

Healthcare REITs

BofA senior housing fundamentals tracker:
4Q occupancy growth above historical avg

Industry Overview

NIC data: Occupancy +80bp Q/Q, rent +5.5% Y/Y

The senior housing industry occupancy increased 80bp Q/Q to 85.8% in 4Q23 (primary and secondary markets), significantly better than historical seasonal trends (+10bp average Q/Q change in Q4). The better occupancy trends are in line with Brookdale's (BKD) disclosure (+80bp Q/Q, better than expected). Rate growth decelerated 90bp to +5.5% y/y, but it remains above the historical average – we expect rent growth to decelerate in 2024 given lower inflation. Construction as a percent of inventory decelerated to 4.7% from 5.1%. Senior housing fundamentals continue to support our positive view on Senior Housing REITs and Neutral rating on BKD.

Robust occupancy growth in both IL and AL

In 4Q23, independent living (IL) occupancy increased 90bp Q/Q to 86.6% (3Q unrevised at 85.7%). Assisted living (AL) occupancy grew 90bp Q/Q to 85.3% (3Q revised down 10bp to 84.4%). Finally, memory care (MC) occupancy grew 70bp Q/Q to 85.9% (3Q revised up 10bp to 85.2%).

Overall occupancy grew well above the historical trends

Senior housing occupancy increased +80bp Q/Q, comparable to +70bp Q/Q in 3Q23 – the growth was in line with the +80bp Q/Q growth in 4Q22 and well above the +10bp pre-pandemic Q/Q average growth (2015-19). Nevertheless, it is 270bp below the pre-pandemic level (88.5% in 4Q19) and 570bp below the peak in 4Q14.

SH rent growth decelerated to +5.5%, still above historical

In 4Q23, IL rent grew +5.9% y/y, decelerating from +6.7% in 3Q23 (Q2 was the highest in the data set). AL rent grew +6.1%, decelerating from +7.0% in 3Q23. MC rent decelerated to +4.5% from +6.4% in 3Q23. For senior housing overall, the asking rents increased +5.5% Y/Y, decelerating from +6.3% in 3Q23 (Q3 was revised 10bp higher), which is still above the +3.3% historical 4Q avg rent growth (2015-19).

SH construction as a % of inventory -40bp Q/Q to 4.7%

As a percentage of inventory, IL construction remains above AL. In 4Q23, IL construction as a percentage of inventory was 6.0% versus 7.2% in 3Q23 (3Q revised 10bp lower), and AL construction was 5.0% versus 5.1% in 3Q23 (3Q unrevised). Finally, MC construction as a percentage of inventory was 1.4% versus 1.5% in 3Q23 (3Q revised 20bp lower).

See inside for time series graphs

We track National Investment Center for Seniors Housing & Care's (NIC MAP Vision) senior housing trends data across multiple property types. The key data points we look at are occupancy, pricing growth, inventory growth and supply. We view these data points as an important proxy for operational insights for HC REITs and operators.

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Equity
United States
REITs

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

Joanna Gajuk
Research Analyst
BofAS
+1 646 855 3961
joanna.gajuk@bofa.com

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

Kevin Fischbeck, CFA
Research Analyst
BofAS
+1 646 855 5948
kevin.fischbeck@bofa.com

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

REITs Team
BofAS

[See Team Page for List of Analysts](#)

Key terms

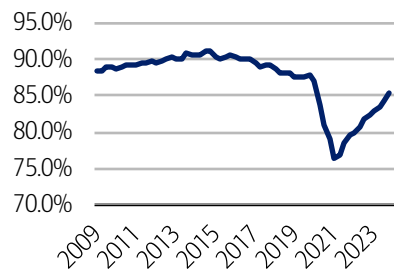
AL: Assisted Living
Avg: Average
CCRC: Continuing Care Residential Care
Inv: Inventory
NIC MAP VISION: National Investment Center for Senior Housing & Care
MC: Memory Care
NC: Nursing Care
Occ: Occupancy
Pop: Population
RIDEA: REIT Investment Diversification and Empowerment
SH: Senior Housing
SHOP: Senior Housing Operating Portfolio
SNF: Skilled Nursing Facilities
vs: Versus

