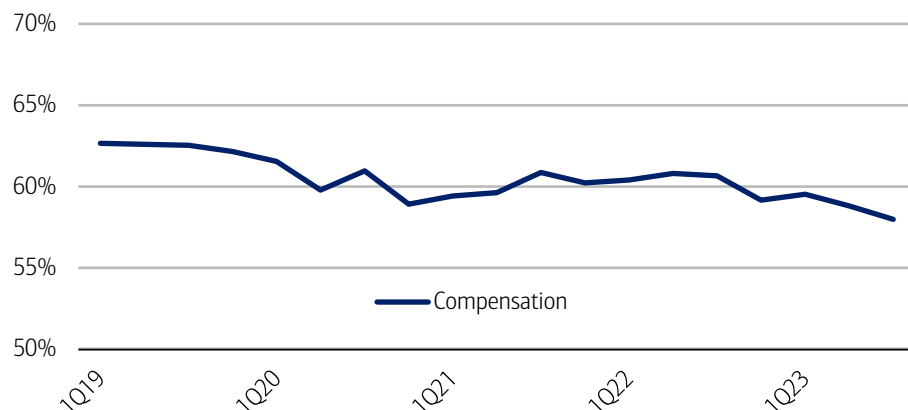


Source: Company filings

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## Exhibit 20: SS SHOP compensation expense (% of SS SHOP expenses)

compensation expense as a percent of overall expense has averaged 60% over the last two years

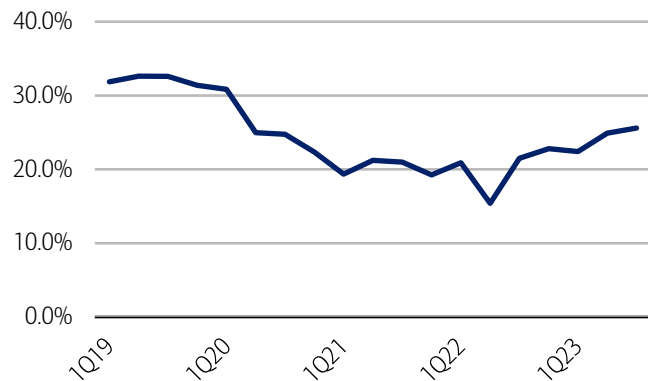


Source: Company filings

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## Exhibit 21: WELL SS SHOP margin

SS SHOP margin averaged 32.5% pre-pandemic

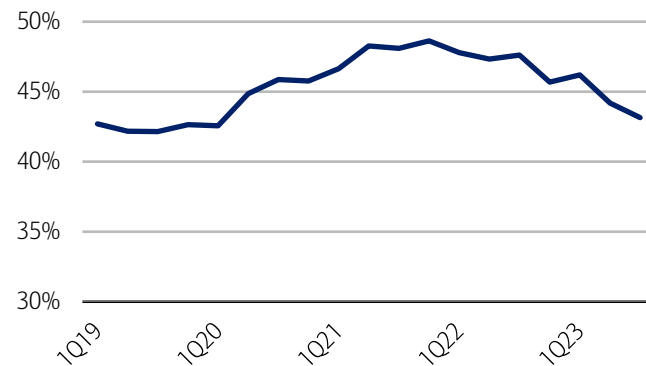


Source: Company filings

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## Exhibit 22: WELL SS compensation expense as % of SS revenue

Pre-pandemic SS compensation expense averaged 41% of SS revenue



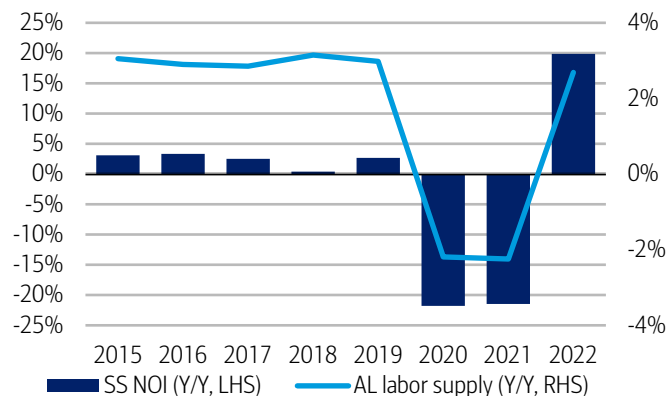
Source: Company filings

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# Annual correlations: BLS vs WELL

