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Q1 2016 Ventas Inc Earnings Call

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CORPORATE PARTICIPANTS

Ryan Shannon *Ventas, Inc. - IR*
Debra Cafaro *Ventas, Inc. - Chairman & CEO*
Bob Probst *Ventas, Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Michael Carroll *RBC Capital Markets - Analyst*
Juan Sanabria *BofA Merrill Lynch - Analyst*
Michael Bilerman *Citigroup - Analyst*
Nick Yulico *UBS - Analyst*
Chad Vanacore *Stifel Nicolaus - Analyst*
Vincent Chao *Deutsche Bank - Analyst*
Kevin Tyler *Green Stree Advisors - Analyst*
Rich Anderson *Mizuho Securities - Analyst*
John Kim *BMO Capital Markets - Analyst*
Jordan Sadler *KeyBanc Capital Markets - Analyst*
Todd Stender *Wells Fargo Securities - Analyst*
Tayo Okusanya *Jefferies LLC - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2016 Ventas earnings conference call. My name is Whitley and I will be your operator for today. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I will now turn the conference over to your host for today, Ryan Shannon, Investor Relations. Please proceed.

Ryan Shannon ***Ventas, Inc. - IR***

Thanks, Whitley. Good morning and welcome to the Ventas conference call to review the Company's announcement today regarding its results for the quarter ended March 31, 2016. As we start let me express that all projections and predictions, and certain other statements to be made during this conference call, may be considered forward-looking statements within the meaning of the federal securities laws.

The projections, predictions and statements are based on management's current beliefs as well as on a number of assumptions concerning future events. These forward-looking statements are subject to many risks, uncertainties and contingencies and stockholders and others should recognize that actual results may differ materially from the Company's expectations, whether expressed or implied.

We refer you to the Company's reports filed with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended December 31, 2015, and the Company's other reports filed periodically with the SEC for a discussion of these forward-looking statements and other factors that could affect these forward-looking statements. Many of these factors are beyond the control of the Company and its management.

The information being provided today is as of this date only and Ventas expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any changes in expectations.

Please note that quantitative reconciliations between each non-GAAP financial measure referenced on this conference call and its most directly comparable GAAP measure, as well as the Company's supplemental disclosure schedule are available in the Investor Relations section of our website at www.ventasreit.com.

I will now turn the call over to Debra A. Cafaro, Chairman and CEO of the Company.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Thanks, Ryan, and good morning to all of our shareholders and other participants. Welcome to the Ventas first-quarter 2016 earnings call.

We are delighted to be here with our colleagues to discuss large trends fueling our business and report on our strong first-quarter results from our diverse, high-quality portfolio. Following my remarks Bob Probst will review our segment performance and financial results before we welcome your questions.

On the heels of a protective and value creating 2015 we started our year off strong. Building off our advantaged properties, platforms and people, we extended our long track record of excellence this quarter. We generated normalized FFO per share of $1.04, representing comparable growth of 7% versus the fourth quarter 2015.

And we are right on track to deliver our full-year expectation of 3% to 5% comparable normalized FFO per share growth despite projected net asset sales and resultant modest deleveraging in the back half of the year.

We are well positioned over the short and long-term to capture opportunities and continue to grow cash flow and value for our investors. Our strong positioning is based on the decisions we made and actions we took in 2015, particularly the CCP spinoff and our acquisition of Ardent, large macro trends that favor our business, our financial strength and flexibility and our well covered dividend with room to grow. Let me address some of these factors.

We are excited to do business at the intersection of two large and dynamic industries with powerful fundamentals and growth prospects. Both healthcare and real estate represent nearly 20% of our nation's GDP.

Our $1 trillion healthcare real estate market is fragmented and continues to be ripe for consolidation. We are still in the early stages of asset migration from private to public [PMs] given that only 15% of healthcare and senior housing real estate assets is owned by REITs.

Over time Ventas' excellent diversified platform should be a magnet for asset flow. Our long-term growth prospects are also supported by the increasing demand for healthcare and senior living products and services created by a large and growing aging population. Longer life expectancies increase the need for health and senior care and seniors have immense spending power and wealth. Our assets and operators will be the beneficiary of this wave of oncoming demand.

Turning to the upcoming change to the global industry classification standard, making REITs a standalone GIC, we anticipate that this change should attract more capital to our industry over time.

At Ventas we believe our size, leading position in healthcare and senior housing, track record of disciplined capital allocation and excellent team make us attractive to generalist investors.

Honestly if I were a generalist investor looking at GDP growth of 0.5% in the first quarter, corporate profits declining for three consecutive quarters and global weakness, Ventas looks incredibly attractive.

We have a 4.7% dividend yield with room to grow, significant liquidity, a BBB+ balance sheet, diversified business model, high-quality assets, an impeccable track record of consistent growth in income over cycles, opportunities to grow externally and powerful increasing demand from consumers for our real estate. To my mind that is a compelling value proposition. So whether there is a new GIC or not why wouldn't you want to own Ventas?

That said, we are obviously focused on our core REIT investors who are crucial to our continued success. And we will continue driving to deliver outstanding results for all of our stakeholders.

As we look at our Company, we also like our positioning with a diversified, balanced and high-quality portfolio generating 83% of our NOI from private pay sources. Our outstanding SHOP assets are located in highly attractive markets with strong home values, median income and seniors population growth.

In our MOB portfolio, 88% of our NOI is affiliated with investment-grade hospitals and HCA. And 96% of our NOI is on campus or affiliated with leading healthcare systems and hospitals. Finally, Ventas' entire portfolio is advantaged with only 4% of our NOI derived from SNFs, who are adapting to evolving payment models and upcoming RAC audits.

Ventas enjoys a strong presence across five verticals, in each case doing business with the nation's leading providers. This exposure and expertise enables us to invest capital across cycles to create value for investors and customers and fund operator consolidation.

Although the vast majority of our NOI is from private pay sources, I do want to note that the Centers for Medicare and Medicaid Services, or CMS, recently announced its proposal for fiscal year 2017 Medicare reimbursement rates.

In general Medicare rates for different government reimbursed asset classes are slated to increase by varying percentages subject to previously announced initiatives or other offsets. We view the proposals as in line with our expectation.

On that note, we recently reached positive agreements with Kindred on our long-term acute care, or LTAC, portfolio to better position it for success. Our agreements contemplate disposition of seven LTACs and retaining full rent under our master leases with Kindred.

This is just one more example of our long-standing collaborative relationship with Kindred where the companies have repeatedly found innovative ways to create value for both sets of stakeholders.

So, with our portfolio performing well, our liquidity and balance sheet strong, our customers leading their industries and our team aligned and efficient we are continually looking for ways to create additional value through investment activity that delivers good risk-adjusted returns.

As we have for the past several quarters, we are being highly selective in picking our spot as we consider investment opportunities. Our focus continues to be on committing capital to high-quality hospitals, funding our selective development and redevelopment projects and helping our customers grow.

We also have found some intriguing investment opportunities in superior real estate at different layers in the capital stack, such as our recent investment in a secured junior loan tranche of Blackstone's core life science assets, principally in Cambridge, San Diego and San Francisco.

In the acquisitions arena we see a very deep and active financing investment market for MOBs with interest from a variety of investor categories. In senior housing too we see aggressive activity from private equity and pension funds among others, even when communities are in areas with significant construction starts. However, the deal size in senior housing has been trending toward the smaller end of the spectrum.

In hospitals our efforts continue to gain traction as more providers and their constituents are interested in the benefits that our capital can bring to their organization. Our conversations with hospitals and health systems have been accelerating and broadening.

So, I have complete confidence in our role as the leading capital provider in our five asset classes and our team's ability to capture opportunities and grow cash flows and value for our investors. However, as you know, the timing and volume of our future investment activities are not subject to precise predictions.

In closing, for almost two decades we have used the Ventas advantage of superior properties, people and platforms to translate the powerful forces of consolidation, demographic demand and dynamism in the large healthcare and senior housing real estate market into consistent growth, income and value creation for our investors. And today, as we stand at the corner of healthcare and real estate, we are well positioned to continue doing so.

Now, to talk about our positive quarter, I am happy to turn the call over to our CFO, Bob Probst.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Thanks, Debbie. I am pleased report a strong first quarter for Ventas which included solid same-store growth, 7% comparable normalized FFO per share growth and an even stronger balance sheet. I am equally pleased to reaffirm our full-year guidance for 2016 of 3% to 5% comparable normalized FFO per share growth.

On that note let me first discuss the performance of our highly productive portfolio of nearly 1,300 diversified healthcare and senior housing properties. Same-store cash NOI growth for the Company's total portfolio for the first quarter was 2.9% excluding certain items in the respective 2016 and 2015 periods, and 1.7% on a reported basis.

Turning to our first-quarter 2016 segment level performance starting with SHOP. Our SHOP business performed well in Q1. Our reported same-store SHOP portfolio increased 2.9% for the first quarter of 2016 over 2015, which is at the high end of our 1% to 3% full-year guidance.

This reported performance was delivered despite incurring unanticipated real estate tax expenses of $1.2 million in the current quarter relating to prior years. Without these expenses same-store SHOP NOI growth would have been 3.8%.

Our intentional rate driven strategy, as well as the quality of our portfolio, was visible in the quarter with same-store REVPOR growth of 4.7% in Q1 2016 versus prior year. The aggressive rate increases had an impact on occupancy but resulted in overall strong revenue growth of nearly 4% in the quarter. Adjusting for the aforementioned property tax charge, operating expenses grew in line with revenue and margins held steady.

Consistent with our full-year guidance, our Q1 performance was led by the engines of growth in our high barrier to entry coastal infill locations. Our core markets represent more than 70% of our SHOP portfolio NOI. NOI in these markets increased at a mid-single-digit rate in the first quarter.

Within these key markets New York, Los Angeles and Boston posted particularly strong results to start the year. We did see the performance impact in Q1 of new units coming online within our relevant trade areas in select markets.

As expected, NOI from communities in these markets declined low-single-digits in the quarter in aggregate driven by occupancy pressures. Encouragingly, based on the latest NIC data, new construction as a percentage of inventory across our SHOP portfolio declined 10 basis points sequentially to 4.4% in Q1 2016.

Our framework by which we evaluate and quantify the NOI impact of new construction in 2016 shared on our last earnings call in February has held up very well this year. We affirm our full-year guidance for SHOP 2016 reported same-store cash NOI to grow in the range of 1% to 3%.

From a phasing point of view the second quarter 2015 generated our strongest NOI delivery last year and hence is our most challenging comparison period in 2016. For the full year we project continued strong rate growth on lower occupancy levels versus prior year with growth fueled by the continued momentum in our core market.

Next I'll cover our triple net lease assets which account for 44% of our NOI. Triple net reported same-store cash NOI was roughly flat in Q1 versus prior year. The first-quarter 2016 results did not contain $5 million in fee income we received in the comparable 2015 period. Adjusting for this item triple net same-store cash NOI grew 2.9% reflecting customary rent escalation.

Cash flow coverage in our overall stabilized triple net lease portfolio for the fourth quarter of 2015, the latest available quarterly information, was stable at 1.6 times. Coverage in our triple net same-store senior housing portfolio remained strong at 1.3 times with solid low-single-digit trailing 12-month EBITDARM growth at the asset.

Our deliberately constructed post-acute portfolio, partnered with industry leader Kindred, now represents only 12% of Ventas' NOI post the CCP spinoff. Our same-store post-acute cash flow coverage remained a strong 2.0 times in Q4 2015.

Finally, our Ardent triple net coverage held steady at 3.0 times with solid performance across nearly all key performance indicators continuing into 2016. We are pleased to raise our triple net full-year reported same-store guidance by 50 basis points to 2.5% to 3.5% growth.

Our Q2 and full-year cash NOI will benefit by $3.5 million in lease modification fees without loss of rent from the recently announced Kindred LTAC deal Debbie mentioned earlier.

