Healthcare REITs

Healthcare earnings recap week 1: ARE, PEAK, & OHI

Price Objective Change

12 February 2024

Equity
United States
REITs

Joshua Dennerlein
Research Analyst
BofAS
+1 646 855 1681
joshua.dennerlein@bofa.com

Jeffrey Spector
Research Analyst
BofAS
+1 646 855 1363
jeff.spector@bofa.com

Farrell Granath
Research Analyst
BofAS
+1 646 855 1351
farrell.granath@bofa.com

REITs Team
BofAS

See Team Page for List of Analysts

LS remains challenging; OHI signals worst is behind us

Within Healthcare REITs, ARE, PEAK and OHI have reported and provided their initial takes on 2024. Key takes: (1) we believe there is risk embedded in ARE's assumed occupancy build in 2024 guidance, (2) PEAK would have reported negative AFFO growth excluding the DOC merger (closing on March 1), and (3) OHI restarting of full year guide is a sign of confidence that the worst of OHI's portfolio issues are behind us. The key source of earnings variance is timing related. Reiterate Buy on ARE given best in class life science platform, Neutral on OHI given valuation fully reflects the outlook and Underperform on PEAK given the earnings growth outlook.

ARE's guide may prove optimistic given supply risk

ARE assumes 50bps of occupancy build in its 2024 outlook with the occupancy growth assumed in the second half of 2024. We believe this may prove optimistic. As a reminder, ARE initially assumed 50bps of occupancy growth in 2023 but occupancy actually fell -20bps. ARE has a similar amount of execution risk in 2024 as it did in 2023. Stripping out space going into redevelopment or developments, 1.8M sq ft remain to be released in 2024 (1.78m sq ft in 2023). As a result of a challenging backdrop, we assume no occupancy growth in our same store occupancy in our model for 2024.

Life Science platform thesis likely to be tested in '24 & '25

We remain positive on the long-term outlook for LS real estate. We believe LS platforms provide a real competitive advantage especially when the assets are in concentrated locations within the core markets (Boston, SF, & San Diego). We view the current near-term demand/supply headwinds as a challenge for both ARE & PEAK but a potential opportunity to prove out the thesis that platforms matter in LS. If life science platforms can significantly outperform non-platform life science assets it may: (1) re-rate both stocks higher in the future and (2) create a bigger barrier to future supply growth.

PEAK outlook points to no earnings growth in 2024

PEAK provided a 2024 outlook inclusive of the expected DOC merger closing on March 1. The initial outlook paints a picture of limited growth in 2024. AFFO is expected to be flat at the midpoint. Negatively, AFFO would have been negative for legacy PEAK (-3.3%). Management flagged a 5c benefit from the DOC merger on 2024 outlook. We reiterate our Underperform given potential future dilutive non-core asset sales (SWF JV & CCRC assets) and our skepticism on PEAK's thesis that MOBs will produce better future growth than what has been seen. Pro-forma for the DOC merger, PEAK is 50% MOBs.

OHI: The worst is behind us but timing risks remain

OHI initiated full year guidance for the first time since the start of the Pandemic. We view the initial guide as realistic and balanced given most risks relate to the timing of restructurings being completed. Key potential drivers of upside: (1) timing of Maplewood's Inspir asset on the Upper East Side hitting stabilized occupancy (currently 65%). We assume Maplewood does not pay full rent until 1Q25. (2) external growth - we assume $427M in 2024. OHI does not include undisclosed external growth in guidance.

Exhibit 1: Summary of PO changes for
Updated price objectives

	PO		QRQ	
Ticker	Old	New	Old	New
ARE	$139.00	$130.00	B-1-7	B-1-7
PEAK	$19.50	$18.00	B-3-7	B-3-7

Source: BofA Global Research, prices as of 2/11/2024

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See the end of the report for abbreviations and acronyms.

For more details, see our Healthcare REIT primer report.

Refer to important disclosures on page 18 to 20. Analyst Certification on page 16. Price Objective Basis/Risk on page 15. **12658356**

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Key comments from the earnings calls

ARE – key quotes from the earnings call on 1/30

- **Supply and TI's**: Yeah, hard to predict, but certainly the effects of 2023's supply has been seen. Net effective rents, we've seen TI's increase remarkably. We've talked about that before. TI's aren't going to go any further up because they're already pretty high. I'd say there's some pricing power to the tenant if they've got a very large requirement. But outside of that, I think things have been holding relatively well.

- **Occupancy expectations**: We expect same-property results to accelerate in the second half of 2024, driven by anticipated solid rental rate growth, occupancy growth in the second half of the year, coupled with the four properties I just mentioned, as well as contractual rent increases and the burn-off of contractual free rent from executed leases. We expect solid same-property growth for 2024, consistent with what we provided at our Investor Day in December, of 1.5% and 4% on a cash basis at the midpoint of our guidance range.

- **Leasing for 2024**: We've got about 3.4 million of lease rolls next year. But after you back out the space that we've anticipated will go dark, that will go into redevelopment or development, that only leaves you with about 1.8 million square feet that's not resolved. So, I think that number feels pretty manageable relative to our historical run rate on leasing.

- **SS NOI Growth**: We expect solid rental rate growth on lease renewals and re-leasing of space for 2024 at a midpoint of 15% and 9% on a cash basis, with some variation from quarter to quarter. The overall mark-to-market for cash rental rates in our -- related to our in-place leases for the entire asset base remains solid at 14%. Our non-revenue enhancing expenditures, including TIs and leasing commissions on second-generation space, have averaged 15% of NOI over the last five years and remained low during 2023 in the 12% to 13% range.

- **Deliveries**: We expect tremendous growth in incremental annual net operating income on a cash basis of $114 million upon the burn-off of initial free rent related to recently delivered projects with a weighted average burn-off period of about 10 months. And as Peter highlighted, we have 5.7 million rentable square feet of projects that are 60% leased or negotiating, and projects that will generate $495 million of incremental annual net operating income over the next four years.

- **Demand expectations**: We believe the beginning of 2023 was the low point for demand and are pleased to see that demand for Greater Boston, San Francisco Bay, and San Diego are all up year-over-year, a good sign, since this does not include a number of projects that are on hold as management teams and Boards remain cautious. However, that should change soon.