## Exhibit 23: WELL SS NOI vs. AL labor supply

WELL's SS NOI tracks the BLS total AL labor supply data

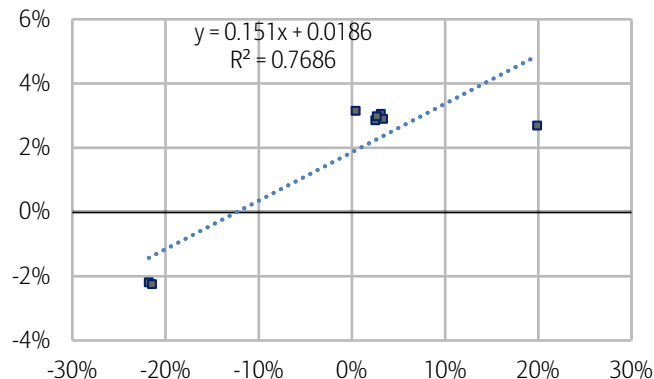


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 24: Correlation: AL labor supply vs. WELL SS NOI

On an annual basis, the correlation is 0.88 & r-squared is 0.77

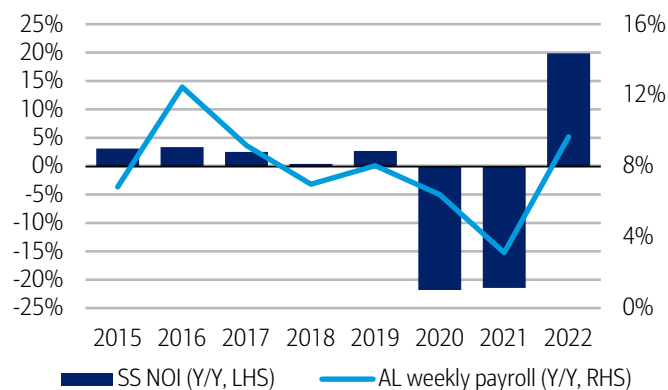


Source: Bureau of Labor Statistics, Company filings

BoFA GLOBAL RESEARCH

## Exhibit 25: WELL SS NOI vs. AL weekly payroll

WELL's SS NOI tracks the BLS weekly payroll data

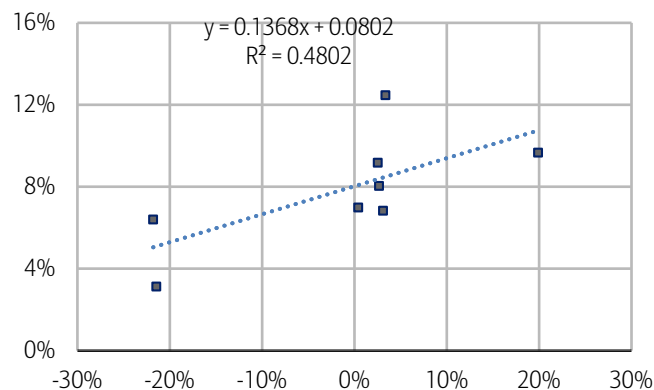


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 26: Correlation: AL weekly payroll vs. WELL SS NOI

On an annual basis, the correlation is 0.69 & r-squared is 0.48

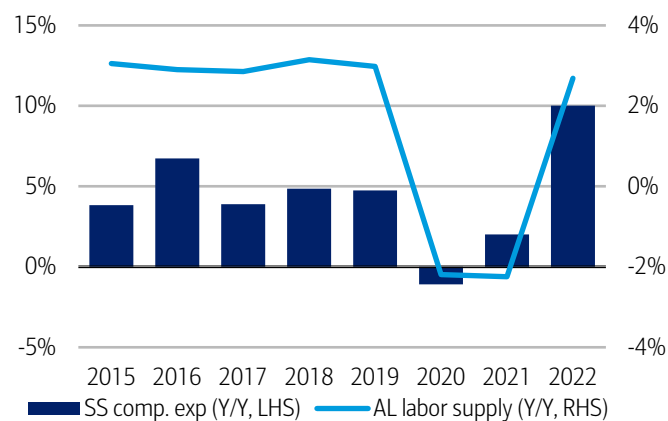


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 27: WELL SS comp. expenses vs. AL labor supply