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

Senior housing trends by community type

Exhibit 1: AL stabilized occupancy

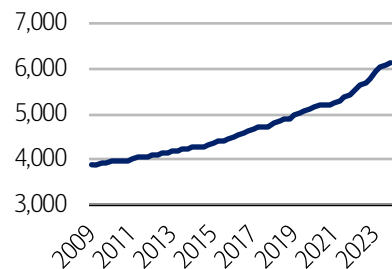
Occupancy peaked at 91.2% in 4Q14



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 2: AL average monthly rent

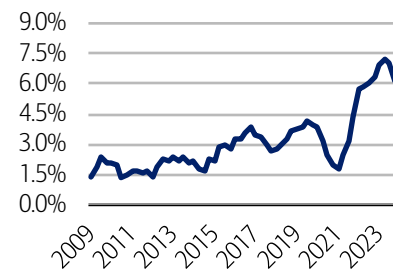
Rent has grown 56.2% since 2009 to \$6133



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 3: AL rent growth (Y/Y)

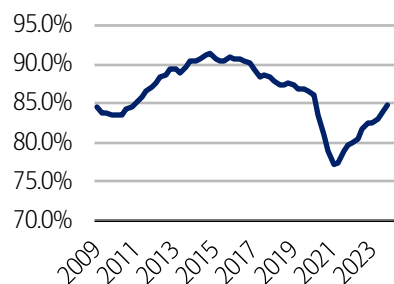
Average rent growth of 3.1% since 2009



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 4: IL stabilized occupancy

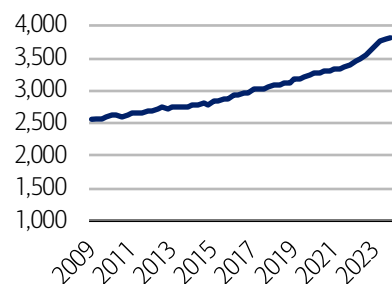
Occupancy peaked at 92.2% in 4Q14



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 5: IL average monthly rent

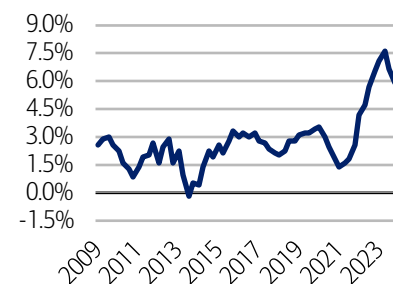
Rent has grown 47% since 2009 to \$3811



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 6: IL rent growth (Y/Y)

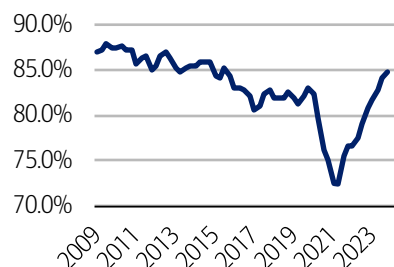
Average rent growth of 2.8% since 2009



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 7: MC stabilized occupancy

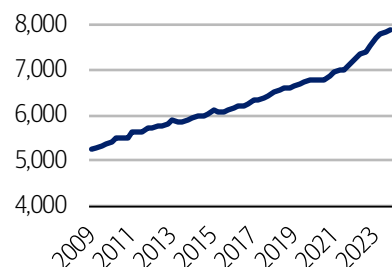
Occupancy peaked at 90.8% in 3Q14



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 8: MC average monthly rent

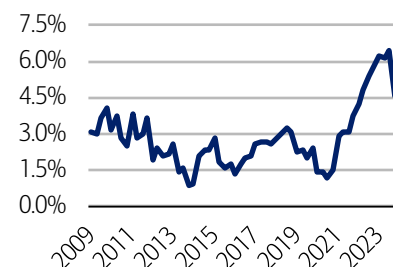
Rent has grown 46.8% since 2009 to \$7888



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Exhibit 9: MC rent growth (Y/Y)