Let me close the segment review with our MOB business which represents 20% of Ventas' overall NOI. MOB cash NOI in the 270 property same-store pool grew 4.2%. First-quarter 2016 results benefited from an early lease termination fee with net value of $2.3 million. Adjusted for this item MOB growth in Q1 was 1%.

Q1 revenue grew as a result of a modest rate increase on in place rents partially offset by lower recovery income and occupancy declines driven by the aforementioned early lease termination. NOI benefited from cost productivity in the first quarter on the heels of a mild winter.

We continue to forecast the MOB segment will grow reported full-year same-store cash NOI in the range of 1% to 2% in 2016. We expect a softer second-quarter then to trend higher in the back half of the year as we fill budgeted vacancy. We remain confident in our valuable MOB business and the Lillibridge platform.

Turning to Ventas' overall financial results. I will refer to our results on a comparable basis which adjusts all prior periods for the effects of the spinoff.

First-quarter 2016 normalized FFO totaled $1.04 per fully diluted share representing 7% growth on a comparable basis over the first quarter 2015. This strong year-over-year growth was driven by the carryover impact of 2015 investments, including Ardent, together with new investments in the first quarter and same-store NOI growth.

Ventas made approximately $150 million in new investments in the first quarter 2016. In addition, the Company funded nearly $40 million of development and redevelopment projects during the quarter.

To fully equity fund these new investments, since our yearend 2015 earnings release in February, Ventas opportunistically issued a total of 1.6 million shares of common stock under our ATM for gross proceeds of approximately $100 million at an average price of $62.30. Year to date Ventas has issued 3.3 million shares of common stock for gross proceeds of approximately $190 million.

Ventas also continued its asset disposition program selling seven properties thus far in 2016 for an aggregate sales price approaching $70 million. As a result of these deliberate steps the Company's net debt to EBITDA ratio improved sequentially to 6.0 times, now within our 5 to 6 times targeted range. Further, fixed charge coverage is exceptionally strong at 4.6 times while debt to total capitalization approximated 34%.

Finally, we are pleased to affirm our guidance to deliver 2016 normalized FFO per share in the range of $4.07 to $4.15. This range represents a comparable normalized FFO per share growth rate of 3% to 5% over 2015. We also affirm guidance for total company same-store 2016 cash NOI to grow in the range of 1.5% to 3%.

Our guidance continues to assume 2016 asset dispositions of approximately $500 million, inclusive of dispositions closed year to date. We intend to use the net proceeds to reinvest in approximately $200 million of incremental acquisitions and also to reduce debt. Our guidance therefore assumes further modest reduction in leverage below the 6.0 times net debt EBITDA observed at the end of Q1.

With a strong 7% increase in normalized FFO to start 2016 we expect that further leverage reduction, asset sales and refinancing activity over the balance of the year will bring the full-year FFO per share growth to our 3% to 5% guidance range. We have assumed no additional material acquisitions, dispositions or capital activity in our guidance.

In summary, the entire Ventas team is proud of our strong start to 2016 and confident in our prospects for the remainder of the year. With that I will ask the operator to please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Michael Carroll, RBC Capital Markets.

Michael Carroll ***RBC Capital Markets - Analyst***

Hey, Bob, can you talk a little bit about the 30% of senior housing assets in the SHOP that is going to be impacted by supply? And has that competition already come online or is that weighted in the back half of this year?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Good morning, Mike.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Thanks for the question. The framework you referred to, just as a reminder, is the one we laid out in February which attempted to quantify the impact of supply where we talked about 70% of our portfolio, which is in equilibrium or better in terms of supply/demand, and 30% which potentially has a supply surplus.

To answer your question, the first quarter really we think proved out that framework very much -- very much in line. As I mentioned, the 70% engine grew mid-single-digits, very much in line with our expectation.

The 30% did have an impact, it declined at a low-single-digit rate, again very much in line with guidance provided in February, so performing very much as expected. And that is with units coming online.

So we are seeing units coming online. That began about Q3 of last year. And will continue basically through the year as per the NIC data. So very much consistent with what we told you.

Michael Carroll ***RBC Capital Markets - Analyst***

Okay. And then does that unit coming online, is that going to ramp up throughout the year? Is it going to remain consistent kind of just stable pressure?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Well, based on the NIC data our observation is things to get pushed out as you look at the openings. It looks to be fairly steady over the balance of the year, but also continuing into the first two quarters of 2017 based on that data. But no big -- go ahead.

Michael Carroll ***RBC Capital Markets - Analyst***

Okay, great. And then Debbie can you talk a little bit about the life science investments? I know that this is property type that you've wanted to get into for a little while now. Is this just a single opportunity or do you see other opportunities in the future?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, thanks for asking. We think our life science investment is a great investment on a standalone basis, a great sponsor in Blackstone and this was the core kind of best of the biomed real estate, this tranche of the financing.

So regarding life science, I think we have been very consistent for five years in our thoughts, which are that it is a good asset class, it is only 5% of the pie.

And so, under the right circumstances like we found here, if there is an opportunity to make a really good investment we will do so. But it is not a must-have like we articulated about the MOBs back in 2008-2009 which is almost 40% of the $1 trillion pie.

Michael Carroll ***RBC Capital Markets - Analyst***

Great, thank you, guys.

Operator

Juan Sanabria, Bank of America.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Just wanted to ask around the same-store guidance. So you bumped to triple net and I think you said that is about 40% of the portfolio. Is there any message there with expectations for the rest of the portfolio maybe skewed to the lower end of the guidance or should we not read into that anything?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Yes, Juan, I wouldn't read anything into that. We called out the key driver of that triple net increase was really the Kindred LTAC deal that Debbie referred to, which, for the triple net segment, has an impact to raise, but overall doesn't materially raise the range. So the guidance stays as is therefore.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay, great.

Bob Probst ***Ventas, Inc. - EVP & CFO***

There is no (multiple speakers). Go ahead.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

And then the second question just -- you kind of hit on in in your prepared remarks, Debbie. What do you think the impacts will be for the history of the RAC audits? I know there is a history in the hospital business where you are now more involved in. Kind of what are your expectations how this could evolve and impact coverage levels and/or the operators.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Okay, so the RAC audits were recently announced; they are called recovery audit contractors who come in and sort of look at the billings under Medicare. And as you mentioned, that process has occurred over time with hospitals who are well through that including inpatient rehab. But it is new to post-acute.

And I think that you may see some impact either from operators perhaps more conservatively coding and you may see some impact as you saw in [ERF] some years ago where there are some objections to billings either past or present. And that can have some impact on cash flows or EBITDAR.

From our standpoint we believe that Kindred, who is our principal post-acute partner, is very well-positioned. The services that Kindred provides are clinically mandated and approved and it has a really good infrastructure to -- that is ready -- because obviously it has been in the ERF business as well that is ready to deal with the RAC audit. So we feel good about that.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Great, thank you.

Operator

Smedes Rose, Citi.

Michael Bilerman ***Citigroup - Analyst***

It is Michael Bilerman. Good morning. Debbie, I was wondering if you could just spend a little bit more time on the biomed investment in terms of did you do that by just buying it directly from the banks? Were you sort of involved with Blackstone in taking a slice or making that investment at a 10% yield?

And then I had some (inaudible). I just want to understand the -- where you came in, at what level and where your sort of partners are at effectively.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes. Well, we have a great relationship with Blackstone who we admire greatly. And we also have a good relationship with your firm that was involved in the financing. And so, this was really an opportunity that was presented to us that we think is a great risk-adjusted return in a pool of assets that were very, very prime as a segment of the biomed business and about which we had a lot of knowledge and information to begin with.

Michael Bilerman ***Citigroup - Analyst***

And so, where are you within the capital stack? The 10% is a little bit higher, so I don't know if you bought the bonds at a discount or if you are just at a higher tranche in the cap stack.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

We are at a, I would call it a lower tranche, we are in the high [70s] kind of loan to cost, so very attractive there. But at the lower end it was bought at par.

Michael Bilerman ***Citigroup - Analyst***

And then have you had any discussions with Blackstone at all? And clearly you mentioned you had a lot of information. I can't remember if you're company A, B or C. But at some point has there been any discussion about is this a potential entry to buy assets, buy a portfolio and maybe a swop and do a larger transaction at some point?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Wow, you have an overactive imagination. But I like it. I would say that this is a good standalone investment that we made with a lot of expertise that my partner John Cobb has in the debt market and with our friends at both those firms. So you should just think of it as a great standalone investment.

Michael Bilerman ***Citigroup - Analyst***

Okay. And then just one last one just on SHOP same-store, it was up 3% in the first quarter. You really didn't change the outlook for the year. And so, I don't know if you just expect decelerating or is it just more conservatism or is there something that we should think about within the SHOP portfolio going forward that would impact those numbers?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, Bob will answer, but again, the guidance is on a reported basis. And so -- Bob?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Right. And on that basis we delivered 2.9% in the quarter, Michael, therefore at the high end of the range. We are holding the range at 1% to 3%, so certainly you can see consistent growth across the quarters to achieve that high end.

The range is really dictated by the impact of supply, which we talk a lot about. And should those trends continue as we saw in the first quarter, we would be pushing toward that higher end. But the range is there for a reason.

Michael Bilerman ***Citigroup - Analyst***

Thank you.

Operator

Nick Yulico, UBS.

Nick Yulico ***UBS - Analyst***

You talked about private equity institutional investors having strong demand for seniors housing. What are your thoughts about potentially selling some of your non-primary senior housing assets which seem to be underperforming? And would you be interested in that? What type of pricing you think you might be able to get on that?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, first of all, we do believe in having a high-quality portfolio and having diversification and balance in that portfolio. And that includes markets, asset types, etc.

So as we look at our normal capital recycling in terms of dispositions, I think senior housing is one of the areas that we would consider having in that pool and we have said that. And we are constantly checking the market and constantly reviewing our portfolio for the best candidates for capital recycling.

Nick Yulico ***UBS - Analyst***

Okay. And then just one other question I had was on Holiday Retirement. When you made that investment back in -- what was it, 2013 -- there were some I think pretty big initial escalations in the rents I think close to sort of 4% or 5% for several years. Can you talk about your comfort in being able to still get those escalations?

I recognize it is not a gigantic time for you, about 3% of NOI. But still there has been some management turnover at Holiday, there has been declines in coverage as reported by one of your competitors out there who has a portfolio with them. And so what I'm wondering is if we should be confident that you can continue to get that extra straight-line rent benefit in your FFO there?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

So yes, we did buy a Holiday portfolio, it is a high-quality one. It was one of the earlier more curated portfolios that Fortress put out there. We did structure it well and in a way to get 4.5% escalators in the early years, the last one of those is in 2016.

And we would expect over time that portfolio to, A, on the rent side go back to more normalized level and over time to grow into normalized coverage. So the new CEO I think has some great ideas, I think the portfolio in general in the Company at Holiday had a good start to the year. And so, we feel fine about our rent and feel good about it.

Nick Yulico ***UBS - Analyst***

Okay, thanks.

Operator

Chad Vanacore, Stifel.

Chad Vanacore ***Stifel Nicolaus - Analyst***

Just think about your MOB portfolio and the $2.3 million lease termination fee. What percent of NOI was the tenant that terminated their contract? And has that tenant be replaced or you're going to have to work back through it sounds like.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

What percent of total MOB NOI was that tenant?

Chad Vanacore ***Stifel Nicolaus - Analyst***

Yes.

Bob Probst ***Ventas, Inc. - EVP & CFO***

It was about 1% roughly of the total. I think it is a little bit of a complex story just from a timing point of view. In the quarter we had the lease termination fee benefit, which drove the 4.2%.

But obviously that tenant left and we need to therefore replace that tenant to see the timing issue of having to replace that tenant. And the occupancy decline you saw sequentially was really described by that tenant in total.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Just like office.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Yes, just like an office. So you will see that and we highlighted that second-quarter impact of that. And then as we fill that back up you will see the benefit in the back half.