WELL's SS compensation expenses track the BLS AL labor supply data

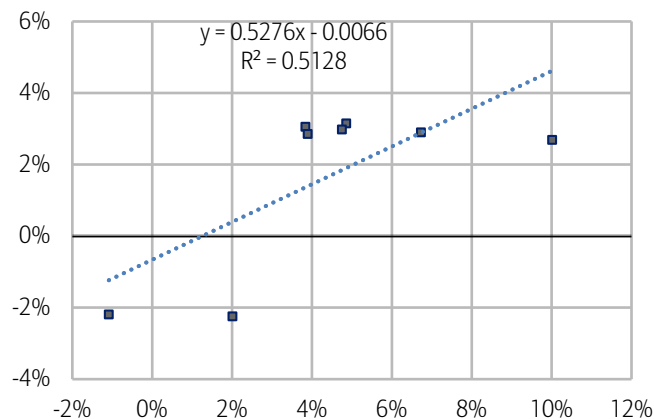


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 28: Correlation: AL labor supply vs. WELL SS compensation

On an annual basis, the correlation is 0.72 & r-squared is 0.51

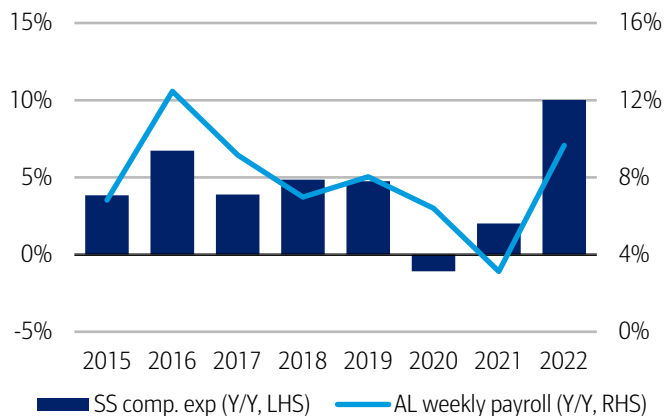


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 29: WELL SS comp. expenses vs. AL weekly payroll**

WELL's SS compensation expenses track the BLS AL weekly payroll data

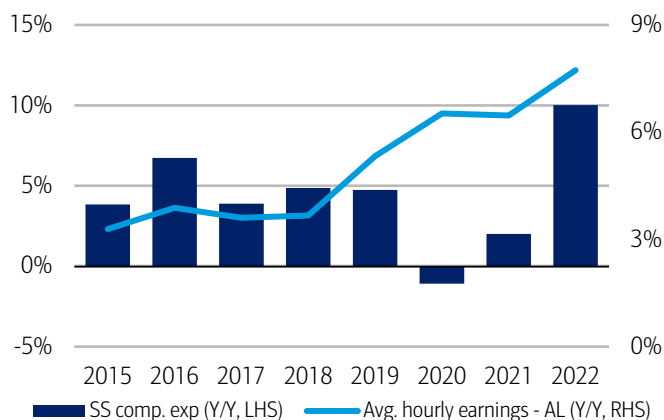


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 31: WELL SS comp. expenses vs. Avg. hourly earnings - AL**

WELL's SS comp. expenses inversely track the BLS AL hourly earnings data

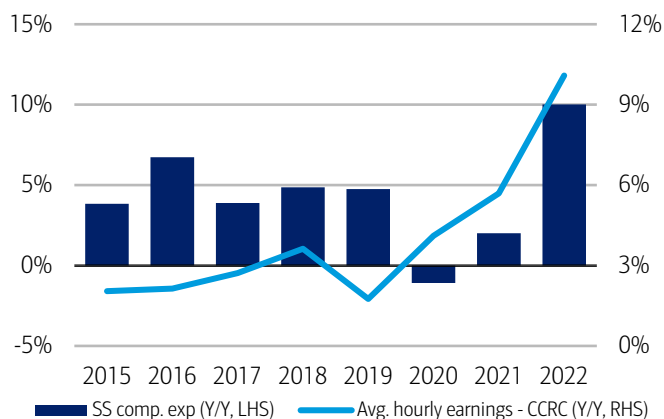


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 33: WELL SS comp. expenses vs. Avg. hourly earnings - CCRC**