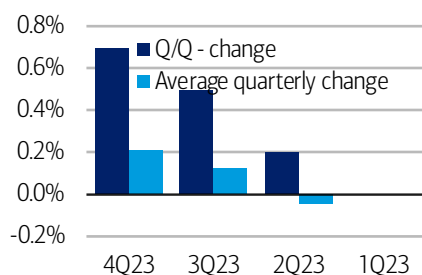
Average rent growth of 2.8% since 2009



Source: NIC MAP® Data, Powered by NIC MAP Vision
BofA GLOBAL RESEARCH

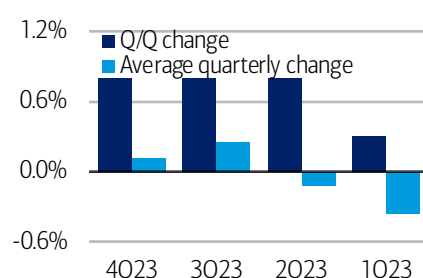
Seasonality

Exhibit 10: IL occ change Q/Q average
3Q & 4Q see biggest positive Q/Q change



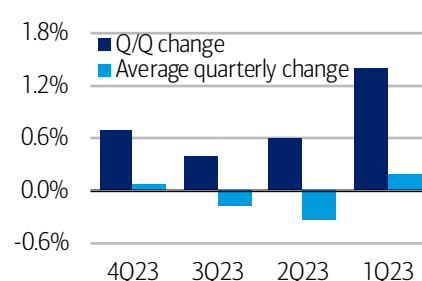
Source: NIC MAP® Data, Powered by NIC MAP Vision.
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Exhibit 11: AL occ change Q/Q vs average
3Q & 4Q see biggest positive Q/Q change



Source: NIC MAP® Data, Powered by NIC MAP Vision
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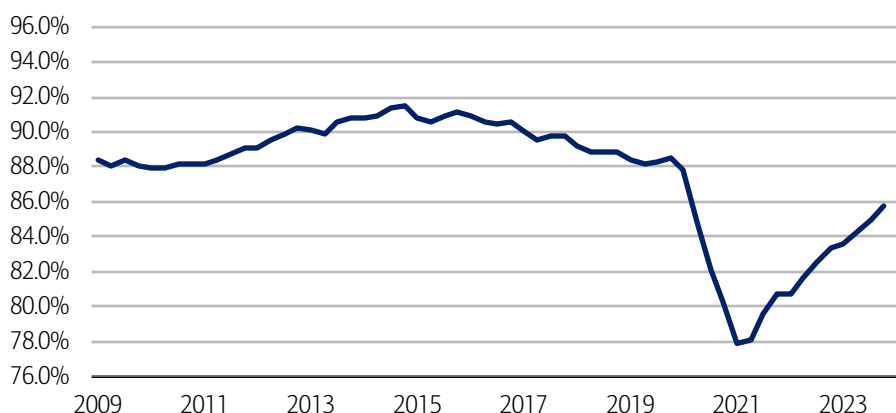
Exhibit 12: NC occ change Q/Q vs average
4Q & 1Q are when occupancy turns positive



Source: NIC MAP® Data, Powered by NIC MAP Vision
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Senior housing occupancy up 80bp Q/Q

Exhibit 13: Senior housing occupancy +80bp Q/Q in 4Q23
Senior housing stabilized occupancy slowly recovering

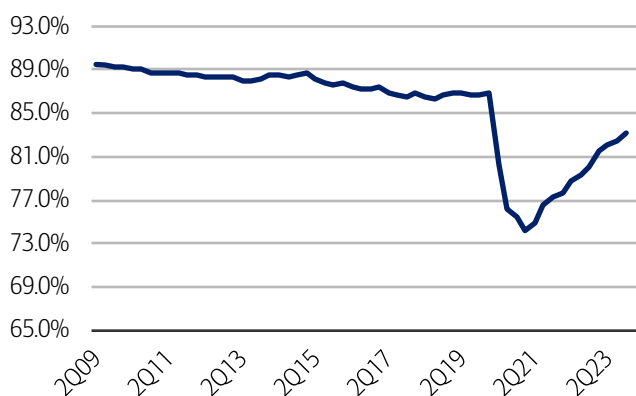


Source: NIC MAP® Data, Powered by NIC MAP Vision

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Nursing Care occupancy +70bp Q/Q

Exhibit 14: Nursing care stabilized occupancy
Nursing Care occupancy has been slowly recovering; +70bp Q/Q in 4Q23