Chad Vanacore ***Stifel Nicolaus - Analyst***

Okay. And does that lease termination fee cover what you would have gotten until the end of the year and that is why you haven't [necessarily] changed your MOB same-store growth profile?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

We quoted the net benefit net of the rent we would have received in the period. I think the lease would have expired prior to the end of this year.

Bob Probst ***Ventas, Inc. - EVP & CFO***

And it was in our budget when we came into the year so therefore in our guidance.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. And then how should we think about changes in your portfolio pro forma for the changes in the Kindred leases? Like what is going to happen to Kindred rent coverage post the transaction?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Okay, good. So thanks for asking about that because we were trying to count here how many good deals that we and Kindred have done together over the last however many years and I think it was eight or nine. And this most recent one is a good example of how both the companies have elevated and improved their portfolios through -- over time as we have engaged in these transactions.

So what we have said is we have strong coverage now at 2 times in our post-acute portfolio. When you look forward we kept all the rent, we would expect to exit seven of those LTACs. And of course we have changes in reimbursement in the LTAC sector starting to come into play in 2016 in September for Kindred.

And so, when you look at all that net-net-net, we would expect a temporary 10 to 20 basis point impact on coverage as we work through and then normalizing as we come out of LTAC patient criteria. So that (multiple speakers) of the whole series of things, but this single transaction I think is a great way for both of us to position that LTAC portfolio to succeed.

Chad Vanacore ***Stifel Nicolaus - Analyst***

And, Deb, what percentage of NOI do LTACs represent for you? And how does that change pro forma?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

It is about 6. And so, since the rent is -- we are keeping all the rent plus we are getting $6.5 million, it stays 6%.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. And then just one last question on the SHOP portfolio. It looked like occupancy was down quite a bit, 100 basis points sequentially or so. Is that from the new pressure that you are seeing or what is driving that?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Yes, there is an element of seasonality, but year-over-year we highlighted that it is really driven by the rate increase. So very intentional desire to drive rate, this is a wonderful business, needs driven and we believe a real opportunity to continue to drive rate recognizing the value proposition of senior housing.

So we have very intentionally been putting our foot to the accelerator on that knowing there would be an occupancy impact. But net-net-net we highlighted a 4% revenue growth in the quarter and a strong underlying profit as a consequence. So we think a good move.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

But again, sequentially you would typically see this pattern separate and --.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Seasonality.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes.

Bob Probst ***Ventas, Inc. - EVP & CFO***

When you look sequentially.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right, that is it for me. Thanks.

Operator

Vincent Chao, Deutsche Bank.

Vincent Chao ***Deutsche Bank - Analyst***

Just sticking with the SHOP commentary here. Understanding there is typical seasonality here in the first quarter and it did drive rate, but I guess I would have thought there would have been some benefit from the milder flu season this year. And also just curious, the decision to push right so hard this quarter, what was driving that ahead of pending supply and that kind of thing?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Yes, we think we pushed rate appropriately, that's again very intentional. And I always talk about the value proposition whereby if you tried to replicate the services at home of senior housing it would be twice as expensive as on average it is within the senior housing community.

So, there is clearly opportunity to drive pricing and the operators have seen that and embraced that in our SHOP portfolio. So, that is strategic in my mind. What was the other part of the question?

Vincent Chao ***Deutsche Bank - Analyst***

Oh, just I guess I would have expected a little bit of a tailwind year-over-year just given the milder flu season this year. And I was just wondering if that showed up or if there was some other offset.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Right, we said ceteris paribus, all else equal, that would be a benefit is certainly true. But the world is never ceteris paribus. There is lots of things that were going on. So it was helpful but it wasn't something that would drive outsize performance. And net-net when you step back from the adjustment for tax we grew nearly 4%. So clearly a strong quarter.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes.

Vincent Chao ***Deutsche Bank - Analyst***

Got it. Okay. And then just maybe a follow-up on the guidance just for disposition proceeds. I think it was 350 last quarter, 200 this quarter; I think that is just maybe because you have already spent some of that money.

But also it seems like the wording did change a little bit, and I'm probably parsing this too much, but specifically calling out debt repayment this time as opposed to sort of redevelopment and development spend. Anything to read into that?

Bob Probst ***Ventas, Inc. - EVP & CFO***

No. I think it is -- I am glad you asked the question because what has not changed if we look full-year is $500 million of dispositions and $350 million of acquisitions, that is the same from our last guidance.

We expressed the acquisitions in the press release as $200 million incremental, which is from here as we did $150 million in the first quarter. And so, that $350 million is just kind of a timing issue of when that money is being spent.

The balance is fungible in that we can talk about either redevelopment or we can talk about debt reduction. It is simple to understand that we have approximately $300 million of gross debt reduction inherent in that forecast if we have $500 million of dispose, $200 million of incremental acquisition the balance will be debt reduction. So that is the math, but redevelopment hasn't changed either.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, and the key point is that we also generate cash flow which is fungible as a source as well, and so --.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Right. Which is a partner to that.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

You should feel we are very consistent with what we said before.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Absolutely.

Vincent Chao ***Deutsche Bank - Analyst***

Okay, thanks for that clarification. And I think that is it, thanks.

Operator

Kevin Tyler, Green Street Advisors.

Kevin Tyler ***Green Stree Advisors - Analyst***

On SHOP on the expense side does your NOI guidance forecast 4% plus or minus increases over the balance of the year? And I was just curious how much of the 4% that was saw, or the 4.5% this quarter was related to minimum wage versus executive director retention?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Right. Well, first of all it is important to highlight that that real estate tax charge, which I identified, is in the reported results through the expense line in the quarter. And therefore you need to adjust that out if you are looking at a more underlying performance. And that is in line with revenue and roughly in that 4% range as you highlight.

Within that clearly there have been wage pressures, whether of minimum wage or as we have shortages of nurses or whatever else. But that comes right back to the need to drive our rate in part and parcel.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, and it is consistent with the guidance that we gave at the beginning of the year.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Very consistent with the guidance. And so holding margins through rate, covering that expense pressure and at the same time driving cost productivity importantly as part of that through operational excellence is inherent in holding that margin for the full year.

Kevin Tyler ***Green Stree Advisors - Analyst***

Okay, thanks. And then on the development side, you have got a quite a bit going on in the senior housing front in desirable and somewhat dense markets, Foster City, Fort Lauderdale. But the densest urban cores, are they currently attractive for you just as we have seen some of your competitors move in?

In Manhattan, for example, if you could get land what reservations might you have about developing in a more dense setting like a Manhattan, Chicago, San Francisco for example?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, it is nice that we were able to acquire the Atria portfolio when we did which had as its largest component the New York MSA, which has been a great market for us. And as you point out, we do have two high-quality developments ongoing, both will be operated by Atria, one in Foster City in the San Francisco MSA and one in Palm Beach County, obviously both attractive areas.

And we continue to look at development and redevelopment opportunities with Atria and others in all of these markets. And would feel positive, frankly, about if we found a good site in any of these dense markets to do a development that we had confidence in.

Our bar on ground up development, however, is very high. And so, we want to make sure that we are really underwriting it carefully and have confidence in the outcome. And that is why we have just kind of the MOB in downtown San Francisco with Sutter and these two senior housing developments in these great areas with Atria ongoing right now.

Kevin Tyler ***Green Stree Advisors - Analyst***

Okay, thanks. And then, Debbie, just talking a little bit about your deal making track record in the past, certainly has been one that is very -- looked fondly upon, has been fantastic. And as you look to turn around tough situations you have done so effectively many times in the past and in the skilled nursing space.

But today with some dislocation in the markets and then maybe sporadically throughout healthcare is too strong. But there has been a little bit more dislocation than in the past. What gets you excited or where do you see opportunities to apply your turnaround expertise?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, thank you for the compliment. It didn't always feel like it at the time, but hopefully in retrospect it is a very good track record of disciplined capital allocation by our team.

Look, I mean what gets us excited at Ventas is making money for our stakeholders. And that has come and will come in many different forms, but that is what gets us excited. And that is what we are going to continue to drive towards.

Kevin Tyler ***Green Stree Advisors - Analyst***

Okay, thank you.

Operator

Rich Anderson, Mizuho Securities.

Rich Anderson ***Mizuho Securities - Analyst***

So, just when I think about the three buckets -- triple net, you have RIDEA and you have post-acute -- those by which we kind of debate the good and the bad. In RIDEA we can get into the whole bundling and how that is going to work itself out from a REIT perspective and same with post-acute.

But the one thing I want to point out and kind of isolate is the senior housing triple net, which we have for a long time been willing to sit on relatively thin rent coverage. I know you have 1.3 in an EBITDARM basis, but on EBITDAR it might be closer to 1.1.

And then when you factor in the capital expenditures which are borne on the operator, do you get below 1 on average? And if so, what is your comment about that from a long-term perspective as from your -- from a REIT standpoint?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, we think we have a high-quality diverse portfolio with leading operators in our industry, the Brookdales, the Holidays and so on. And the portfolios are well underwritten with credit support and the assets, as Bob said, are growing EBITDARM. And so, we feel we are at good level of coverage that is market-based or above market base. And with a reasonable CapEx imputed we are above a 1.0.

Rich Anderson ***Mizuho Securities - Analyst***

Okay.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Probably closer to a 1.1. And so we feel good about it.

Rich Anderson ***Mizuho Securities - Analyst***

But, and you are not -- I am not directing this at you because everyone is kind of in the same boat senior housing triple net. I mean do you think that there is a day where we will have to kind of do a refocus on rent escalators and think more in terms of what -- making sure those escalators aren't in excess of the EBITDAR growth of the underlying organization?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, yes. I think that is a really good comment because over the years there has been I think a lot of misperception amongst investors that one type of investment, call it SHOP, has risk and one, call it triple net, doesn't have risk and so on and so forth.

When we do underwriting of any asset that we are acquiring, at the end of the day those assets have to produce cash flow. And so that is what we are focused on always first and foremost. And then along with it in all these areas, is it a leading operator, what is the asset and the management team's position in the marketplace?

Can we provide additional structural support in the case of triple net and like guarantees and security deposits and so on? But at the end of the day we are looking for good assets that are going to perform through good operating partners and that is true regardless of structure. So you make a good point. And I think we have done that successfully.

Rich Anderson ***Mizuho Securities - Analyst***

Great, thanks very much.

Operator

John Kim, BMO Capital Markets.

John Kim ***BMO Capital Markets - Analyst***

Debbie, can we get your updated views on the impact of bundled payments implementation and how significant this changes the landscape for demand across the spectrum? Specifically there has been some early evidence of home health potentially gaining market share and I was just wondering if you could just address that as well.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, good question. Look, I think bundled payments are going to help hospitals, let's start there. And that was of course one underpinning of our hospital thesis and investment as hospitals control more of these dollars and patients.

In so far, again, these just started in the 67 markets on hips and knees in April of this year. Kindred has said that as far as this project goes it is going to have minimal impact they believe.

And in part I think they are using this new project to prove out that they are the best positioned post-acute provider in the country who can deliver really good post-acute care, limit readmissions and do so for a reasonable cost. And that is of course the providers in post-acute who are going to thrive in the future.

So -- but there is -- there can be as part of these trends some evidence that some patients will go directly from the hospital either to senior living frankly or to home health. And that is a trend that has been going on for some time and will continue.

But again, the skilled nursing guys have a role to play in the post-acute delivery of care and there are plenty of these patients, believe me. Plenty of people are having hips and knees replaced. And so, hopefully there are enough patients for everyone.

John Kim ***BMO Capital Markets - Analyst***

So hospitals are managing the process, but they are not necessarily the lowest cost setting. So how concerned are you about this and will there be some losers and winners in the hospital world?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes. I mean I think there will be winners and thrivers and consolidators like Ardent and others like HCA. But again, they are sort of getting the payment in the bundled payment and they are paying the post-acute providers.