WELL's SS comp. expenses inversely track the BLS CCRC hourly earnings data

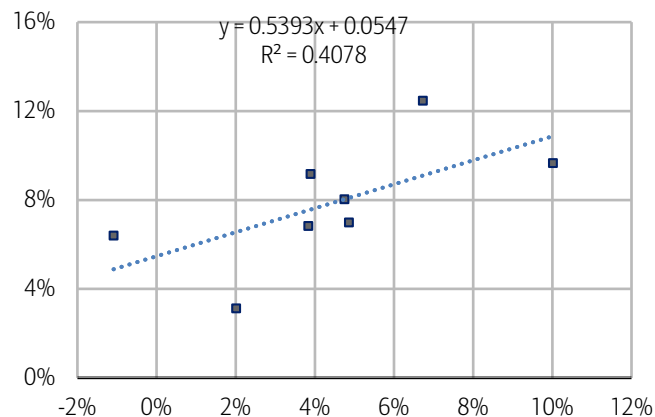


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 30: Correlation: AL weekly payroll vs. WELL SS comp**

On an annual basis, the correlation is 0.64 &amp; r-squared is 0.41

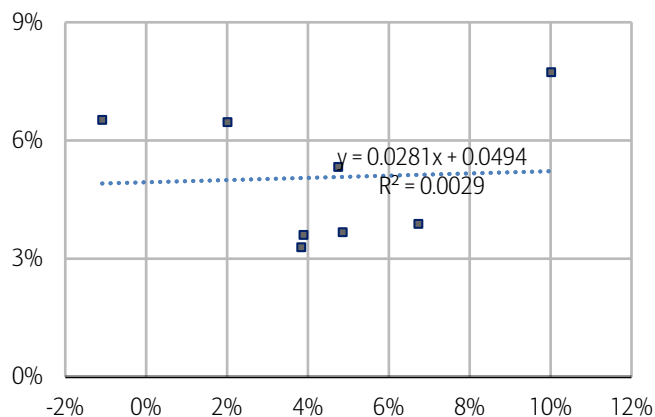


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 32: AL avg. hourly earnings vs. WELL SS comp. expenses**

On an annual basis, the correlation is 0.05 &amp; r-squared is 0

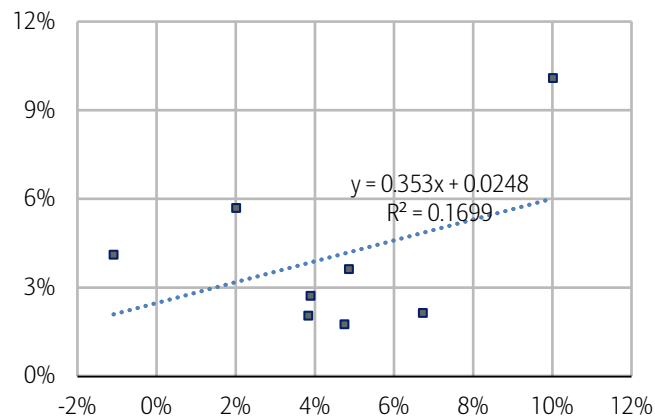


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 34: Avg. hourly earnings - CCRC vs. WELL SS comp**

On an annual basis, the correlation is 0.41 &amp; r-squared is 0.17



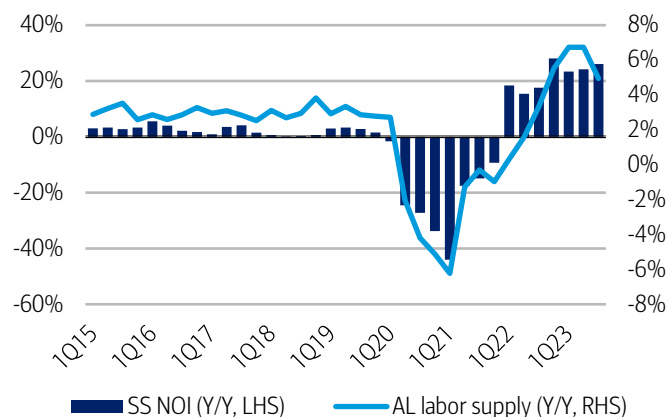
Source: Bureau of Labor Statistics, Company filings