- **Peak deliveries in 2024:** As we turn the page on 2023, we expect 2024 to be the peak year for new deliveries, then begin to dissipate in 2025.

- **Boston supply**: In Greater Boston, unleased competitive supply estimated to be delivered in 2024 is 7% of market inventory, a 0.9% increase over last quarter, not due to new projects, but because of project deliveries being pushed from 2023 to 2024. In 2025, the unleased competitive supply will increase market inventory by another 2.5%, an expected slowdown from 2024 levels.

- **SF supply**: In San Francisco Bay, unleased competitive supply estimated to be delivered in 2024 is 10.7% of market inventory, which is a 2.7% increase. Like Greater Boston, this increase was driven by projects that were expected to deliver in

2023, but are taking longer than expected. In 2025, the unleased competitive supply will increase market inventory by much less at 2.2%, a good sign, but still a 1% increase over last quarter due to a new project breaking ground in Menlo Park.

- **San Diego supply:** In San Diego, unleased competitive supply estimated to be delivered in 2024 is 6.8% of market inventory, a slight decrease from last quarter due to an increase in supply from projects being pushed from 2023 to 2024, offset by leasing in those projects. In 2025, the unleased competitive supply will decelerate to 2.7% of market inventory.

- **Strong leasing efforts 2024**: Two key leases in fourth quarter, which are noted in the supplement, the lease to Novo Nordisk and the lease to Cargo Therapeutics. 2023, we had a remarkable 76% of leasing with existing tenants, and we look forward to a strong 2024 leasing effort and expect a handful of significant leases to mature soon.

- **Pfizer:** We want to comment on the sale of our 42nd Street asset in New York City, leased to Pfizer through mid-year 2024. They previously vacated and moved their headquarters to another site in New York City. We made a strategic decision not to go forward with the contemplated redevelopment of that building, due in part to state and local -- to challenging state and local governmental policies.

- **M&A lifecycle**: Another 2023 biopharma trend was M&A. Excluding mega-mergers over $50 billion, 2023 set a new high watermark, with $159 billion in acquisitions. These were largely sub-$10 billion deals, driven by pharma's need to bolster pipelines, as they face steep revenue loss due to patent expirations. As M&A dollars are recycled back into the industry, it creates a positive cycle of innovation as scientists and entrepreneurs start their next new venture. Altogether, the M&A lifecycle is an important driver of demand across our regions.

PEAK- key quotes from the earnings call on 2/9

- **MOB supply/demand**: I want to share some thoughts on the operating environment for the two largest segments, starting with Outpatient Medical, where the sector is benefiting from demand exceeding supply. We have two decades of operating history in the sector and in 2023, we were at or near all-time highs for leasing volume, retention, renewal spreads, and same-store growth.

- **Life Science outlook**: Let me turn to our Lab business. The fundamental drivers of long-term growth are solidly intact with both drug approvals and new drug applications at or near all-time highs. That means R&D funding is paying dividends, creating a virtuous cycle. Big Pharma is ramping up partnership deals and M&A to replace looming patent expirations, and companies with good data have ready access to capital. At the same time, venture capital deployment and the IPO market remain soft and Boards are deferring leasing decisions when possible. Those dynamics will eventually turn in our favor and we'll be well-positioned to capitalize.

- **Delivery reduction in 2025**: We can also comfortably underwrite a massive reduction in new deliveries starting in 2025. Fortunately, even during the market exuberance for life science, we stuck to our strategy. As a result, we're highly concentrated in five of the best submarkets in the country, where we have significant scale and deep relationships to capture leasing demand.

- **FFO guidance**: With all that said, our initial outlook for 2024 is as follows. FFO as adjusted ranging from $1.73 to $1.79 per share, which includes merger-related benefits of approximately $0.02 to $0.03, AFFO ranging from $1.50 to $1.56 per share, which includes merger-related benefits of approximately $0.05, and total same-store growth ranging from positive 2.25% to positive 3.75%.

- **DOC merger:** First, based on the March 1st closing date, our outlook is for two months, standalone Healthpeak, and 10 months combined Healthpeak and DOC. The result of this is a weighted average share count of approximately 690 million for full-year 2024, assuming no additional equity issuances. Second, we have identified sources for all of our capital needs and have no remaining funding requirement in 2024. We upsized our five-year term loan to $750 million and recently swapped the entire amount to a fixed rate of 4.5%.

- **Callan Ridge JV**: Last month, we closed on our well-received Callan Ridge joint venture, generating $130 million of proceeds and eliminating $22 million of future TI spend. We have $250 million of projected retained earnings given our well-covered dividend and we expect some seller financing debt repayments. These proceeds will be used to fund our development and redevelopment pipeline, repay $210 million of DOC's private placement notes, and fund all of our transaction costs.

- **G&A Guidance:** G&A is expected to range from $95 million to $105 million, which compares to standalone peak at approximately $95 million for full-year 2023. All in, our G&A is only increasing by approximately $5 million at the midpoint, despite inflation and our asset base increasing by $5 billion.

- **Debt mark to Market:** Our current FFO outlook includes a negative $0.03 mark-to-market on the $1.9 billion of DOC debt that we will assume. Notably, we do not add back this headwind to FFO as adjusted.....we do not include any benefit from the Graphite Bio termination fee in our FFO as adjusted.

- **Same-Store growth outlook**: We see Outpatient Medical ranging from positive 2.5% to positive 3.5%. Fundamentals in Outpatient Medical continue to improve versus historical norms, including higher tenant retention, increased rent mark-to-market, and increased escalators. Our Outpatient Medical same-store NOI for 2024 is approximately $825 million or 60% of the overall pool. We have included the DOC portfolio in our same-store pool for 2024, given the size and strategic nature of the merger.

- **Lab same-store growth:** We see same-store growth ranging from positive 1.5% to positive 3%. Lab growth is driven by contractual rent escalators, positive rent mark-to-market, and the benefit of increased NOI from internalizing operations in San Francisco and San Diego. Not surprising, we do have some offsets, including a modest decline in occupancy relative to 2023, and timing of free rent, which naturally fluctuates year-to-year and is a headwind, particularly in the first quarter

- **Developments pushed out:** I can certainly start with that and I'll hit on the biggest ones. Vantage, we actually delivered a portion of that late last year. And then the initial occupancy is for what's remaining and we do have another lease with Astellas that's expected to start later this year. So that's really the reason why that got pushed back a little bit, it's because we delivered a portion of that

- **Sorrento and Amgen**: So just on Amgen, Sorrento, and Vantage alone, you're talking about $50 million, $60 million of NOI upside. I don't know if that's '25 or '26, but we do think it's achievable. Those are all Class A assets. Now, there's a cost of capital, so maybe subtract a little bit of that upside from an earnings standpoint, but it's substantial. So our Lab business two years ago was kind of at full utilization, for lack of a better word, and today, there's a fair amount of upside for us to go recapture.