And so, we believe that the hospitals will do well and the post-acute providers who can deliver quality and do so at a low cost and limit readmissions are going to get more market share.

John Kim ***BMO Capital Markets - Analyst***

Okay. And a question for Bob on your cash flow statement. Free cash flow from operations historically has mirrored normalized FFO, but this quarter it fell a little short of that. From what I can see this is largely (multiple speakers).

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

I am so -- thank you for asking that because that is something we talked about and we are happy to answer.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Which I am assuming is why is it lower. And it is really timing if you look at it. We had a number of things, particularly in the accounts payable line that in prior years -- if you compare to prior year we had the Kindred fee and other fees we have referred to in the first quarter which benefited cash flow in the first quarter of roughly $40 million.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Of last year.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Of last year. To bring it back, typically Q1 is an outflow just seasonally from a timing point of view on the payable line. So, last year it was really more of an anomaly as far as that goes.

And the other one is really timing around interest payments on bonds that are flowing to interest payables. So they are really timing issues, John, but it is a good catch, absolutely. So you should see that turn around to the balance of the year.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

We always pay attention to cash flow.

John Kim ***BMO Capital Markets - Analyst***

Great, thank you.

Operator

Jordan Sadler, KeyBanc Capital Markets.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

I guess I might be accused here of having an active imagination possibly. But maybe you can help me understand what is going on with the SHOP portfolio.

I guess same-store occupancy is down 90 basis points, right, despite a mild flu season. But last year it was up 60 basis points in what seemed to be a more difficult flu season. So I am just -- what seems to be going on here?

Bob Probst ***Ventas, Inc. - EVP & CFO***

Yes, I don't think you should be so focused on flu solely because there is a number of factors. Clearly that, as we have said, all else equal is a tailwind. You have a number of factors that are impacting occupancy this quarter. We talked a lot about rate. Certainly the rate is intentional and is driving the majority of that.

There is also an impact of the new units coming online and affecting occupancy, as I said in my prepared remarks. So that is coming through that line as well. And again, in line with our expectation. So it is really a combination of factors where it is really hard to pull out any one.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay. And then in terms of free rent just in the senior housing world, are you or any of your triple net tenants currently offering free rent upfront as an inducement? Is that changing at all?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, I would say that obviously when we look at rents we are looking at it on an effective rent basis. There are targeted markets, for example, Brookdale has talked about it where they are providing concessions in some cases that they used after the Emeritus merger. And a lot of those Brookdale has said are -- they expect to burn off and not be replaced during 2016. So that would be one example.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay. And are you guys using concessions as well or you are not seeing the same thing per se?

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

No, we are driving rates.

Bob Probst ***Ventas, Inc. - EVP & CFO***

No, quite the contrary, we are going the other way. As I said, we are driving rate, not discounting. And the NIC data would suggest in terms of rate growth that similarly across the industry there is good great growth. So hopefully others are seeing the same which is a great value proposition in senior housing.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay, great, thank you.

Operator

Todd Stender, Wells Fargo.

Todd Stender ***Wells Fargo Securities - Analyst***

Just a quick one for me. Bob, you highlighted the drop in new senior housing construction earlier. I just wanted to get a sense of your -- what you are hearing from your operating partners, maybe your updated thoughts on the trajectory of new starts at least over the near-term.

Bob Probst ***Ventas, Inc. - EVP & CFO***

Right, I would describe it as a modest sequential decline. We talked about 10 basis points in terms of units under construction -- so we are certainly not doing the touchdown dance yet on that.

I think where is it headed from here is a good question. We don't have a lot more information than you do. I think everybody is starting to understand what is out there, there has been a lot of talk about supply clearly.

And so, lenders and developers and everybody else taking note we hope is what is going to happen but only time will tell. We have no evidence to suggest that is true.

Todd Stender ***Wells Fargo Securities - Analyst***

Okay, thank you, Bob.

Operator

Tayo Okusanya, Jefferies.

Tayo Okusanya ***Jefferies LLC - Analyst***

A couple from my end. First of all skilled nursing; you have a very small portfolio but it is heavily focused on the national operators. And I am just curious what you are seeing on that end just given when we look at your rent coverage, it has been coming down about 10 bps for the past two or three quarters.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Okay, so, most of the change in coverage is due to the fact that rent went up significantly in the fourth quarter of last year. So we think that is a good thing. You want to have good coverage but you don't want to have excess good coverage. You want to hit that optimal point.

And yes, most of our 4% of skilled nursing is with Kindred, we have some with Genesis as well. And look, I think what you are going to see, as we have talked about over time, is we have very strong coverage at 2 times. You are going to see I think some continued pressures on the SNFs business.

And we are in a great spot with our partners who have credit and who are leading operators to work through those changes. And we deliberately retained this portfolio because we believe in it.

Tayo Okusanya ***Jefferies LLC - Analyst***

Great, okay, that is helpful. Then the second thing, medical office buildings, I know we have kind of go through the tenant vacating and the impact on numbers for the quarter. But when I take a look at rent growth for the quarter it still seemed like it wasn't much.

And again, I guess one thing I always struggle with on the MOB side is same-store NOI growth tends to be 2%-3% consistently, but yet everyone is kind of paying these very low cap rate for these assets. So I'm just trying to understand why it continues to make sense to pay these very low cap rates kind of industry wide.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, good observation. And again, happy that we acquired our MOB portfolio, which is very high-quality, again, in that 2010-2011 time period.

I think what drives people to really like MOB is that they are a low-cost setting, you see the demographics and the utilization statistics with the baby boomers and again the 10,000 turning 65 every day. You see the Affordable Care Act which is improving the insured population in many states.

And then what you are getting as an investor is you are really getting above -- even at relatively low cap rates you are getting above core returns with core like characteristics. Very reliable, consistent, steady, financial assets.

And in this global thirst for yield where we talked about why people like US real estate assets, that is a very attractive value proposition and I think that is why you are seeing all these new entrants and a lot of interest in this asset class.

Tayo Okusanya ***Jefferies LLC - Analyst***

Okay, that is helpful. And then lastly, again, I appreciate you indulging me. Can you just talk a little bit about what you are seeing at this point in the UK?

Four Seasons put out some pretty weak results a few days ago, but again, I know their portfolio is very heavily focused on getting funding from the local authorities. But overall what you are kind of seeing whether on that and or on the private pay end would be helpful.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Well, in the UK I think what -- we have a small senior living portfolio and then a very nice public partner in Spire who is in the hospital business (technical difficulty) triple net lease. And we have triple net leases frankly on both segments in the UK.

I think what we are seeing there in the private pay as well as the more long-term care business is that there are changes in rules and regulations that affect staffing. And that is in fact putting some pressures on the operators there.

Our portfolio has been doing well, it is a small portfolio that we have grown and we like. But I think on a larger scale basis for both the government reimbursed and the private pay there are some trends there that are compressing margins.

Tayo Okusanya ***Jefferies LLC - Analyst***

Okay, great. Thank you very much and overall I thought the quarter was pretty good. So well done.

Debra Cafaro ***Ventas, Inc. - Chairman & CEO***

Yes, well thank you very much. I will thank all my colleagues at Ventas for contributing to delivering great results. And I thank all of you for your interest in our Company and your support of our Company which we appreciate greatly and we look forward to seeing everybody at NAREIT in June. Thank you.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation, you may now disconnect. Have a great day.

THOMSON REUTERS

EDITED TRANSCRIPT

Q2 2016 Ventas Inc Earnings Call

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CORPORATE PARTICIPANTS

Ryan Shannon *Ventas, Inc. - IR*
Debra Cafaro *Ventas, Inc. - Chairman and CEO*
Bob Probst *Ventas, Inc. - EVP and CFO*
John Cobb *Ventas, Inc. - EVP and Chief Investment Officer*

CONFERENCE CALL PARTICIPANTS

Juan Sanabria *BofA Merrill Lynch - Analyst*
Michael Bilerman *Citigroup - Analyst*
Nick Yulico *UBS - Analyst*
Kevin Tyler *Green Street Advisors - Analyst*
Rich Anderson *Mizuho Securities - Analyst*
Jordan Sadler *KeyBanc Capital - Analyst*
Michael Carroll *RBC Capital Markets - Analyst*
John Kim *BMO Capital Markets - Analyst*
Chad Vanacore *Stifel Nicolaus - Analyst*
Tayo Okusanya *Jefferies - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q2 2016 Ventas earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session, and instructions will be given at that time. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Ryan Shannon, Investor Relations. Sir, you may begin.

Ryan Shannon ***Ventas, Inc. - IR***

Thanks, Crystal. Good morning and welcome to the Ventas conference call to review the Company's announcement today regarding its results for the quarter ended June 30, 2016.

As we start, let me express that all projections and predictions and certain other statements to be made during this conference call may be considered forward-looking statements within the meaning of the federal Securities laws. These projections, predictions, and statements are based on management's current beliefs, as well as on a number of assumptions concerning future events. These forward-looking statements are subject to many risks, uncertainties and contingencies, and stockholders and others should recognize that actual results may differ materially from the Company's expectations, whether expressed or implied. We refer you to the Company's reports filed with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended December 31, 2015, and the Company's other reports filed periodically with the SEC for a discussion of these forward-looking statements and other factors that could affect these forward-looking statements. Many of these factors are beyond the control of the Company and its management.

The information being provided today is as of this date only, and Ventas expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any changes in expectations. Please note that quantitative reconciliations between each non-GAAP financial measure referenced on this conference call and its most directly comparable GAAP measure, as well as the Company's supplemental disclosures schedule, are available in the Investor Relations section of our website at www.ventasreit.com.

I will now turn the call over to Debra A. Cafaro, Chairman and CEO of the Company.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Thank you, Ryan, and good morning to all of our shareholders and other participants, and welcome to the Ventas second-quarter earnings call.

We are delighted to be here with our colleagues to report on our strong results from our diverse, high quality portfolio, discuss our pending investment in life sciences and medical real estate, and provide color on macro trends. Following my remarks, our CFO, Bob Probst, will review our segment performance and financial results, and walk through our full-year guidance before we welcome your questions.

We have great momentum at Ventas. Building off our superior properties, platforms, and people, we extended our long track record of excellence this quarter. If you invest in Ventas for reliable growth and income on a strong balance sheet, then this is a good quarter for you.

Leading with results, we delivered $1.04 in normalized FFO per share, representing 7% year-over-year comparable growth, and we remain on track for 3% to 5% normalized FFO growth this year. We were opportunistic and accessed the debt and equity capital markets, again demonstrating our commitment to financial strength and flexibility, as well as our expertise in capital markets activity.

As you know, we love cash flow because it enables us to reinvest in our business and pay you a dividend. Our strong and secure dividend yield of nearly 4% is very attractive and has plenty of room to continue to grow.

Our strong performance is fueled by our market position at the exciting intersection of healthcare and real estate, two large and dynamic industries with powerful fundamentals and growth prospects. Within this attractive space, our incredible team has made strategic decisions and executed our strategy with sustained excellence. As a result, we have differentiated our portfolio and our Company, benefited our shareholders, and shaped Ventas for continued success.

Recent examples of our disciplined capital allocation moves include our successful spinoff of most of our skilled nursing business and our entry into the large, growing hospital space with Ardent, both completed last year. The elevation and evolution of our business continued this year with our recent deal to announce to acquire $1.5 billion in high quality, life science and medical real estate operated by best-in-class developer, Wexford. We believe the Wexford deal is both financially and strategically attractive. With a going in cash yield on stabilized assets of 6.8%, it is a wonderful fit with our goal of delivering reliable growth and income through cycles.

This investment represents an accretive institutional quality entry into the large and growing healthcare driven research and development space. It adds an adjacent business line that further diversifies our portfolio and cash flows and adds a large component of private pay NOI to our business mix. The powerful combination of attractive properties, superior platforms, and outstanding people creates the Ventas advantage. All three are on display with the Wexford deal.