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# Quarterly correlations: BLS vs WELL

## Exhibit 35: WELL SS NOI vs AL labor supply

WELL's SS NOI tracks the BLS AL labor supply data

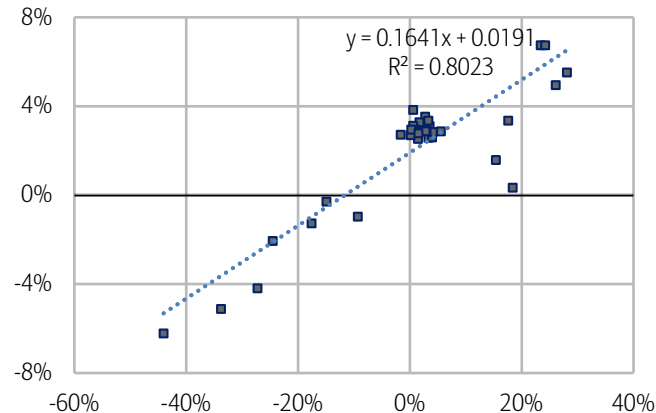


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 36: Correlation: AL labor supply vs. WELL SS NOI

On a quarterly basis, the correlation is 0.9 & r-squared is 0.8

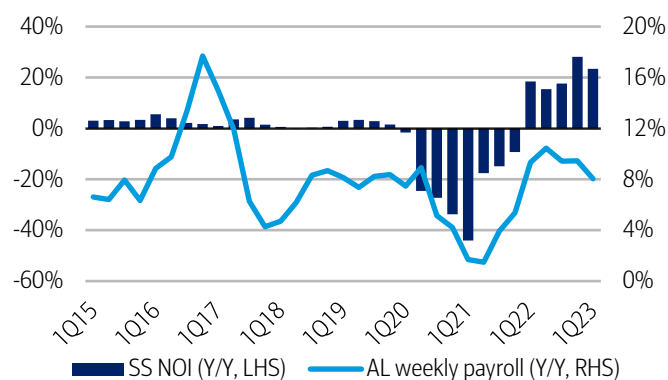


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 37: WELL SS NOI vs AL weekly payroll

Lower correlation between WELL's SS NOI and AL weekly payroll data

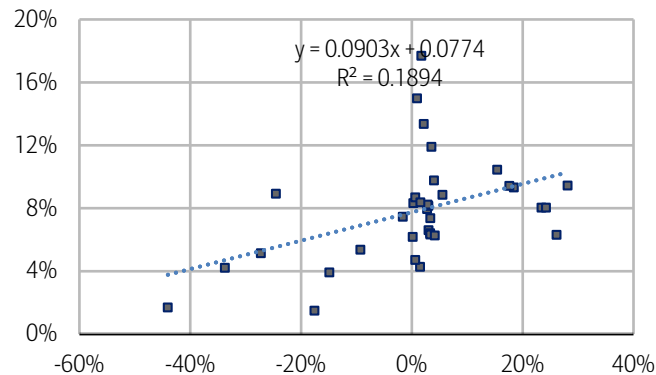


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 38: Correlation: AL weekly payroll vs. WELL SS NOI

On a quarterly basis, the correlation is 0.44 & r-squared is 0.19

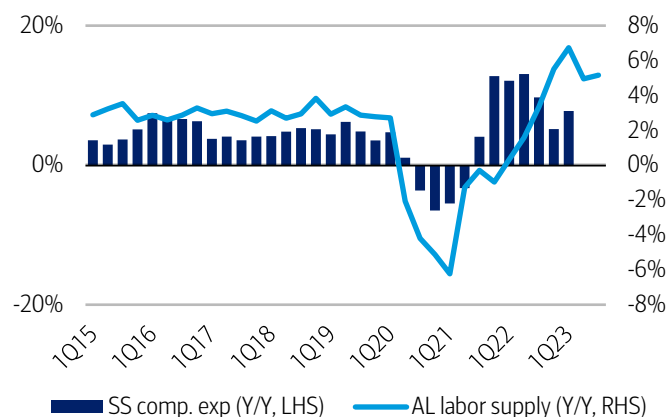


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 39: WELL SS comp. expenses vs AL labor supply