Source: NIC MAP® Data, Powered by NIC MAP Vision

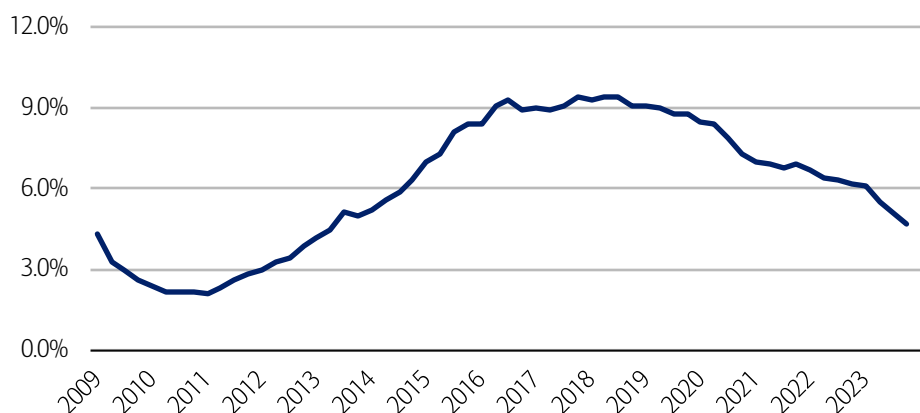
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Supply has been moderating

Exhibit 15: Construction as % of inventory, senior housing

Construction peaked at 9.4% of inventory in 2018

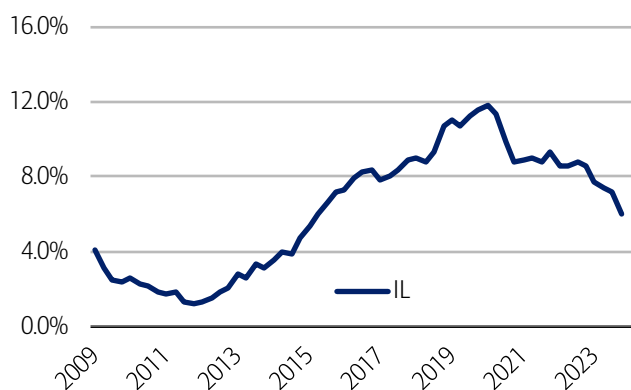


Source: NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 16: Construction as % of inventory for IL

Independent living supply peaked at 11.8%

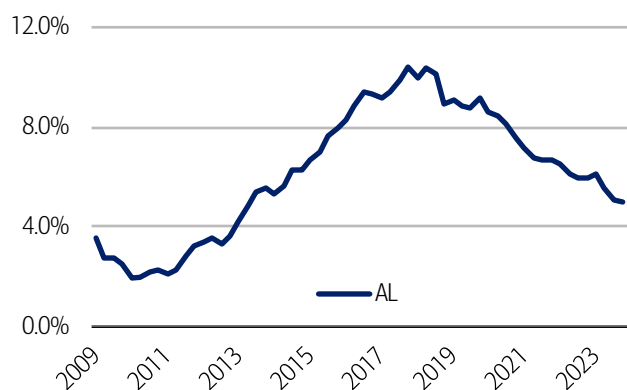


Source: NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 17: Construction as % of inventory for AL

Assisted living supply peaked at 10.4%

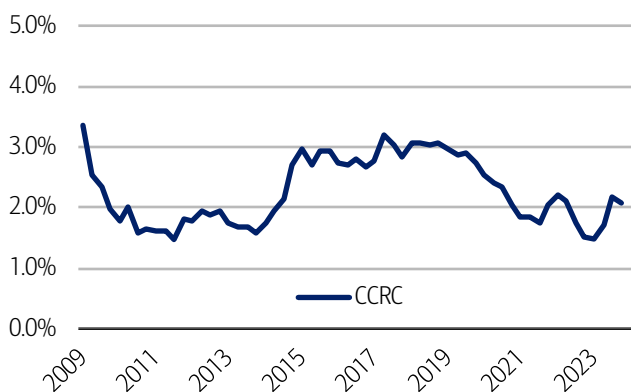


Source: NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 18: Construction as % of inventory CCRC