- **MOB growth expectation:** I mean, it's really been a 2% to 3% growth business for the last decade, we do see that accelerating. It's not going to 10%, but we do think it's going to improve for the forward 5 to 10 years versus the previous 5 to 10 years, just given supply demand construction costs and therefore, our ability to push rents. So our guidance this year is at the very high end -- actually well above the high end of any guidance we've given in that segment historically. And we have a pretty good track record of beating our same-store guidance and our earnings guidance.

- **MOB occupancy expectations:** We're at 85% occupancy today. I would think we could get back into the 90s. In that portfolio, it's performing well.

- **Escalators**: But I think we said historically, DOC has lower in place escalators in Healthpeak, but that's converging over time as they sign new leases with, as John said, 3% or better escalator. So I'm guessing it'd be a little bit lower, but not materially. I think they said numerous times their growth rate in 2023 was impacted by some unique asset specific events and proactive termination. So I would expect their growth rate to mirror or closely mirror the Healthpeak growth rate going forward.

- **Occupancy growth**: Well, we still see some occupancy growth in 2024. Rental rates will grow, but more in the mid single-digits as opposed to high single-digits, just given the fundamentals in that sector. Then obviously, we've had a huge benefit from contract labor coming down. Over the past 18 months, we're largely through that benefit. We have very little contract labor in the portfolio today. So you just lose a lot of that benefit in same-store. So I mean, that's what's happening at the property level.

OHI- key quotes from the earnings call on 2/8

- **Leverage update**: As of year-end 99% of our $5.1 billion in debt was at fixed rates, and our net funded debt to annualized adjusted normalized EBITDA was 4.96 times and our fixed-charge coverage ratio was 3.8 times.

- **2024 guidance**: For the first time since the start of the pandemic, we are providing full year adjusted FFO guidance of between $2.70 to $2.80 per share. We're assuming no change in our revenue related to operators currently on an accrual basis of revenue recognition or stated another way, no additional operators being placed on a cash basis for revenue recognition. We're assuming a timely completion of operator restructurings, which includes both the LaVie and Guardian portfolios and Maplewood's eventual return to full contractual rent. We're assuming $94 million in asset sales, related to the facilities classified as held-for-sale as of year end. We've included the annual impact of new investments completed in 2023, as well as $27 million of new investments completed year-to-date.

- **Lavie and Guardian**: As stated in yesterday's earnings press release, in the fourth quarter, LaVie paid $5.3 million in rent, and in January, LaVie paid approximately $1.45 million in rent. We utilized Guardian's $4.4 million security deposit to record fourth quarter rent. The remaining $60,000 in security deposit was exhausted in January and no additional cash rent was received from Guardian in January.

- **Occupancy**: Occupancy for our overall core portfolio has continued to recover from a low of 74.6% in January of 2022 to 80.2% as of mid-January 2024 based upon preliminary reporting from our operators. For comparative purposes, occupancy for our core portfolio was 83.2% for the fourth quarter of 2019, just prior to the onset of the COVID pandemic.

- **Acquisition cash yield**: So most of the yields that we're underwriting, too, are 10% or even north. All the fourth quarter yields on those investments that you highlighted were 9%. Some of those deals were a long time in the making that's been in the pipeline for a while. So we had quoted a price some quarters back. The overall yield for the year is north of 10%. I think it's 10.4% blended, so. And that's pretty much what we're quoting today, is 10% in north.

- **Full rent assumption**: We return to happily so our adjusted FFO guidance based on historical practices and gave a little bit wider range because we did mention we have LaVie and Guardian in the transition restructuring mode, and Maplewood needs to return to paying full contractual rent. So at the low end, it means it takes a little bit longer on those transactions and the repayment. And at the high end, it's just sooner. I mean, it's kind of that simple.

- **Maplewood rent escalators**: The January cash is a good run rate to start, but it doesn't reflect the impact of rate increases for '24, which the Maplewood team expects to be 7% to 8% net. So that's -- we'll see a pickup there as we start to march through the early part of the year.

- **Occupancy and staffing increase**: I think, what we're hearing from our operators is mostly the fact that the staffing is easing up. Right. Some of the agencies has come down. They're getting more permanent staff in. They're building up their cultures again, and it's just easier to have staff in the building and increase that occupancy. That's really what's driving it.

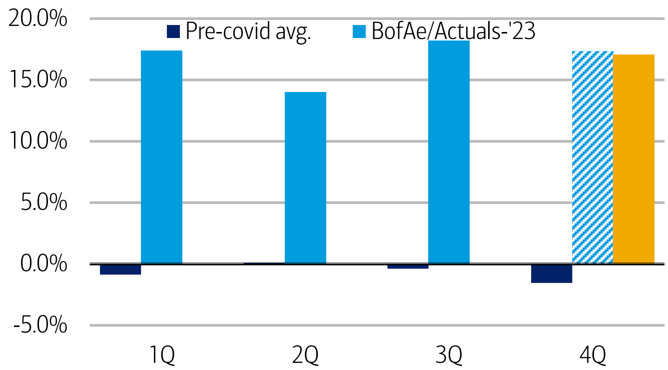
- **Investment pipeline and yield**: I will say that we are seeing a very active pipeline at this point, where I've been as active since -- before the start of COVID. So we are, as we pointed out, seeing a number of loan requests, but we're sort of able to pick and choose the right deals, and we are able to -- we are holding pretty firm on our 10% yield requirements.

- **Dividend coverage:** So based on the assumptions in the forecast, I would assume that that's going to run anywhere from $0.02 to $0.04 less per in -- per quarter based on AFFO guides, and there's a possibility based on given the range and what we see, but really timing is unknown, that we could, on a run rate basis, cover the dividend in the late second quarter. But again, timing is the key there.