The 25 Wexford properties we will acquire are new, Class A assets that are environmentally advanced and architecturally appealing. I hope you will go to our website for a property tour to see this portfolio. The assets are also well leased to highly rated, top-tier universities, academic medical centers, and research companies, including Yale, UPenn Medicine, Washington University, Duke, and Wake Forest. Like other areas of our business, our prospective tenants are market leaders. The universities in our portfolio account for fully 10% of all university life sciences research and development spending in the US. That is an outstanding way to enter a new space. It was really fun to travel up and down the East Coast with Ryan recently, visiting these hotbeds of academic and commercial research, cutting-edge medical activity, innovation and education.

The Wexford acquisition also creates another superior platform for Ventas growth. The Wexford team has a terrific reputation within the sophisticated tight-knit community of elite universities. Demand is increasing as universities face difficult decisions about capital allocation. In this environment, combining Ventas's capital with a trusted developer who can deliver complex projects that benefit leading institutions should be a winning formula.

We have an exclusive pipeline for growth with Wexford with two assets under development coming online in 2017 and nine development sites available to satisfy growing demand in research hubs anchored by leading universities. We already have identified one potential new development project adjacent to UPenn Medical, which could get greenlighted soon. We are hopeful we can grow the business like we have with Lillibridge and Atria.

The Ventas people and culture were once again truly exceptional in the Wexford deal. We have always admired the Wexford business and have worked on it many times in the past. So when we were recently presented with the opportunity to acquire it, we were a knowledgeable buyer with an incredibly fast, sophisticated and interdisciplinary team. With our deep knowledge of the business and assets, substantial trust among the players, a good structure, and accommodative capital markets, we were able to execute with excellence.

If luck is what happens when preparation meets opportunity, then Ventas is lucky indeed. Hats off to the team and thanks to the many Ventas investors who participated in our Wexford equity funding in July. We sincerely appreciate your support.

Next, I would like to comment briefly on the investment market. We are remaining highly selective as we consider investment opportunities in the current market. Our cost of capital has improved significantly, but we will only execute on deals we believe will generate reliable earnings growth at an appropriate risk-adjusted return. Thus, our focus continues to be on committing capital to high-quality hospitals, helping our customers grow and funding selective development and redevelopment projects. With the addition of Wexford, we expect our capital allocation to pre-lease university-based development projects to represent a larger percentage of our investment pie. We believe strongly in our ability to invest capital across cycles to create value for our investors and customers. This confidence flows from the combination of our advantaged position within five and soon-to-be six asset classes, our relationships with market-leading customers and platforms, and our team's hard-earned experience and skill.

Before closing, it is worthwhile to spend a few minutes on the macro environment. In the healthcare arena, we see an acceleration of the transition to value-based payment models. Just this week, CMS announced that it will layer on additional mandatory bundling for cardiac care in 2017. This and other developments support our thesis that hospitals are beginning to exert even more influence and post-acute patient care and cost, and that revenue streams for skilled nursing providers will likely remain under pressure in the near term.

In the longer term, diversified post-acute care providers like Kindred who can deliver quality care in a variety of settings, maintain a sound capital structure and adequate liquidity, and enjoy the benefits of scale should have a competitive advantage.

From an economic and market standpoint, we are benefiting from multiple tailwinds that favor our business, including domestic GDP growth that continues to hover in the low single digits; a global thirst for yield; the creation of a new REIT global industry classification; and historically low long-term borrowing rates.

In this environment, US real estate and Ventas should thrive. With our needs-based, demographically driven business model, a superb track record of consistent reliable growth, external investment opportunities, a best-in-class credit profile, a differentiated business mix that is 84% private pay, and a secure, nearly 4% dividend, Ventas should continue to be a magnet for investment dollars.

Now, to talk about our positive quarter, I am happy to turn the call over to Bob.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Thank you, Debbie. I am pleased to report solid earnings growth on an even stronger balance sheet in the second quarter. Let me jump right into the performance of our high-quality healthcare and senior housing properties, which together delivered same-store cash NOI growth of 3.5% for the nearly 1200 assets in the Company's quarterly same-store total portfolio. Performance in the quarter was led by our triple net leased business, which accounts for 43% of our NOI. Triple net reported same-store cash NOI growth was 6.2% in Q2 versus the prior year. Growth in the quarter benefited from a $3.5 million cash fee associated with the previously announced collaborative agreements between Ventas and Kindred. Excluding the Kindred fee, triple net same-store cash NOI grew 4.1% in the quarter, principally reflecting strong in place lease escalations. Cash flow coverage and our overall stabilized triple net lease portfolio for the first quarter of 2016, the latest available quarterly information, improved 10 basis points sequentially to 1.7 times. This strong coverage level reflects the quality of our triple net leased properties and of our operators.

Coverage in our triple net same-store senior housing portfolio remains stable at 1.3 times. Coverage trends were supported by low single digit EBITDARM growth at the asset level for the trailing 12 months. Our decision to spin off the majority of our post-acute portfolio in 2015 continues to be validated. Our remaining post-acute portfolio where SNFs now represent only 4% of our NOI demonstrated market leading same-store cash flow coverage at 2 times in Q1 of 2016.

Finally, Ardent triple net coverage held steady at 3 times and continues to perform well at the assets. Ardent showed positive momentum in top and bottom line key performance indicators in both the first and second quarters. With the strong first half of the year and the majority of lease escalations now in place for 2016, we are pleased to update our forecast for the triple net segment to grow reported full-year same-store NOI in the range of 3.5% to 4%, an increase of 75 basis points at the midpoint.

We are happy to report another solid quarter in our SHOP portfolio, generating Q2 same-store cash NOI growth of 2.1% versus the prior year. This result is right in line with our expectations and reflects our most challenging year-over-year comparison period in 2015. The framework by which we established our SHOP guidance range for the year is holding up very well in both the second quarter and the first half of the year. And with the first half now under our belt, we have performed at the higher end of our guidance range with H1 growth of 2.5% versus prior year on a reported basis.

In the second quarter, as expected, our rate-driven strategy continued to fuel our earnings with REVPOR growth of nearly 4%. Our high barrier to entry infill coastal markets continued to be the engine room of our overall SHOP portfolio growth in the second quarter. These communities, which represent approximately 70% of our SHOP NOI, grew Q2 same-store NOI mid-single digits on continued strong rate growth. Major coastal markets, including New York, LA, and Boston, continue to drive consistently outstanding growth in both rates and NOI in the quarter and the first half.

In select markets, we observed the impact of new construction coming online within our relevant trade areas. In these communities, same-store NOI posted low single digit declines in aggregate, driven by occupancy and wage pressures. Again, this performance is consistent with our framework for the approximately 30% of our SHOP portfolio located in markets with a new construction surplus.

Construction as a percentage of inventory in our trade areas as reported by NIC increased in the quarter by 40 basis points to 4.8%. Importantly, however, the amount of our SHOP NOI that is affected by new supply remains at roughly 30%. We have observed that a significant number of projected openings as reported by NIC have been delayed into 2017, and that anecdotally financing and completing new developments may be getting more challenging.

Overall, we are pleased with our SHOP performance through the first half of the year. We are, therefore, raising our full-year guidance for SHOP reported cash NOI in the full-year same-store asset pool to grow in the range of 1.5% to 3%, up from our 1% to 3% range previously communicated. Strong rate growth on lower year-over-year occupancy led by our high barrier to entry markets is expected to fuel this NOI performance.

Let me close out the segment review with our MOB business, which represents 20% of Ventas's overall NOI. MOB cash NOI in the 353-property, quarterly same-store pool grew nearly 1% in the second quarter and increased 2.3% in the first half. Both the second quarter and the first half benefited from in place rent escalations and continued cost productivity from the Lillibridge platform, partially offset by lower occupancy.

For the balance of the year, we are actively filling the leasing pipeline to backfill budgeted moveouts and to cover increased repair and maintenance costs expected in the back half of the year.

For the full-year 2016, we continue to forecast the MOB segment will grow same-store cash NOI for the full-year asset pool in the range of 1% to 2%.

Turning now to our overall financial results. This was a very busy and productive quarter for Ventas. In the second quarter, we generated strong FFO growth, reduced refinancing risk while capitalizing on favorable market conditions, and further strengthened our credit profile.

First, our earnings growth. Second-quarter 2016 normalized FFO totaled $1.04 per fully diluted share, representing 7% growth on a comparable basis over the second quarter of 2015. This strong year-over-year growth was driven by the carryover impact of 2015 investments, including Ardent, together with new year-to-date investments in 2016 and second-quarter same-store NOI growth.

Ventas made $65 million in new investments in the second quarter of 2016, including $30 million of acquisitions, and $35 million of development and redevelopment spending during the quarter. We strengthened our balance sheet in Q2 through the issuance of a total of 3.5 million shares of common stock under our ATM for gross proceeds of approximately $232 million.

We also capitalized on the strong debt capital markets and took refinancing risk off the table in the quarter. In June, we tendered and ultimately retired in full the $550 million 1.55% senior notes maturing in September 2016. The September note was retired principally through the issuance of a $400 million, 3 and 1/8 seven-year unsecured note. Demand for Ventas's debt offering was very high with the order book 7.5 times oversubscribed.

As a result of this cumulative capital activity during the quarter, we have an even healthier balance sheet and excellent liquidity. The Company's net debt to EBITDA ratio improved from 6.1 times at year-end 2015 to 5.8 times at the end of the second quarter, ahead of our expectations. We have lowered gross debt by nearly $300 million since the beginning of the year. Our fixed charge coverage is exceptionally strong at 4.6 times, and our debt to total capitalization is outstanding at 30%. And we did not stop there.

Following the quarter end, we elected to lock in our attractive return and accretion on the Wexford acquisition through a block equity issuance. Concurrent with deal announcement in early July, Ventas sold 10.3 million shares of common stock for total proceeds of $736 million at an issuance price of approximately $72 per share. We plan to hold the proceeds in cash until the Wexford closing.

The temporary FFO cost of this strategy is $0.01 a month, notably dampening our Q3 FFO per share assuming a Q4 Wexford closing. We believe the short run dilution of pre-funding is more than offset by the longer-term value creation of this strategy. And that is a good segue to our full-year guidance for the Company.

We are updating our normalized FFO per share guidance for 2016 to a range of $4.05 to $4.13, representing 3% to 5% growth over 2015 on a comparable basis. Put simply, the modest $0.02 revision from previous guidance reflects paying $0.04 for the certainty that comes with the Wexford equity pre-funding, as well as Q2 deleveraging, partially offset by the accretive impact of Wexford post-close. Our second FFO per share guidance is expected to be lower than our first-half results, driven by these same factors.

Setting aside capital activity, our underlying same-store portfolio performance is solid. On the heels of a healthy first half, we are raising the bottom end of our total 2016 same-store NOI guidance range by 50 basis points. 2016 same-store NOI is now estimated to grow in the range of 2% to 3%, up from the Company's previous range of 1.5% to 3%.

Our guidance continues to assume 2016 asset dispositions of approximately $500 million, inclusive of $75 million in dispositions closed year to date. No further material acquisitions, dispositions or capital activity are assumed in guidance.

In summary, the entire Ventas team is proud of our productive and strong first half of the year and is committed to sustaining our track record of excellence.

With that, I will ask the operator to please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Juan Sanabria, Bank of America.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Debbie and Bob, maybe you could speak a little bit about RIDEA growth expectations. Your guidance at the midpoint does seem to imply a bit of a deceleration, and maybe if you could just talk about the confidence level within the new range and how you are seeing your rate strategy playing out? It appears to be working in the primary markets, but any change to how that is working out in the other 30%, the secondary and the tertiary markets.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. We will be happy to address our senior housing operating expectations for you.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sure. Well, first of all, we are very pleased, Juan, with the first half. As I mentioned, we expected to have a strong first half and we did, and it really has been fueled by the engine room I keep referring to, those key coastal markets like New York, like LA, like Boston, which have continued to grow mid-single digits.