CCRC supply peaked at 4.7%

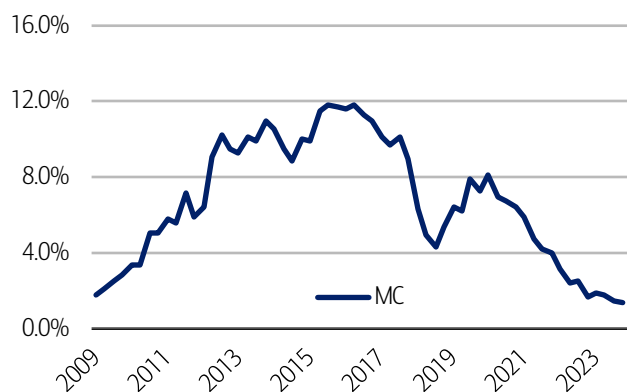


Source: NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 19: Construction as % of inventory for MC

Memory care supply peaked at 11.8%



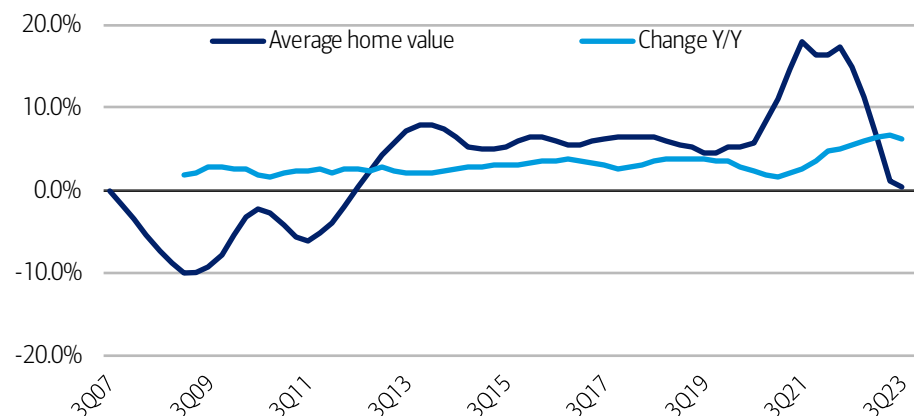
Source: NIC MAP® Data, Powered by NIC MAP Vision

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Senior housing rent growth vs home price

Exhibit 20: Housing wealth drives senior housing rent growth with a lag

Senior housing rent growth has a 0.63 correlation with home price appreciation on a 1-year lag



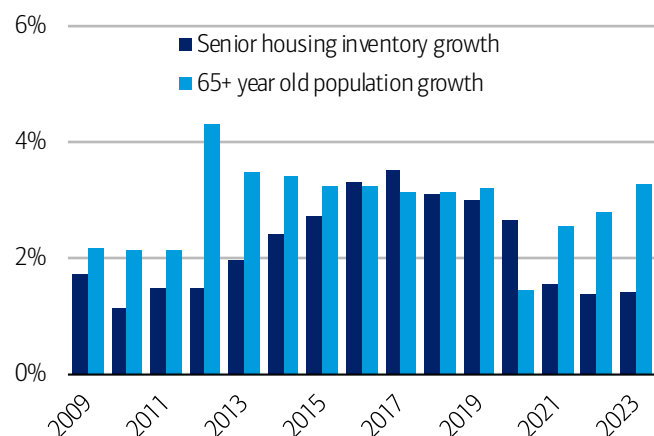
Source: Zillow, NIC MAP® Data, Powered by NIC MAP Vision

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Supply vs demand

Exhibit 21: Senior housing supply vs fundamental demand growth

Demand is outstripping supply growth

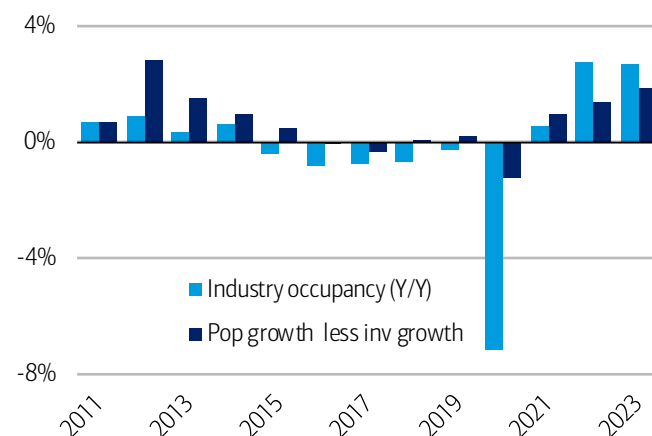


Source: U.S. Census Bureau, NIC MAP

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Exhibit 22: Aging demographics support occupancy gain