Lower correlation between WELL SS comp. exp. and AL labor supply data

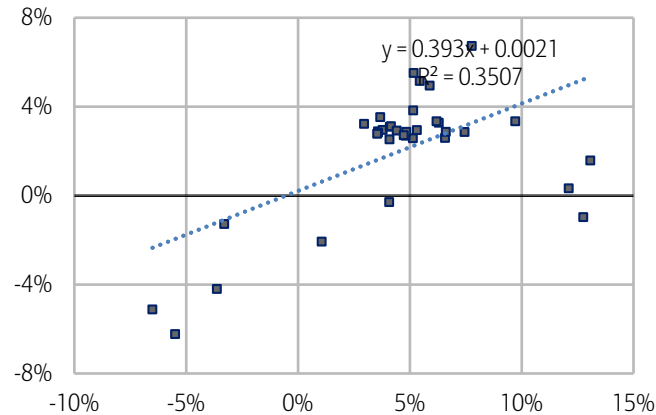


Source: Bureau of Labor Statistics, Company filings

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## Exhibit 40: Correlation: AL labor supply vs. WELL SS compensation

On a quarterly basis, the correlation is 0.59 & r-squared is 0.35



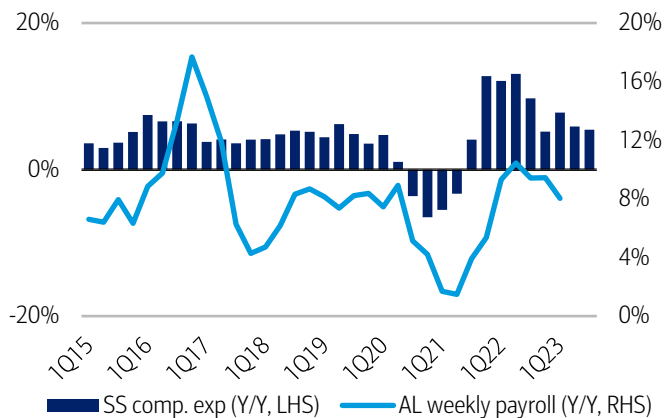
Source: Bureau of Labor Statistics, Company filings

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**Exhibit 41: WELL SS NOI vs AL weekly payroll**

Lower correlation between WELL's SS NOI and AL weekly payroll data

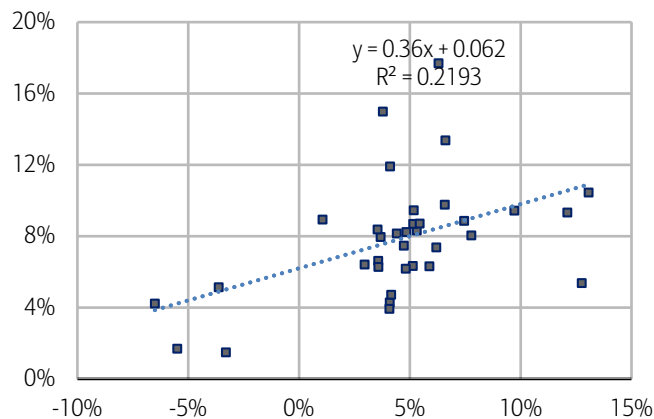


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 42: Correlation: AL weekly payroll vs. WELL SS NOI**

On a quarterly basis, the correlation is 0.44 &amp; r-squared is 0.19

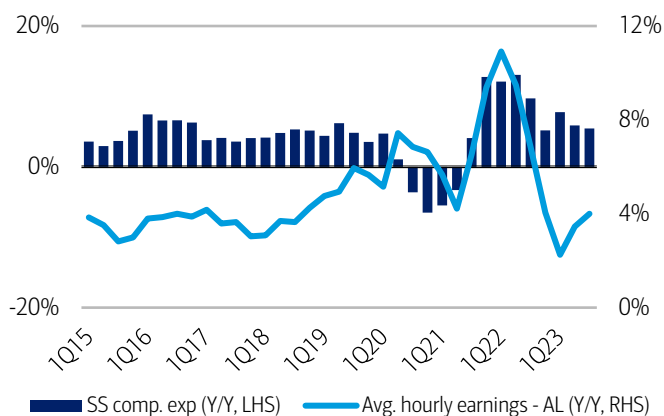


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 43: WELL SS comp. expenses vs Avg. hourly earnings AL**