Same store metrics

Senior housing operating portfolio (SHOP)

Exhibit 2: VTR SS NOI Growth pre-Covid average (2015-2019)
SS NOI growth is expected to be greater than pre covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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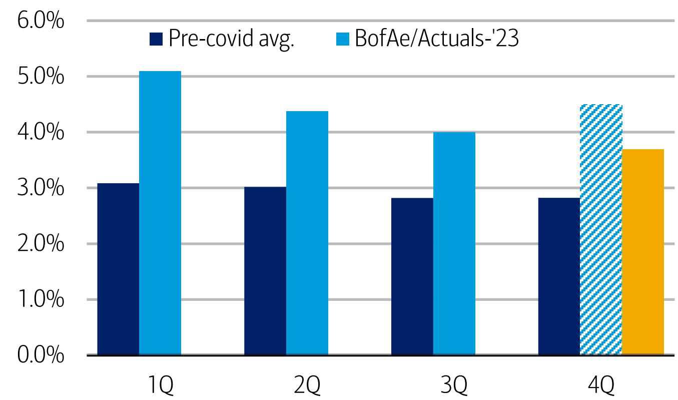
Exhibit 3: VTR SS Expense Growth pre-Covid average (2015-2019)
SS expense is expected to remain relatively stable through 2023



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
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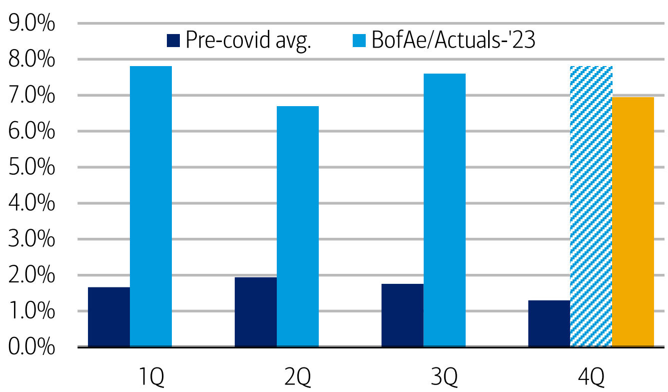
Exhibit 4: VTR SS Revenue Growth pre-Covid average (2015-2019)
SS revenue growth is expected to gradually increase over 2023



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
AVB stopped provide renewal lease growth since 4Q22
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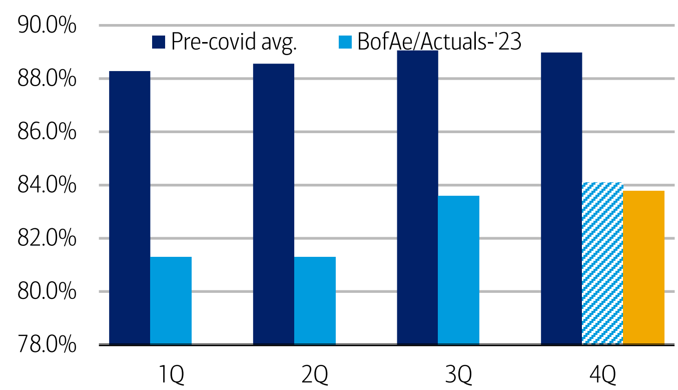
Exhibit 5: VTR SS Occupancy pre-Covid average (2015-2019)
SS occupancy is significantly below pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
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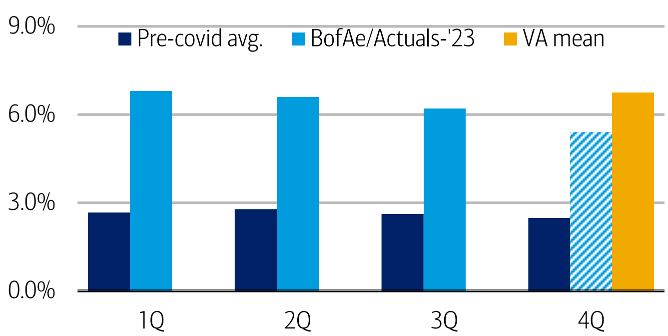
Exhibit 6: VTR SS RevPor pre-Covid average (2015-2019)
SS RevPor remains elevated above pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
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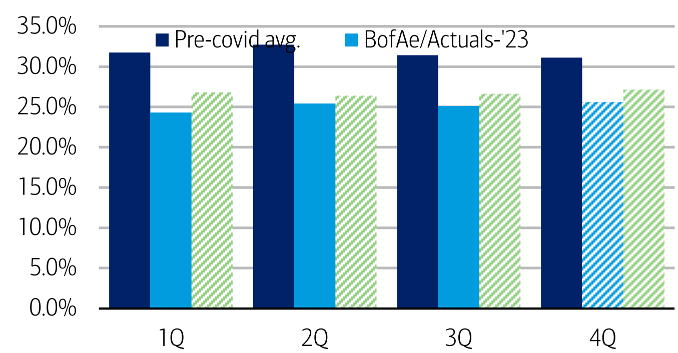
Exhibit 7: VTR SS NOI Margin pre-Covid average (2015-2019)
SS NOI margin is expected to be below pre-covid averages through 2024



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
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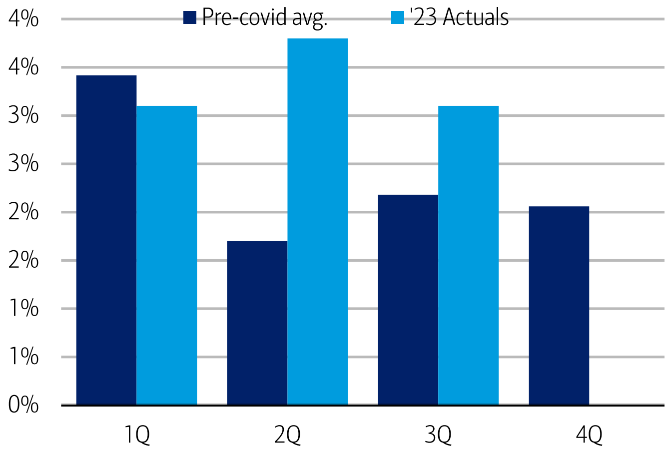
Medical office buildings (MOB)