As population outpaces inventory, occupancy gains follow

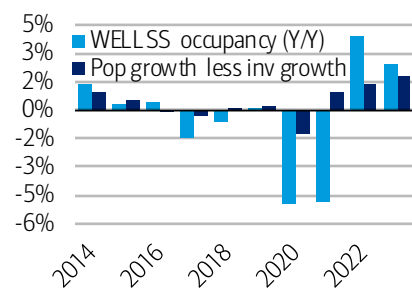


Source: U.S. Census Bureau, NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 23: WELL SS occupancy

Demand > supply = rising occupancy

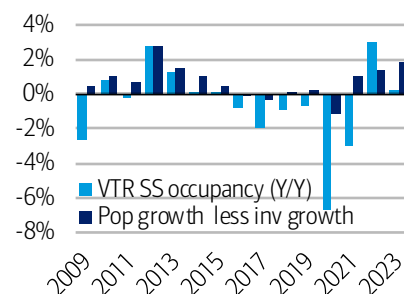


Source: U.S. Census Bureau, NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 24: VTR SS occupancy

Demand > supply = rising occupancy

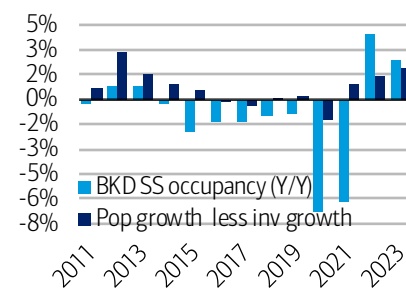


Source: U.S. Census Bureau, NIC MAP® Data, Powered by NIC MAP Vision

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Exhibit 25: BKD SS occupancy

Demand > supply = rising occupancy



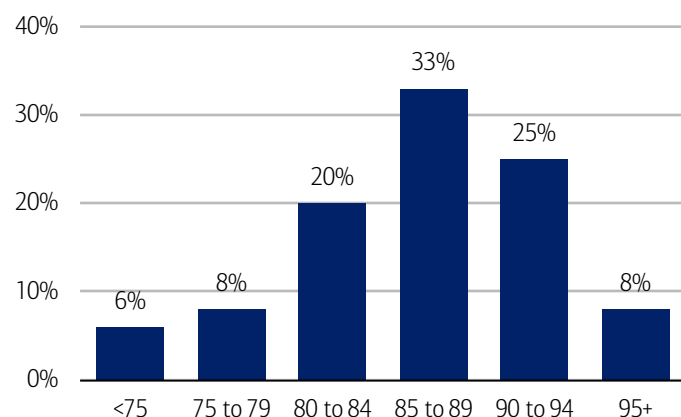
Source: U.S. Census Bureau, NIC MAP® Data, Powered by NIC MAP Vision

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Renter demographic trends

Exhibit 26: Independent living renter by age

Most of independent living renters are between 80 and 94 years old

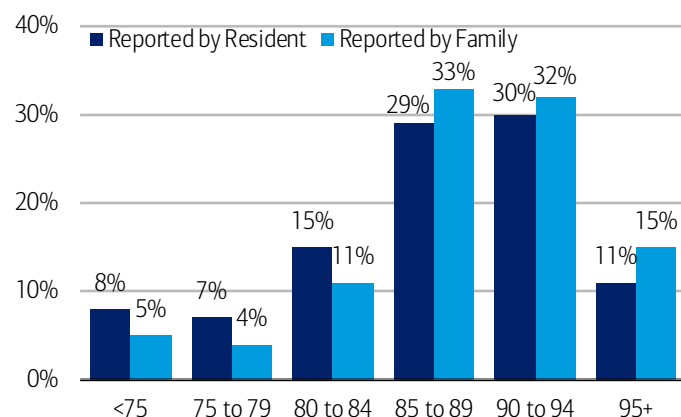


Source: American Seniors Housing Association

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Exhibit 27: Assisted living renter by age