Low correlation between WELL's SS comp. exp. and AL hourly earnings data

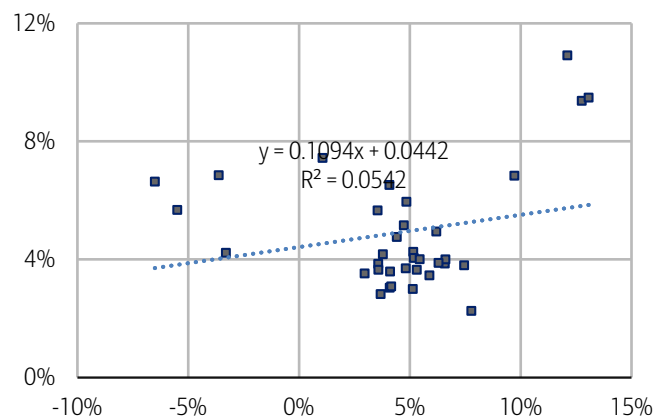


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 44: WELL SS comp. expenses vs Avg. hourly earnings AL**

On a quarterly basis, the correlation is 0.23 &amp; r-squared is 0.05

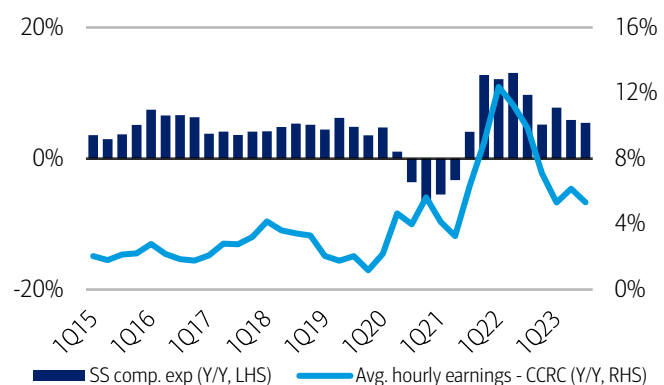


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 45: WELL SS comp. expenses vs Avg. hourly earnings CCRC**

Low correlation between WELL's SS comp. exp. &amp; CCRC hourly earnings data

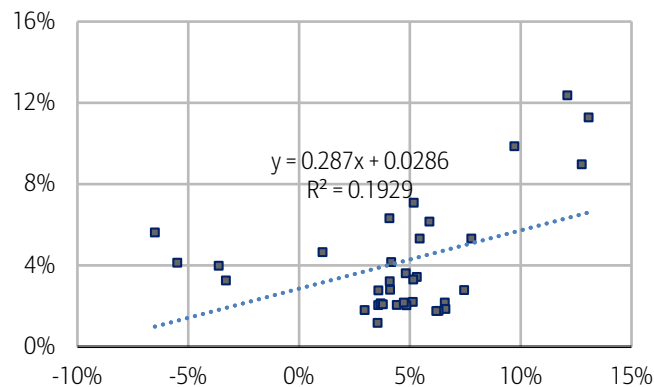


Source: Bureau of Labor Statistics, Company filings

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**Exhibit 46: WELL SS comp. expenses vs Avg. hourly earnings CCRC**

On a quarterly basis, the correlation is 0.44 &amp; r-squared is 0.19



Source: Bureau of Labor Statistics, Company filings

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**Exhibit 47: Stock Mentioned**

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
VTR	VTR US	Ventas Inc.	US\$ 44.79	B-1-7
WELL	WELL US	Welltower	US\$ 86.51	B-1-7

Source: BofA Global Research

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## Price objective basis & risk

### Ventas, Inc. (VTR)

Our \$53 price objective is derived by applying an AFFO multiple to our 2024 forward AFFO estimate as we look to a more normalized earnings period. We apply a target AFFO multiple of 20.5x, which reflects the current market conditions.

Upside risks to our price objective are better-than-expected senior housing fundamentals, declining interest rates, and lower tenant risk.