Exhibit 8: VTR SS NOI Growth pre-Covid average (2015-2019)
MOB SS NOI growth is higher than pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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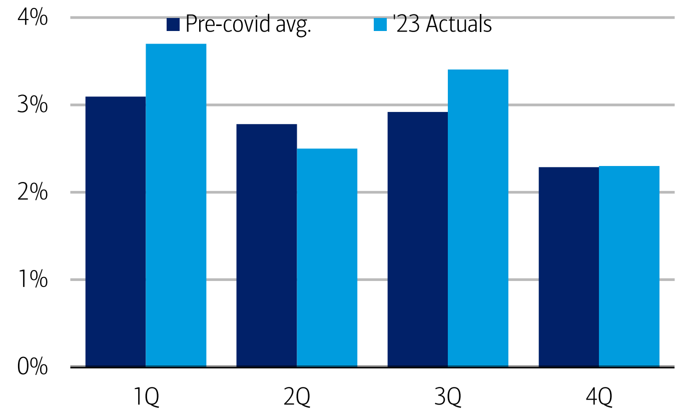
Exhibit 9: PEAK SS NOI Growth pre-Covid average (2015-2019)
MOB SS NOI growth is in line with pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019. 1Q pre-covid average includes 1Q20.
VA does not provide data for SS MOB for PEAK

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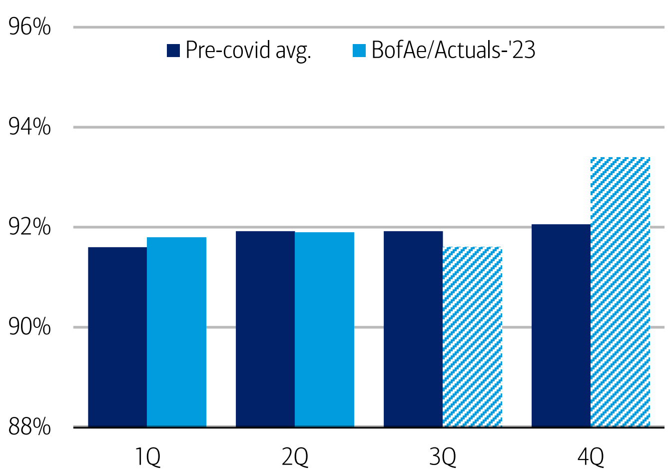
Exhibit 10: VTR SS Revenue Growth pre-Covid average (2015-2019)
MOB SS occupancy is largely in line with pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.
AVB stopped provide renewal lease growth since 4Q22

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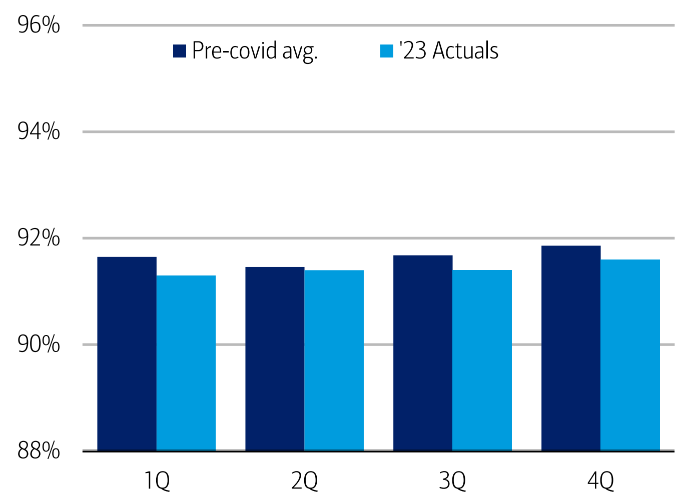
Exhibit 11: PEAK SS Occupancy pre-Covid average (2015-2019)
MOB SS occupancy is largely in line with pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019. 1Q pre-covid average includes 1Q20.

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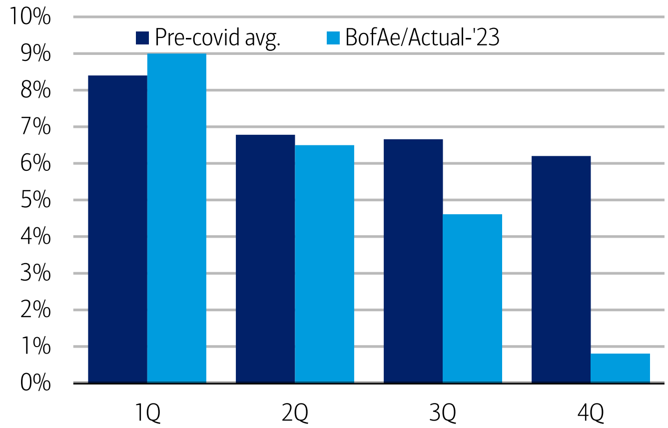
Life science

Exhibit 12: ARE SS NOI Growth pre-Covid average (2015-2019)
LS SS NOI is expected to decline in 2H23



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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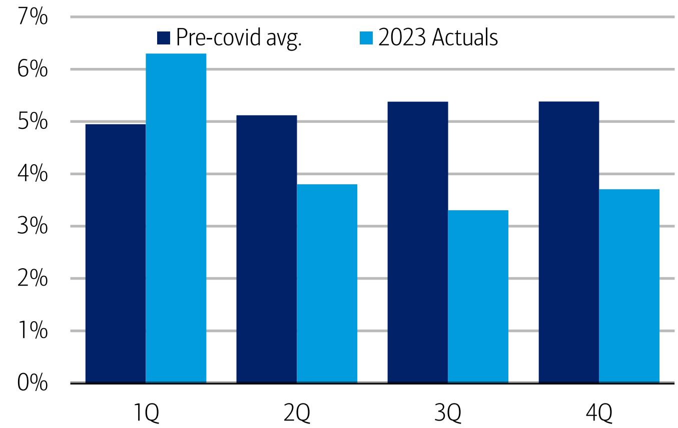
Exhibit 13: PEAK SS NOI Growth pre-Covid average (2015-2019)
LS SS NOI is expected to remain below pre-covid levels