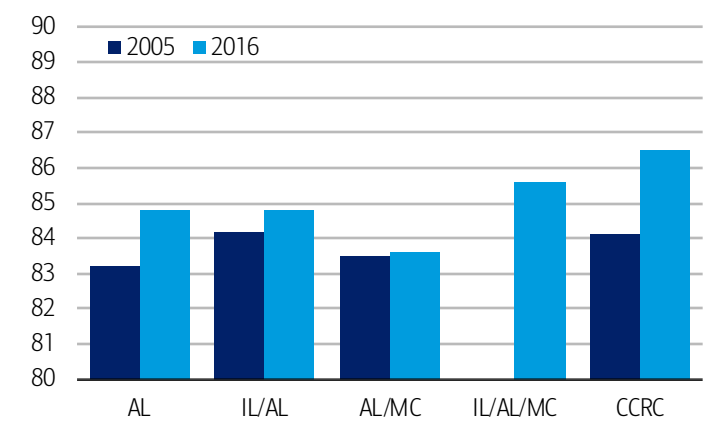
Most rent assisted living and have family respond at 85+



Source: American Seniors Housing Association

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Exhibit 28: Average age of renters is rising
Senior housing renter by property type



Source: American Seniors Housing Association

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Exhibit 29: Companies mentioned
These are the REITs mentioned in this report

Ticker	PO	Rating	QRQ	Price
BKD	6.00	NEUTRAL	C-2-9	\$5.63
VTR	48.00	NEUTRAL	B-2-7	\$47.92
WELL	96.00	BUY	B-1-7	\$89.98

Source: Bloomberg, BofA Global Research, prices as of 01/11/24

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Price objective basis & risk

Brookdale (BKD)

Our \$6.00 price objective is based on 12.4x our 2024E EBITDAR. This is towards the higher end of the historical range given the improved leases and higher % ownership of assets. Given the labor pressures and slowing down occupancy growth, we believe it will be difficult for the company to continue to show major margin improvements.

Upside risks to our PO are 1) occupancy improves faster, 2) pricing is better than expected, 3) labor costs improve faster than expected, 3) better-than-expected economy drives better-than-expected demand.

Downside risks to our PO are 1) labor pressure is greater than expected. 2) high leverage, and 3) operational risk.

Ventas, Inc. (VTR)

Our \$48 price objective for VTR 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 19x, 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

We, Joshua Dennerlein, Jeffrey Spector and Joanna Gajuk, 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.

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
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	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
	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
	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
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	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 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

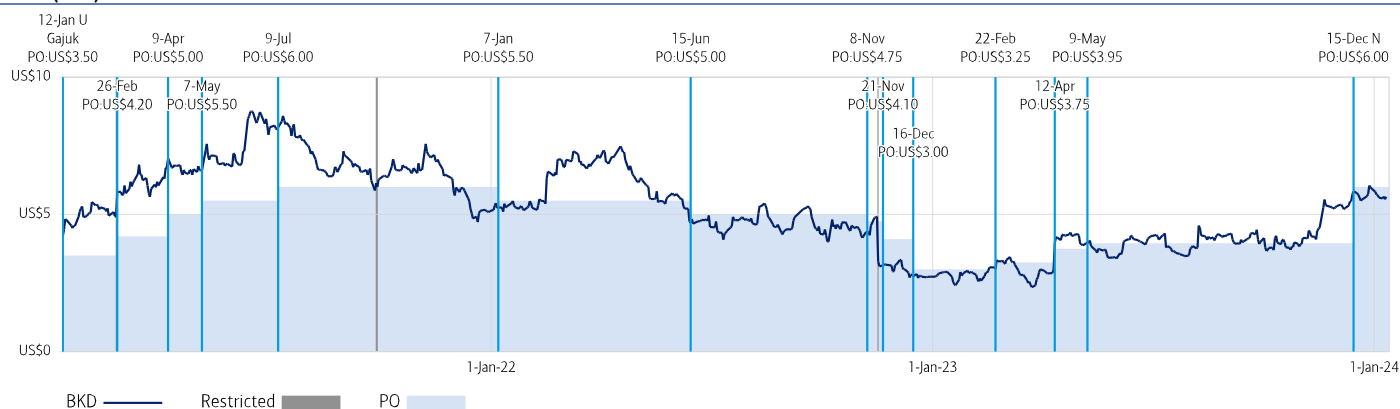
Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein
RSTR				
	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Privia Health	PRVA	PRVA US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
NEUTRAL				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Apollo Medical	AMEH	AMEH US	Adam Ron
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
UNDERPERFORM				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Agility Health Inc	AGTI	AGTI US	Kevin Fischbeck, CFA
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatrix Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