Downside risks to our price objective are weaker-than-expected senior housing fundamentals, increased tenant credit risk, and rising interest rates

### Welltower (WELL)

Our \$96 price objective for WELL is now derived by applying a AFFO Multiple to our 2024 forward AFFO estimate as we look to a more normalized earnings period. We use a target AFFO multiple of 26.5x and we believe this is warranted given: (1) depressed earnings due to the COVID pandemic, (2) our expectations of a multi-year period of above average earnings growth driven by a rebound in senior housing as the COVID pandemic fades. Upside risks to our PO are better-than-expected senior housing or medical office building performance, higher-than-forecast dividend growth and lower interest rates. Downside risks to our PO are further public-pay reimbursement cuts, a more competitive acquisitions environment, weaker-than-expected senior housing fundamentals, increased tenant credit risk, and rising interest rates.

## Analyst Certification

I, Joshua Dennerlein, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
<b>NEUTRAL</b>				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
<b>UNDERPERFORM</b>				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel



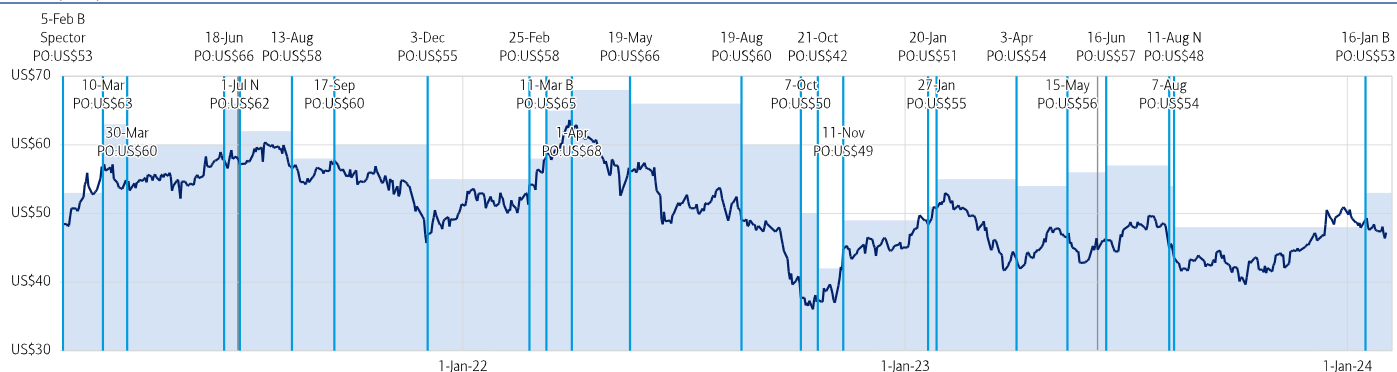
## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

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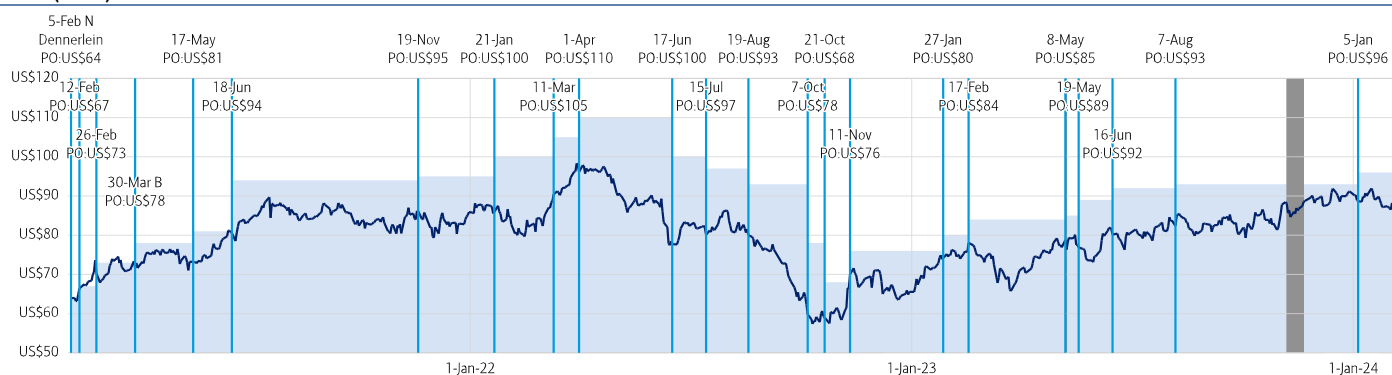
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## Ventas Inc. (VTR) Price Chart



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## Welltower (WELL) Price Chart



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## Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

## Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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