On the back of that, as you referenced, the rate-driven strategy you see the strongest rates and NOI growth in those markets, and that is very much as expected. So we are really pleased with that.

At the same time, the construction impact, again, very much in line with the initial guidance we gave in February and the framework we put around that. Indeed, the impact of the new units coming online is on the better end of the guidance that we gave in February. And as a consequence, net net net when you step back and look at the portfolio in the first half, 2.5% growth above the midpoint of the guidance towards the higher end. So we feel very good about the first half, and that is the core reason why we are raising the guidance for the back half of the year.

The reason for the range continues to be very consistent with that framework of engine room performance continuing to drive forward a potential variability depending on the impact of new construction. And that is the reason for the range in the back half. But, fundamentally, the confidence in the guidance is solid.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

But do you expect the growth to accelerate or decelerate looking at the third and into the fourth quarter?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Well, look, I think you can see a scenario of, if you stick to what we had in the first half, to get the higher end, again, as we were in the first half. So the lower end of that will be dictated by supply, and the big question is, when are those new units coming online? What does that look like? One of the things we have seen and others have commented on is deferring new units coming online into 2017. That would obviously be good. That gives more time for absorption of existing inventory. And if that were to happen, we expect to be at the higher end. But it really would be a function of when that inventory comes online and what the impact is.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay. Thanks for that. And then, just a second question on dispositions, you still have a share on that left to do relative to the guidance. If you can give us any color on what types of assets you are looking to sell and maybe why the depth of the buyer pools and cap rate expectations? And are you looking to monetize any of those assets in the weaker secondary or tertiary markets?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sure. So we have $500 million in the guidance for the year, as you readily pointed out. $75 million year to date. We feel very confident in that guidance for the year. The markets are good. We have said before and it continues to be true the focus areas include MOBs, some senior housing, and potential loan repayments, and we have line of sight very much for the guidance number of $500 million. Obviously, back-end weighted, so it has an impact in the back end. But feeling good about that guidance number.

Operator

Smedes Rose, Citi.

Michael Bilerman ***Citigroup - Analyst***

It is actually Michael Bilerman here. Debbie, I was wondering if we can talk about Wexford, and you commented having worked on it many times and having a lot of knowledge. And so when you are presented with it, you were able to act fast, and you called out three variables that ultimately led you to win: the trust that you had with the other parties, the structure that you presented, and then accommodative capital markets. And I recognize stars have to align for any deal to occur and you have said that before. How would you rank those three variables as we think about other transactions that could happen? So how important is the capital market side versus the trust that the seller has and the structure that you are creating? How would you weight those and rank them?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, one of the biggest factors, as I mentioned in my remarks, Michael, is that, do we believe that we are entering at a good risk-adjusted return and that the assets are going to produce reliable growth and income? So that is the number one factor in all deals, definitely. And obviously, our funding costs are critical because we are here to add value for shareholders. And so appropriate capital markets is extremely important, and I would say, having a good relationship with Blackstone and the Wexford management team is a helpful facilitative factor in the transaction as well. And the structure is always I would say a helpful factor, but normally it is not this positive. It is really those cash flows. And here, when we look at Wexford and these are new assets or Class A assets and about three-quarters of the NOI is from tenants who have investment-grade ratings, have billion-plus market caps, have AA rated or universities. That, to us, is a really good risk-adjusted return when you are looking at 10-plus a year length of lease maturities.

And so everything came together, I think, in a really positive way. The fact that we have looked at the deal before, I think, really shows our discipline and patience, and that is really how we operate here. And so we are very excited about it, and I hope that answers your question.

Michael Bilerman ***Citigroup - Analyst***

Yes, no, it does. And I was wondering, how would you debate -- there has been some that have sort of compared this to some of the core life science markets where cap rates are in the 4s% to 5s%, and then taking it one step further, if Wexford came in at high 6s%, it has to be lower quality or there has to have much higher risk involved in that portfolio because it is commanding a cap rate that is significantly in excess of where stuff in Cambridge or South San Francisco would trade. How do you defend some of that criticism?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, I would say the following. The Wexford business is a very institutional business. It matches incredibly well with the Ventas business model. And I do think that there is a natural segmentation, frankly, between this part of the business and the Cambridge, et cetera, cluster market strategy. I would say to you that the reliability of these cash flows is extremely high, and they will produce this reliable growth and income that Ventas prizes and that our investors prize. But it is a different game in Cambridge, really, and there's excellent players like Alexandria and Blackstone who will invest in those 4% or 5% cap rate markets and deal with the turnover and all of that. But Wexford fits with the Ventas business model. And that is really the key thing, and it is a very reliable, consistent growth and income with institutional tenants and even cross-selling opportunities with medical assets as well.

So that, I think, if anything, the deal is just a good one for our shareholders, plain and simple.

Michael Bilerman ***Citigroup - Analyst***

Great. And just last one for me. Can you talk a little bit about the Ardent pipeline and where you stand now that the managers are under EIG and where do they stand in terms of growing the platform with you as a capital source? When we should expect additional acquisitions there?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. Well, as you know, we are big believers in the growth opportunity in our hospital business. We are really happy with the Ardent investment and the Ardent management team. It is performing very well. We have said all along that this is a big, long-term secular opportunity, and we want to build a great business here.

We have also said we are going to be very selective and we are. We want high quality with all the characteristics that we've talked about over and over again, and we think we can scale this Ardent business. But it is a business where we will stay selective and, therefore, difficult to predict when transactions will meet the hurdle and we'll have something to announce. But, really, we feel optimistic about the opportunities and feel really good about the Ardent investment and, hopefully, more to follow at the appropriate time.

Michael Bilerman ***Citigroup - Analyst***

Thank you.

Operator

Nick Yulico, UBS.

Nick Yulico ***UBS - Analyst***

I had a few questions on your senior housing operating segment. If I look, your portfolio has been kind of steadily losing occupancy quarter by quarter over the last year, which suggests you probably can't hold rate growth high forever. So you also cited supply being an issue for 30% of your portfolio. So I guess I am wondering, big picture here, how does senior housing growth get better in coming years? It seems like it should be getting worse.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Well, Nick, if I step back, big picture, I will emphasize again the value proposition of senior housing. We are bullish on senior housing. Short-, medium-, long-term, because when you look at the services that seniors get in senior housing communities, economically to replicate that at home is twice as expensive. Not to mention the social benefits of being part of a community, which are proven to be enhancing and extending life. And, therefore, there is a great product offering here where affordability -- importantly, we have affordability, if you look at net worth among seniors, affordability of senior housing is not negating issue. They can afford comfortably on average to enter senior housing.

So that, together with, of course, the aging population, the megatrend of longevity, has a huge tailwind to this business, give me and us confidence in that business.

Now, within that, as you rightly point out, we have been driving a rate strategy in light of that value proposition. We think that is a smart move that really is very much predicated on the annual rent letter. And that increase we saw this year, which was among the highest we have had, has held nicely and is proving out to be a good strategy. At the same time, we are being sensitive to the occupancy impacts, and this is proving out to be a good formula. One that will be dynamic, though, and we will make sure we are managing well because it is a more complex equation between rate and occupancy.

But, nonetheless, again, we like where we are. The strategy is proving out very much in line with where we expect it to be, and then short, medium, long-term, this is a great business.

Nick Yulico ***UBS - Analyst***

Okay. That's helpful, Bob. Just a follow-up is, I think you had said that -- you have been saying that your second quarter was one of your toughest comps. And I wasn't sure if that was due to occupancy or otherwise, but if I look at what you had over 91% occupancy in the third and fourth quarters last year, it seems like you also have some tough comps in the back half of the year. So maybe you can just explain how we should be thinking about your guidance and what it assumes for -- I don't know -- I forget This has been mentioned yet, but occupancy, whether it is sort of declining year over year, if that is built into the guidance in the back half of the year.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Right. Okay. So looking at the guidance for the year in the back half, what we expect to happen is we narrow the gap, if you look year over year, in terms of occupancy relative to the first quarter to the second. That is still lower than last year. We hope to continue to narrow that gap at -- on a full-year basis, occupancy will be below prior year. However, rate, we continue to expect will be strong and to hold with where we are, and that is really important in part to cover costs.

And, therefore, the paradigm of the P&L is one where revenue growth very much in line with expense growth to deliver the guidance we gave for the year. So that is the P&L profile. I think if you look within construction markets, you will see a different dynamic where we still see rate growth, albeit not as strong, and you do see some occupancy pressure. And so for that 30% of the portfolio, you do see a slightly different P&L. But again, because of the engine room, it is more than offset by the key markets to deliver the overall year.

Nick Yulico ***UBS - Analyst***

Appreciate it. Thanks.

Operator

Kevin Tyler, Green Street Advisors.

Kevin Tyler ***Green Street Advisors - Analyst***

The triple net assets, the customer growth that I expect from those more in the 2% to 3% range and you reported 4% in the quarter exclusive of the Kindred fee, it didn't seem like there was a ton of roll or any roll in the portfolio, and I know you mentioned escalations. But can you just explain how you got to 4% and maybe why it is running, at least so far this year above the normalized pace?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sure. I will highlight a few things. One is, we mentioned the Kindred deal that we did in April, which, as part of that, you will recall, we reallocated rent to more productive assets. We saw that in the second quarter. That is a same-store benefit that contributes to the 4% and will continue to do so as that rent, again, was reallocated to assets that could sustain that given the strength of those assets. So that is one driver.

And then, second, we have a couple of higher escalators. We have talked about Holiday, for example, in the past in the senior housing business, which we are seeing the benefit of, again, also expected to continue into the back half when we look at it.

So in place escalators, notably with a few significant drivers, are really what is underlying that, Kevin.

Kevin Tyler ***Green Street Advisors - Analyst***

Okay. Thanks. And holiday rolls off this year, correct?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Our last 4%-ish escalator is in 2016, yes.

Kevin Tyler ***Green Street Advisors - Analyst***

Okay. Thanks. And then, within the triple net bucket, Ardent is certainly a part of that, and CMS was out with some hospital quality star ratings. And just on some quick numbers that I looked at, it looked like the average star rating for Ardent was kind of in the 3 out of 5 range, and I am just wondering how you think about that number, just in general the ratings, but then 3 out of 5 going forward, does it change revenue? Does it have any impact on the way people make their decisions? We are early, but I am just curious thoughts on that.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. Oh, I am so glad you asked that. That did come out this week, and if you eliminate the 20% of hospitals that were not rated and you look at the percentages, Ardent performed well above average and, in fact, in its markets, performed better than the competition.

So we were pleased with the outcomes. I know that the management team there is focused ultimately on certainly having everything 3 and above and, ideally, everything in at least a 4. But that is a rarefied air. So we were happy with Ardent's performance and particularly in its market that it is outperforming the competition on quality ratings.

Kevin Tyler ***Green Street Advisors - Analyst***

Okay. Thanks. And then, the last one I had, Bob, just going back to SHOP for a second, on the other more tertiary markets, the 500 bps of occupancy decline was higher than I would have thought. And I am just wondering, is there anything more than just supply, or is it really supply specific? It sounds like you are attributing most of it to the new competition, but is there any operational missteps or anything operator specific that might be in there as well?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Kevin, because we are very transparent in almost all -- virtually all of our SHOP assets are in same-store, there is a redevelopment asset that is bringing down that number, which is the principal driver as it goes through significant redevelopment. And, of course, redevelopment can both suppress as well as over time increase same-store performance. So that is what is really happening there.

Bob Probst ***Ventas, Inc. - EVP and CFO***

And it is such a small pool, Kevin, that it really stands out on the page. And we saw the opposite to Debbie's point last year where we had a ramp-up in one of the redevelopments that really flattered that segment. So you will see ebbs and flows in that bucket simply by size.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. It is a tiny pool.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Redevelopment is a very small pool.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. It is a tiny pool.