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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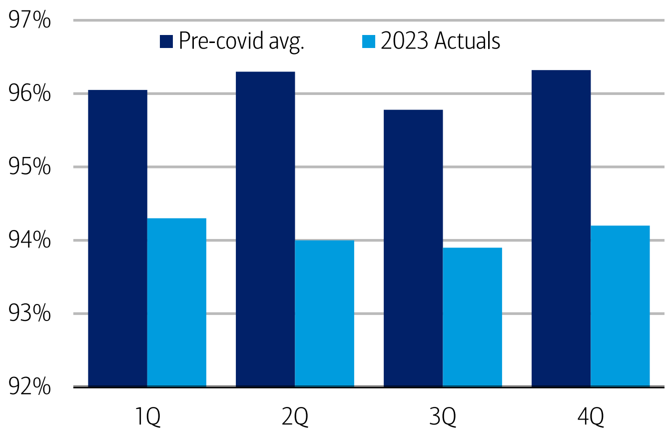
Exhibit 14: ARE SS Occupancy pre-Covid average (2015-2019)
LS SS occupancy is below pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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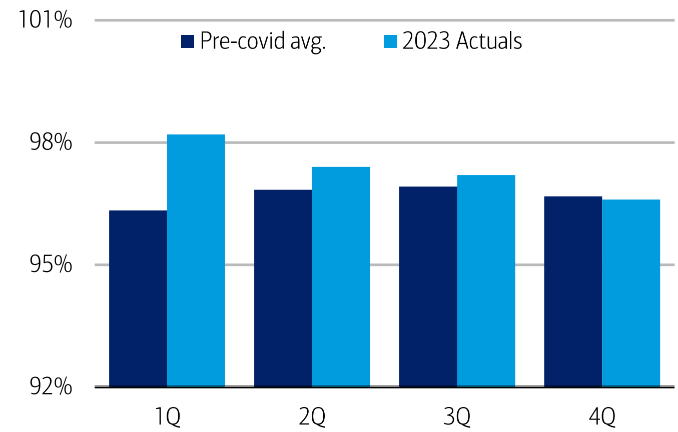
Exhibit 15: PEAK SS Occupancy pre-Covid average (2015-2019)
LS SS occupancy is slightly above pre-covid averages



Source: company filings; management commentary
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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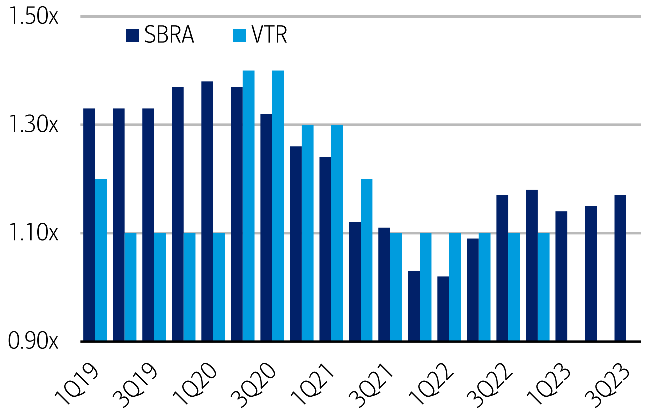
Net lease portfolio

Coverage ratios by asset class

Exhibit 16: Senior Housing EBITDARM coverage ratios
Senior housing EBITDARM is trending back to pre-covid levels



Source: company filings

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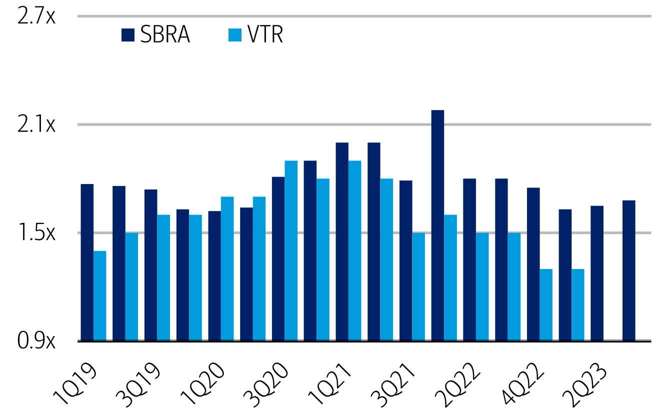
Exhibit 17: Skilled Nursing EBITDARM coverage ratios
Skilled nursing EBITDARM is near pre-covid levels



Source: company filings

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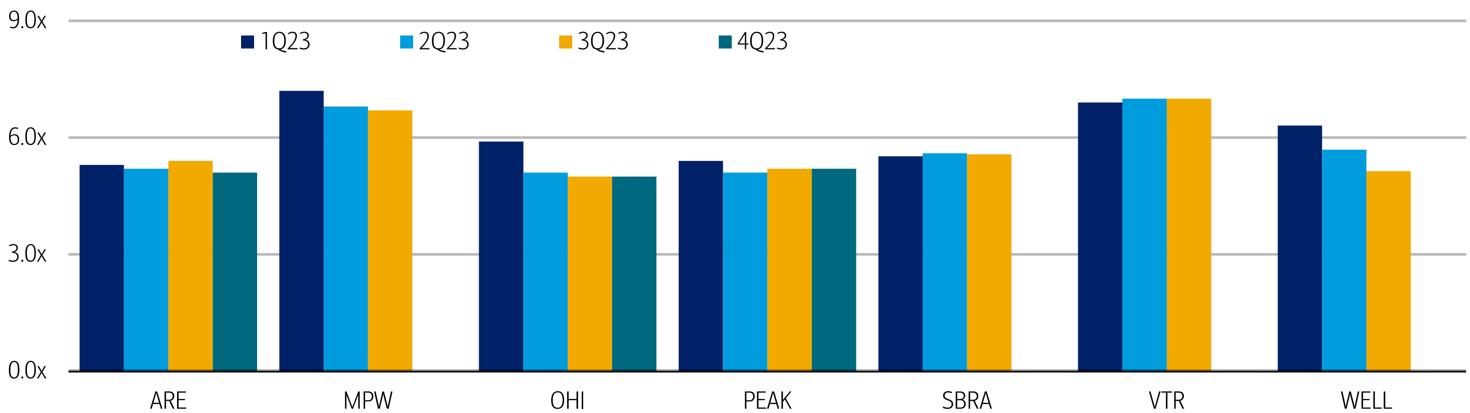
Leverage