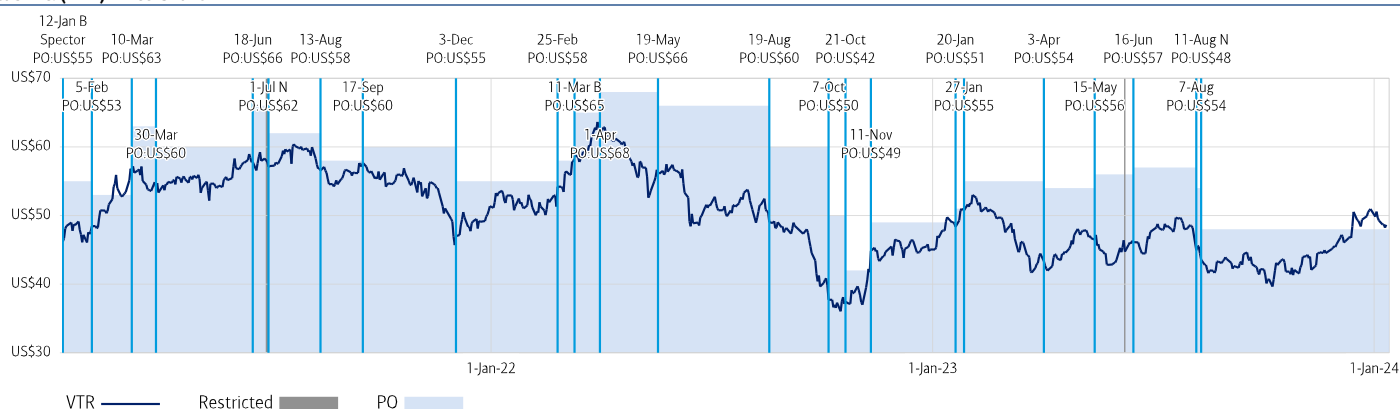
Disclosures

Important Disclosures

Brookdale (BKD) Price Chart

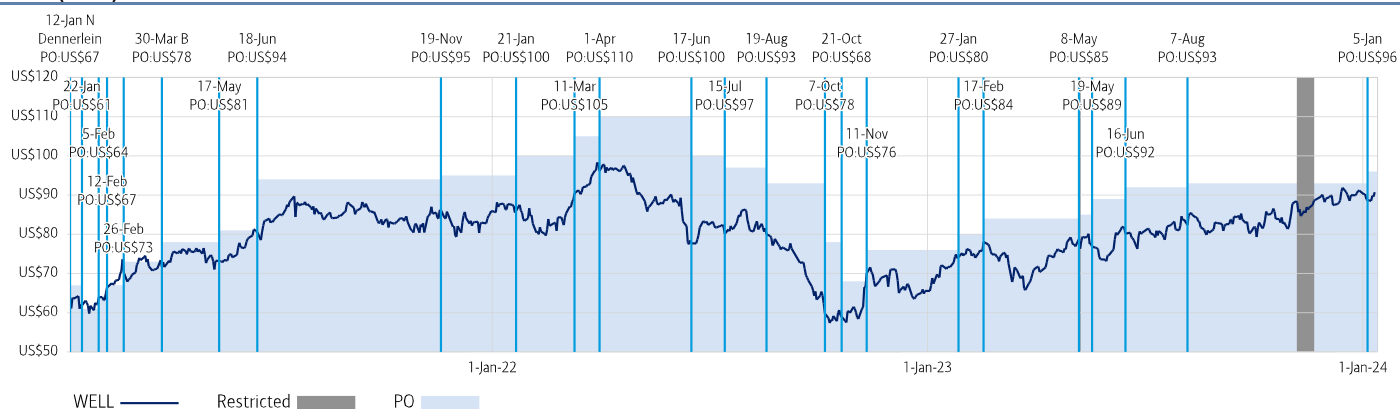
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Ventas Inc. (VTR) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Welltower (WELL) Price Chart

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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

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}
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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

Farrell Granath

Research Analyst

BofAS

+1 646 855 1351

farrell.granath@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

REITs Team

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