Kevin Tyler ***Green Street Advisors - Analyst***

Okay. I guess I was under the impression that most of the major redevelopment was on the Atria assets in SHOP, but is there more going on beyond that? Is that what you are -- ?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, that is an Atria asset in SHOP.

Kevin Tyler ***Green Street Advisors - Analyst***

Okay.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

It is in Cape Cod, which is considered by the MSA nomenclature to be a tertiary market.

Kevin Tyler ***Green Street Advisors - Analyst***

Got it. Okay. Thanks for the color.

Operator

Rich Anderson, Mizuho Securities.

Rich Anderson ***Mizuho Securities - Analyst***

Great quarter. Is the risk of a SHOP going negative off the table now as you see it today? SHOP NOI growth; same-store NOI growth.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Our guidance would certainly suggest so.

Bob Probst ***Ventas, Inc. - EVP and CFO***

The math of the guidance, Rich, would say it is going to grow in the back half, and certainly our experience in the first half supports that. Again, because of the quality of the high barrier to entry markets and their momentum. So that is why we raised the lower end of the full year.

Rich Anderson ***Mizuho Securities - Analyst***

I'm thinking further out, though, disruption 2017, 2018, anything. I mean, so that is the conversation.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

We will be excited to give you 2017 guidance as soon as we can.

Rich Anderson ***Mizuho Securities - Analyst***

Okay. Debbie, do you have an opinion today as you see it, if the new cardiac bundling programs would be more or less damaging to the skilled nursing business versus CJR?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, that is a loaded question. I would say you wrote an interesting note on that. And I did mention that the value-based payment -- the transition to value-based payments is accelerating with the addition of this new cardiac bundle that is going to be mandatory in, I think, 98 markets in 2017 on top of the CJR. We don't even know what markets the 98 are yet, and so there is a limited amount of clarity we can provide.

But overall, the bundling initiatives, which will continue to come as part of the evolution of the healthcare system, in general, should favor high quality hospitals, and, while longer-term may present opportunities for the winners in skilled nursing, in the near term will likely create some pressures on the business. In terms of quantifying it, again, too early to say. It is even too early to say on the CJR because we have only been in it since April.

Rich Anderson ***Mizuho Securities - Analyst***

Okay. Fair enough. And then last question for me on Wexford. So you mentioned 10% market share. So you expect to just traffic in that corner of life science, a.k.a. university type business, or do you see yourselves also kind of trafficking in the more conventional space like the research hubs of Boston and San Diego and so on?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. Well, one direct answer and one clarification. We are focused on building the university-based institutional part of that business, which is really Wexford's core business, and they are far and away the leader in that market. So a great brand, trusted developer, and we believe there is opportunities there to grow that business and have some on the drawing board now, as I mentioned. And that is really where we are going to focus.

And the clarification is that these 11 universities that we are already doing business with in the Wexford portfolio -- so 11 universities that are tenants, they account for 10% of all university life science R&D spending, which is amazing when you think about it, that this pool of tenants that accounts for 10%. So our strategy will really be to grow with those leading research universities and then, also, kind of target the next 20 or so institutions in terms of research and development.

So we think we can grow with the tenants we have, and we have those development sites, most of which are in those markets. And then, we also have additional institutions that are top-tier research universities that we would hope to grow with as well.

Rich Anderson ***Mizuho Securities - Analyst***

Okay. Just one quick one. Do you ever intend to bring in the management function as well, like you have with Lillibridge and so on and fully run it, or are you satisfied with the current structure long-term?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

We are actually pleased with the structure, and we have a great example of that in our PMB relationship in medical office. Because it is really a really high quality development platform that we have exclusive relationships with to fund and own preleased premier projects like the Sutter building in California that we are building in downtown San Francisco. So we see Wexford very similar to that, and we think it is a great structure that works for both sides and has worked well for us in the past.

Rich Anderson ***Mizuho Securities - Analyst***

Great. Thank you very much.

Operator

Jordan Sadler, KeyBanc Capital.

Jordan Sadler ***KeyBanc Capital - Analyst***

So, on Wexford, similar -- just a follow-up there. How is the exclusive going to work with the Wexford platform? Meaning will the yields on acquisition be similar to what you paid, or do you take any development risk at all?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

It will be, again, yes, similar to what we have with PMB and very straightforward, which is, when Wexford has projects, we will work on them together. We have the exclusive rights to fund and own them on market terms.

Jordan Sadler ***KeyBanc Capital - Analyst***

Okay. So each asset would be negotiated, individually.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Yes. I mean, we would expect to have, like we do with PMB, development profits in the deals that we would do with Wexford.

Jordan Sadler ***KeyBanc Capital - Analyst***

Okay. So that infers that the returns would be better than the stabilized cap rate that you guys paid for the in place portfolio.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

In general, yes, but, of course, if it were fully preleased to a AAA credit, I mean, that would be one thing. And if it were -- it is just like any other type of deal that you look at. It will be market based, and we will gain the benefits of a substantial amount of the development process.

Jordan Sadler ***KeyBanc Capital - Analyst***

So you would buy something that was non-stabilized and let them lease it up, like if it had an anchor tenant, for instance.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, honestly, it is like everything else. For example, we are developing this premier MOB in downtown San Francisco that is anchored by a AA rated credit Sutter Health, and we make a decision on that with X amount of pre-leasing based on our expertise, knowing that that -- and this is why the businesses are very similar. You have strong institutional support from AA rated institutions for a big component of the building, and that anchor tenant drives the demand for the building to fill in the spaces that are not preleased by that institution. It is exactly parallel. And so every deal is different with PMB, and every deal will be different with Wexford. But we are very excited about the prospects and, as I said, have some things on the drawing board that we think are very attractive.

Jordan Sadler ***KeyBanc Capital - Analyst***

And how does the Wexford portfolio in that business rollup within the organizational structure at Ventas? Is that going to be under the MOB Lillibridge umbrella or other?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

It will be its direct line.

Jordan Sadler ***KeyBanc Capital - Analyst***

Okay. Thank you. One clarification. And this -- on the SHOP portfolio, REVPOR it sequentially looked like it was flat or maybe down a little bit. Is there anything going on in that? I know that the increases in the portfolio and rate came through, I think, in the first quarter, but anything that would have driven it to be flatter as opposed to rising?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Yes. It is flat, as you say, sequentially and up approximately 4% year over year. The big benefit of the rate bump happens in the first quarter where the majority of the increase comes. And then if you look at -- typically, you will see some small drift from there, just to the dynamic of move-ins and the acuity associated with that. So I wouldn't really read into anything there.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

It is normal.

Jordan Sadler ***KeyBanc Capital - Analyst***

Okay. Thank you.

Operator

Michael Carroll, RBC Capital Markets.

Michael Carroll ***RBC Capital Markets - Analyst***

With regards to the Wexford platform, Debbie, I know you highlighted several near-term development opportunities that you guys are tracking. But how many projects that you comfortable pursuing at once with that platform right now?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Like everything else, it will be a function of what is available and will be opportunistic, and we will -- we are a large company. I mean, we are a $36 billion, $37 billion company. So if any one project is $100 million, $150 million, I think we could certainly manage multiples at one time, assuming we think that they meet our risk-adjusted return expectations.

So I like the idea. Unlike a big office building, for example, you're going to have basically uncorrelated assets under development at one time. You might have one with a Washington University or one with a UPenn or something like that, and so this would be uncorrelated. But we are large enough and have the financial strength and flexibility to do multiple projects at one time.

Michael Carroll ***RBC Capital Markets - Analyst***

And given the growth prospects that you are tracking right now, how big do you think you can grow that platform over the next three to five years?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, we want to be reasonable about the expectations. We are very optimistic about it, but we would imagine that in five years, it could be anywhere from 1.5 to 2 times. We have certainly scaled the Atria and Lillibridge businesses. But it is always a function, again, of what the opportunities are presented and whether they meet our capital allocation discipline and whether we think they are going to make money for shareholders.

Michael Carroll ***RBC Capital Markets - Analyst***

Okay. Great. Then, the last question, can you give us additional color on the Company's investment outlook outside of Ardent and Wexford? I mean, what is your specific strategies right now in the MOB and the senior housing spaces?

John Cobb ***Ventas, Inc. - EVP and Chief Investment Officer***

This is John Cobb. I see, we have been very disciplined on how we have approached it. We have looked at the hospital space, like you said. We have looked at now the life science space with Wexford. But we're also focused growing with customers, and you saw the three deals this past quarter. We did two deals with Lillibridge and one with PMB, and we are focused on growing with our customers and doing some development and redevelopment.

Michael Carroll ***RBC Capital Markets - Analyst***

So then the MOB and senior housing investments will be more smaller transactions with your existing relationships?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

It depends on the opportunities. Of course, we want to help our customers grow. We want to be help them do tuck-ins and fill in markets and so on. And, in addition --

John Cobb ***Ventas, Inc. - EVP and Chief Investment Officer***

Yes. I think if we saw a Class A portfolio that had -- where we had a Ventas advantage, we would be aggressive, if it made sense for us and our customers.

Michael Carroll ***RBC Capital Markets - Analyst***

Great. Thank you.

Operator

John Kim, BMO Capital Markets.

John Kim ***BMO Capital Markets - Analyst***

Last year and again today, you made a very solid case about hospitals becoming a big opportunity for your Company, and then you sort of pivot with the acquisition of Wexford. Can you elaborate on how difficult it is to source high-quality hospitals, especially when you are competing against the Communitys and HCAs of the world?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

We feel very optimistic about the longer-term opportunities to scale Ardent and build a high quality hospital business. The sector is gigantic. It is a $300 billion-plus space. It is consolidating. And, importantly, I truly believe, in my nerdy University of Chicago way, that assets will flow to the most efficient owners and that we are in such an efficient owner with significant expertise.

And so I feel very confident about it, and we are working hard on it. All investments are really based on opportunity sets, though, and we have said over and over that in the hospital business in particular, we will be selective on quality. And so the thesis remains intact. In fact, it continues to be very exciting to us, and it is really a matter of time, I think, which is a little bit more unpredictable. But we feel good about it.

John Kim ***BMO Capital Markets - Analyst***

Okay. And then in terms of dispositions, can you comment on what you are seeing in terms of pricing in the private market? Historically, healthcare REITs have been price setters, and it seems like this year your cost of capital has improved, but you are also being a little bit more disciplined. So what are you seeing as far as the private market buyers?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Heck, we have always been disciplined. There is a deep market with new entrants who, once you invest in medical office and senior housing, they are very financeable assets. And the good thing, as you point out with our cost of capital and just our overall strength of our business, is that we are sellers by choice.

So what we are trying to do is create options in terms of sale and continue to refine our portfolio and do some routine capital recycling. And so I think that is all to the good. And so we feel right on track with our guidance and feel confident about the market for those assets.

John Kim ***BMO Capital Markets - Analyst***

I may have missed this, but did you provide a guidance on cap rates on your dispositions?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, it really depends. As I said, we are sellers by choice, and so we have a pool of opportunities that we can decide whether to do or not. And so the cap rates will depend on what we decide to ultimately pull the trigger on in terms of disposition.

John Kim ***BMO Capital Markets - Analyst***

Okay. And then, a final question on your SHOP guidance. Today, we got a weak GDP print of just 1.2%, which is good for your share price, I suppose, but probably challenging for the environment overall fundamentals. What happens to your strategy if we enter into a zero growth or recessionary environment, and is that factored into your guidance at all?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Right. We are in a relatively Goldilocks environment for REITs in general, I would say, and for Ventas in particular as I mentioned. We have been in this slow growth in the US economy for a while, that what I would say is that in the financial crisis and recession, senior housing was the only real estate asset class that continued to show positive NOI growth. Our business -- our guidance is based upon a continued low single digit GDP growth. However, what I would say is, because of our long-term leases, if you look at the kinds of things we are doing with Wexford, if you look at our business mix and our business model, we have inelastic demand, growing demographics, long-term leases with escalations, where our business really should and has in the past in recessionary environments, continued to produce reliable income, and I would expect that going forward.