Exhibit 18: Reported leverage metrics
Reported leverage metrics



Company Filings
WELL & SBRA: Net Debt to Adjusted EBITDA; ARE: Net debt and preferred stock to Annualized Adjusted EBITDA; DOC: Net Consolidated Debt to Consolidated Adjusted EBITDAre; MPW: Adjusted Net Debt to Annualized EBITDAre; OHI: Net Funded Debt to Adjusted Normalized EBITDA; PEAK: Net Debt to Adjusted EBITDAre; VTR: Net Debt to Adjusted Pro Forma EBITDA

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Top tenant exposure

Exhibit 19: ARE: Top tenants
Top 10 tenants represent 25% of ARE's annualized rental income

ARE Tenants	4Q23	3Q23
Moderna, Inc.	5.7%	2.6%
Eli Lilly and Company	4.3%	2.8%
Bristol-Myers Squibb Company	3.1%	3.3%
Roche	2.1%	2.3%
Takeda Pharmaceutical Company Limited	1.7%	1.8%
Alphabet Inc.	1.7%	1.8%
Illumina, Inc.	1.7%	1.8%
2seventy bio, Inc.(2)	1.6%	1.7%
Harvard University	1.5%	1.6%
Novartis AG	1.4%	1.5%
Total	**24.8%**	**21.2%**

Source: Company filings; Note: ARE based on % of aggregate annual rental revenue

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Exhibit 20: VTR: Top tenants
Top 10 tenants represent 0% of VTR's NOI

VTR Tenants	4Q23	3Q23
Atria Senior Living		19.0%
Lillibridge		11.0%
Wexford		9.0%
Brookdale Senior Living - Tenant		8.0%
Ardent Health Services		8.0%
Kindred Healthcare		7.0%
Le Groupe Maurice		5.0%
PMB RES		5.0%
Sunrise Senior Living		4.0%
Genesis Healthcare		1.0%
Total	**0.0%**	**77.0%**

Source: Company filings; Note: VTR based on % of NOI

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Exhibit 21: MPW: Top tenants
Top 10 tenants represent 0% of MPW's revenues

MPW Tenants	4Q23	3Q23
Steward Health Care		
Florida market		8.4%
Texas/Arkansas/Louisiana market		5.8%
Arizona market		2.7%
Massachusetts market		1.8%
Ohio/Pennsylvania market		1.1%
Utah market		0.1%
Circle Health		13.8%
Priory Group		8.0%
Prospect Medical Holdings		4.6%
Total	**0.0%**	**46.3%**

Source: Company filings; Note: MPW based on % of revenue

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Exhibit 22: OHI: Top tenants
Top 10 tenants represent 62% of OHI's revenues

OHI Tenants	4Q23	3Q23
Communicare	10.6%	10.1%
Ciena	9.4%	9.2%
Maplewood	7.2%	7.1%
Saber	6.6%	6.5%
Genesis	6.2%	6.2%
Brookdale	5.0%	5.0%
Providence	4.9%	4.9%
LaVie (f/k/a Consulate)	4.1%	7.8%
HHC	4.1%	4.0%
Nexion	3.5%	3.5%
Total	**61.6%**	**64.3%**

Source: Company filings; Note: OHI based on % of revenue

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Exhibit 23: PEAK: Top tenants
Top 10 tenants represent 51% of PEAK's sqft leased

PEAK Tenants	4Q23	3Q23
HCA	29.2%	29.2%
Memorial Hermann	5.2%	5.2%
Norton Healthcare	2.9%	2.9%
Community Health Systems	2.8%	2.8%
Prisma Health System	2.4%	2.4%
Thomas Jefferson Univ Hospital	2.0%	2.0%
Atlantic Health	1.8%	1.8%
Providence Health & Services	1.8%	1.6%
Amgen	1.6%	1.6%
HonorHealth	1.5%	1.5%
Total	**51.4%**	**51.1%**

Source: Company filings; Note: Includes Life Science and Medical Office; based on % of square feet leased

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Exhibit 24: SBRA: Top tenants
Top 10 tenants represent 6% of SBRA's annualized cash NOI

SBRA Tenants	4Q23	3Q23
Signature Healthcare		9.3%
The Ensign Group		8.3%
Avamere Family of Companies		7.8%
Signature Behavioral		7.1%
Holiday AL Holdings LP		5.6%
Recovery Centers of America		6.0%
Leo Brown Group		5.1%
The McGuire Group		3.8%
CommuuniCare		3.8%
Healthmark Group		3.6%
Total	**5.6%**	**60.4%**

Source: Company filings; Note: SBRA based on % of annualized cash NOI.

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PO & Estimate changes

Exhibit 25: Summary of AFFO estimate changes
Updated published AFFO estimates after review of models

	2023		2024		2025		2026		2027	
Ticker	Old	New	Old	New	Old	New	Old	New	Old	New
OHI	$2.60	$2.62	$2.60	$2.59	$2.93	$2.91	$2.98	$2.98	$2.99	$3.01
PEAK	$1.54	$1.53	$1.61	$1.54	$1.69	$1.69	$1.75	$1.78	$1.68	$1.75
ARE	$7.47	$7.66	$7.78	$7.90	$8.09	$8.15	$8.63	$8.28	$8.85	$8.92

Source: BofA Global Research

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Exhibit 26: Summary of PO changes
Updated price objective after review of models

Ticker	Old PO	New PO	QRQ	Price
ARE	$139.00	$130.00	B-1-7	$116.20
OHI	$31.00	$31.00	B-2-8	$30.94
PEAK	$19.50	$18.00	B-3-7	$17.34

Source: BofA Global Research, prices as of 2/11/2024

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- ARE (B-1-7): After updating our model for 4Q23 earnings, we are lowering our PO to $130 from $139. Our PO is derived from a 10% discount (previously 5%) to our forward NAV to reflect the strength of ARE's platform in the life sciences real estate sector. We apply a 6.7% (previously 6.3%) cap rate to our forward NOI estimate of $2.5B to calculate our NAV. We use a 6.7% cap rate for ARE based on our view of interest rates over the next year, comparable transaction comps, and the market exposure of ARE. We are updating our discount to reflect our current view of AREs life science platform in the near term.

- OHI (B-2-8): After updating our models for 4Q23 earnings, we are maintaining our PO of $31. Our $31 price objective is based on a 12x AFFO multiple applied to 2024 AFFO estimate of $2.59 (previously $2.60).

- PEAK (B-3-7): After updating our model for 4Q23 earnings, we are lowering our PO to $18 from $19.50. Our $18 price objective is based on a 20% discount (previously 10%) applied to our forward NAV estimate of $22.59 (previously: $22.63 /sh). Our NAV is based on an applied cap rate of 7.4% (previously 7.2%). We derive our applied cap rate by apply 80% of the historical spread between the implied cap rate and the 10yr to the current 10yr. We are increasing our applied discount given our view that the dilution of Life Science exposure will have a negative impact on PEAK's long-term earnings potential.

Exhibit 27: Companies Mentioned
These are the REITs mentioned in this report

Ticker	PO	Rating	QRQ	Price
ARE	130.00	BUY	B-1-7	$116.20
MPW	5.00	UNDERPERFORM	B-3-8	$3.40
OHI	31.00	NEUTRAL	B-2-8	$30.94
PEAK	18.00	UNDERPERFORM	B-3-7	$17.34
SBRA	16.00	BUY	B-1-7	$13.86
VTR	53.00	BUY	B-1-7	$45.53

Source: BofA Global Research, prices as of 2/11/2024

BofA GLOBAL RESEARCH

Key terms:

ABL: Asset based lending

EBITDAR: earnings before interest, taxes, depreciation, amortization, and rent

EBITDARM: earnings before interest, taxes, depreciation, amortization, rent and management fees.

ExPOR: Expense per occupied bed

FFOAA: Funds from operations as adjusted

HC: Healthcare

MOB: Medical office building

NOI: Net Operating Income

LS: Life Science

REVPOR: Revenue per occupied bed

RIDEA: REIT Investment Diversification and Empowerment

SHOP: senior housing operating portfolio

SS: same store

SH: senior housing

SHOP: Senior housing operating portfolios

SNF: skilled nursing facilities

US: United States

VIM: Ventas Investment Management

Price objective basis & risk

Alexandria Real Estate Equities (ARE)
Our $130 price objective for ARE is derived from a 10% discount to our forward NAV to reflect the strength of ARE's platform in the life sciences real estate sector. We apply a 6.7% cap rate to our forward NOI estimate of $2.5B to calculate our NAV. We use a 6.7% cap rate for ARE based on our view of interest rates over the next year, comparable transaction comps, and the market exposure of ARE. Upside risks to our PO are capital raises, operating conditions and development yields above our expectations. Downside risks are operating conditions and yields below our expectations. ARE is also exposed to the risks of the biotech sector such as private and public funding, regulatory changes and the FDA approval process. Further, a prolonged period of tight credit market conditions could weigh on access to capital, borrowing costs, and direct real estate values.

Healthpeak Properties, Inc. (PEAK)
Our $18 price objective assumes the stock trades at a 20% discount to our forward NAV estimate. We apply a 7.4% cap rate to our forward NOI estimate of $1.8B. We use a 7.4% cap rate for PEAK based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of PEAK. We also apply a 20% discount to our forward NAV estimate to account for a tenant that filed for bankruptcy. Upside risks to our PO are better-than-expected senior housing, medical office or life science performance, higher-than-forecast acquisition volumes 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.

Medical Properties Trust, Inc. (MPW)
Our $5 PO trades in line with our forward NAV estimate of $5.17. We derive our NAV estimate by applying a 9.5% cap rate to our forward NOI estimate of $886.1m. We use a 9.5% cap rate based on our outlook for interest rates and current market/transaction comps. Risks to our price objective are more or fewer acquisitions, acquisition cap rates vs MPW's cost of capital, tenant issues including potential bankruptcies, and changes in the healthcare market that makes hospitals more or less profitable.

OMEGA Healthcare (OHI)
Our $31 price objective for OHI is derived by applying an adjusted funds from operations (AFFO) multiple to our 2024 forward AFFO estimate. We use a target AFFO multiple of 12.0x to our 2024 AFFO estimate, to be slightly above OHI's historical average of 11x.

Risks to our price objective are increased government reimbursement pressure, better-/weaker-than-expected SNF demand from the aging of America, operator issues may rise again, volume/pricing of acquisition opportunities, and more / less government support. The pace of occupancy recovery post COVID is also a key risk.

Physicians Realty Trust (DOC)
We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Sabra Health Care (SBRA)
Our $16.00 price objective for SBRA is derived by applying a 11.0x AFFO multiple to forward 2023 AFFO estimate as we look to earnings growth beyond 2022. We believe a 11.0x AFFO multiple is more consistent with SBRA's recent historical AFFO multiple which we think it deserves due to its similar growth rate. Upside and downside risks to our price objective are more / less acquisition, cap rates vs. SBRA's cost of capital, shifting industry trends, demand vs. supply for senior housing assets and interest rates.

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

Analyst Certification

We, Joshua Dennerlein and Jeffrey Spector, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as financial advisor to Physicians Realty Trust in connection with its proposed merger of equals with Healthpeak Properties Inc., which was announced on October 30, 2023. The proposed transaction is subject to approval by shareholders of Physicians Realty Trust|and Healthpeak Properties Inc.This research report is not intended to provide voting advice, serve as an endorsement of the proposed transaction, or result in the procurement, withholding or revocation of a proxy.

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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
NEUTRAL				
	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
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffler 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

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	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 R1	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%

R1 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 R2
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

R2 Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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Research Analysts

Jeffrey Spector
Research Analyst
BofAS
+1 646 855 1363
jeff.spector@bofa.com

Joshua Dennerlein
Research Analyst
BofAS
+1 646 855 1681
joshua.dennerlein@bofa.com

Camille Bonnel >>
Research Analyst
Merrill Lynch (Canada)
+1 646 855 5042
camille.bonnel@bofa.com

Lizzy Doykan
Research Analyst
BofAS
+1 713 705 1584
lizzy.doykan@bofa.com

Daniel Byun
Research Analyst
BofAS
+1 646 855 3195
daniel.byun@bofa.com

Steven Song
Research Analyst
BofAS
+1 646 855 0049
huainan.song@bofa.com

Andrew Berger
Research Analyst
BofAS
+1 646 855 1589
andrew.berger2@bofa.com

Farrell Granath
Research Analyst
BofAS
+1 646 855 1351
farrell.granath@bofa.com

REITs Team

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