John Kim ***BMO Capital Markets - Analyst***

Agreed. But the last recession you were mostly triple net, and this time around you have a higher percentage of operating portfolio assets. So I'm just wondering in this -- if we enter a recession time this period, how confident are you that that part of your portfolio is going to be resilient?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

I think resiliency is exactly the right word, and I think that what Ventas continues to offer to investors, which is highly valuable, is a very protected downside on cash flows with significant upside from internal and external growth. And that is more valuable now than ever.

John Kim ***BMO Capital Markets - Analyst***

Great. Thank you.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Okay. We have time for a couple more.

Operator

Chad Vanacore, Stifel.

Chad Vanacore ***Stifel Nicolaus - Analyst***

So, looking at your SHOP portfolio and digging a little deeper, it looks like there is a much greater decline in the secondary markets. Now, would you classify those as higher candidates per disposition, or would you expect those operations to turn around?

Bob Probst ***Ventas, Inc. - EVP and CFO***

I think if you step back, there is a strong correlation, as I describe our engine room markets versus those that have some construction exposure, there is a high correlation between primary and secondary markets. Now the performance you see in the secondary market does have a number of those supply challenge markets in it. Witness Indianapolis and Knoxville, for example, to take a couple specifics, whereas the primary markets I talk about in New York and LA and Boston all the time, clearly those aren't primary.

If you step back, I think from a portfolio point of view, that is a little bit of an artificial segmentation that is really NIC driven. We step back and like our portfolio and are looking at ways to be able to, for example, help Atria continue to drive operational excellence, help invest behind that, help them build scale, and even in some of these markets, we continue to see that we gain share in those markets because we have great assets that are run really, really well. So it is not a matter of reacting to the here and now, but thinking about how I can grow short, medium, and long term, and we have not only the assets but the operators to do that.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. So not really candidates for disposition. You think that those operations will turn around.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, everything is a candidate for disposition. And, as I have mentioned with the portfolio that we have, we want to continue to think about where we can optimize the portfolio, where we can recycle capital, and we want to optimize that. And so we review the portfolio on a regular basis and think about the best ways to create pools of potential disposition candidates, and I would say SHOP and MOBs are in that pool, along with loan repayments, as Bob mentioned. And so I would just think about it that way.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. And then, I forgot -- either Michael or Jordan had asked about priorities for acquisitions. I might have missed that. Would you say hospitals first and foremost and then some life science expansion, or how would you rank order your assets priority?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

In no specific order, I would say, as John mentioned, helping customers grow and being a good partner, development and redevelopment, which will be with Wexford, with Atria, et cetera, with Sutter, and PMB and then putting capital to work, supporting Ardent's growth within the hospital space. So those are key capital allocation priorities.

Chad Vanacore ***Stifel Nicolaus - Analyst***

I don't want to make you choose amongst your children, but where do you think the most compelling returns are right now for you?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

I am not going to choose between my children. So let's take that another time, and we will go to our last question. Thank you.

Operator

Tayo Okusanya, Jefferies.

Tayo Okusanya ***Jefferies - Analyst***

I will try not to hold us up for too long. (multiple speakers) A quick one just around Wexford on financing. I know we have the equity bit in place. How should we be thinking about the debt piece of that transaction?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Well, there's two pieces to that equation. One is certainly debt and the other are dispositions, both of which are going to cover the balance. So we did obviously do $750 million on the pre-funding, and the balance will be split between those two.

Tayo Okusanya ***Jefferies - Analyst***

Got it. Any sense of timing when the long-term financing will be locked in?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

About the time of the closing, which we estimate to be in the fourth.

Tayo Okusanya ***Jefferies - Analyst***

Okay. Perfect. And then the second thing, Debbie, what are your thoughts right now just around the UK in general, especially on the senior housing side?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, we have a very small investment in UK senior housing. The assets are performing as we expected. We like our partner there. We continue to look at opportunities in the UK. The regulatory and operational environment there has been challenging for the operators, and so we are continuing to do work, and that is how we feel about it. We like our investment. It is small. We are glad we have a presence in the market that enables us to be opportunistic and knowledgeable as I mentioned before, so that is how we are thinking about it.

Tayo Okusanya ***Jefferies - Analyst***

When you see the regulatory side has been challenging, can you expand on that a little bit?

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

Well, there's new staffing roles rules and things and enforcement activities of that staffing that have increased costs, and the operators are getting kind of up the curve on that. And that is what I mean.

Tayo Okusanya ***Jefferies - Analyst***

Okay. Great. You guys keep fighting the good fight. Well done.

Debra Cafaro ***Ventas, Inc. - Chairman and CEO***

We care about our investors, and I would just like to close by saying that we know that demand for healthcare and senior housing products and services is going to increase exponentially as people live longer and our aging population grows. With our diverse high quality portfolio, our leading platforms for growth, and our cohesive team, we believe that Ventas and our shareholders will benefit from this wave of oncoming demand and increasing life expectancies. We really appreciate your time and interest in our Company, your continued support of the Company, and nothing makes us happier than making money for you.

So, thank you, again.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone, have a wonderful day.

THOMSON REUTERS

EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Ryan Shannon *Ventas, Inc. - Manager, Financial Planning & Analysis*
Debra Cafaro *Ventas, Inc. - CEO*
Bob Probst *Ventas, Inc. - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

Juan Sanabria *BofA Merrill Lynch - Analyst*
Smedes Rose *Citigroup - Analyst*
Tayo Okusanya *Jefferies LLC - Analyst*
Rich Anderson *Mizuho Securities Co., Ltd. - Analyst*
Michael Knott *Green Street Advisors - Analyst*
John Kim *BMO Capital Markets - Analyst*
Jordan Sadler *KeyBanc Capital Markets - Analyst*
Chad Vanacore *Stifel Nicolaus - Analyst*
Michael Carroll *RBC Capital Markets - Analyst*
Vincent Chao *Deutsche Bank - Analyst*
Nick Yulico *UBS - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the quarter three 2016 Ventas earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session, and instructions will follow at that time. (Operator Instructions) As a reminder, this call is being recorded. I would now like to introduce you for your host for today's conference, Mr. Ryan Shannon with investor relations. Sir, you may begin.

Ryan Shannon ***Ventas, Inc. - Manager, Financial Planning & Analysis***

Thanks, Donovan. Good morning and welcome to the Ventas conference call to review the Company's announcement today regarding its results for the quarter ended September 30, 2016. As we start, let me express that all projections and predictions and certain other statements to be made during this conference call may be considered forward-looking statements within the meaning of the federal securities laws. The Company cautions that these forward-looking statements are subject to many risks, uncertainties, and contingencies, and stockholders and others should recognize that actual results may differ materially from the Company's expectations, whether expressed or implied.

Additional information about the factors that may affect the Company's operations and results is included in the Company's annual report on Form 10-K for the year ended December 31, 2015, and the Company's other SEC filings. Ventas expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any changes in expectations.

Please note that quantitative reconciliations between each non-GAAP financial measure referenced on this conference call and its most directly comparable GAAP measure, as well as the Company's supplemental disclosure schedule, are available in the investor relations section of our website, at www.ventasreit.com. I will now turn the call over to Debra A. Cafaro, Chairman and CEO of the Company.

Debra Cafaro ***Ventas, Inc. - CEO***

Thank you, Ryan, and good morning to all of our shareholders and other participants, and welcome to the Ventas third-quarter earnings call. We are delighted to report on our strong financial results, brought to you Courtesy of the Ventas Advantage: our excellent people, platforms, and properties.

Today I will also discuss our closed and pending major transactions and provide an overview of economic and market conditions. Because we've been so productive, there's a lot to cover. Following my remarks, Bob Probst will review our segment performance, financial results, and full-year expectations. After that we will welcome your questions.

Leading with results, this quarter we delivered $1.03 in normalized FFO per share, representing 5% year-over-year comparable growth. We also demonstrated capital markets excellence and positive trends in our credit profile. As a result, we are also pleased to improve our full-year normalized FFO per share and same-store NOI guidance.

Our strong and consistent performance is fueled by our market position at the exciting intersection of healthcare and real estate, two large and dynamic industries with powerful fundamentals and growth prospects. Recent activities continue to demonstrate that we are executing on our strategy, allocating capital wisely, and doing what we say -- a Ventas hallmark. We have built an exceptional enterprise that continues to deliver reliable growth and income from a high-quality diverse portfolio on a strong balance sheet.

Our innovations over the years, and especially the spinoff of most of our skilled nursing assets and other developments since the third quarter of 2015, have produced a differentiated business mix and put us in a great position for continued success. Let me highlight just a few of the platforms and properties that are driving our positive outlook.

First, during the quarter we closed on our exciting and accretive $1.5 billion acquisition of institutional-quality life science, innovation, and medical real estate leased by top universities, academic medical centers, and research companies. Our new tenants include Yale, UPenn Medicine, and WashU.

Like other areas of our business, our tenants are market leaders, accounting for fully 10% of all university life science research and development spending in the US. This investment represents a great entry into the large and growing healthcare-related R&D space. It adds an adjacent business line to Ventas that further diversifies our portfolio and cash flows. At a 6.8% going-in cash yield for the 23 class A operating properties, we are delighted the Wexford investment.

We are also benefiting from an exclusive development pipeline with Wexford. There are two assets already under development in the portfolio, anchored by Duke and Wake Forest, and nine development sites for future growth. We are already making progress on a high profile potential new development project adjacent to UPenn Medical. This demonstrates the attractive growth opportunities that should flow from combining Ventas is capital with best-in-class developer Wexford.

Likewise, our investment in Ardent has proven to be a channel for growth. Last year during the third quarter, we closed our acquisition of Ardent's hospital real estate and articulated a vision for building a formidable, high-quality hospital business in this large, dynamic base.

We chose Ardent as our beachhead investment because it is a winner and potential consolidator with its good hospitals, significant market presence, attractive payor mix, good quality of care, and strong margins. We also designed a growth strategy that's focused on scaling Ardent's experienced management team and strong infrastructure.

At that time we identified some desirable acquisition targets and legacy hospital partners for LHP, who's at the top of the list because it shared these desired characteristics. We are now happy to say that Ardent has inked a deal to acquire LHP, just like we drew it up on the board.

As healthcare's premier capital provider, Ventas is fueling Ardent's growth by providing a $700 million secured loan, enabling Ardent to acquire LHP. This deal is attractive both financially and strategically for all Ardent partners and shows our continued ability to align with market leaders to support their growth.

Financially, the loan will be accretive to Ventas's 2017 earnings, with a going-in floating interest rate of approximately 8%. Ardent will remain financially strong and expects to achieve significant synergies. We are happy to say that Ardent continues to perform very well on its base business through the third quarter.

Strategically, the LHP acquisition expands Ardent's existing business by 50%, making it the second largest privately owned hospital company in the US, with annual pro forma revenues of $3 billion and major market share in its diversified locations. It also provides Ardent with very valuable partnerships with top not-for-profit health systems and academic medical centers. As a result, the LHP hospitals enjoy strong brand recognition, clinical integration, good markets, and favorable payor relationships. We expect the Ardent LHP deal and our loan to close in the first quarter of 2017, subject to customary regulatory and other conditions.

Ventas is committed to being a positive influence in our industry, to maintaining strong relationships with the nation's leading providers of care, and to working collaboratively with them to create value. Recently, across our business lines, we've made good progress advancing our customers' interests in areas important to them.

Here are a few examples. First, we recently reached mutually beneficial agreements to modify our decade-long agreement with Sunrise Senior Living. In short, we provided long-term stability in the management contracts with Sunrise, and Sunrise agreed to reduce the management fees we pay under those agreements on a permanent basis.

Other changes to the agreements align the companies toward profitable growth and enable Sunrise and its dedicated on-site employees to focus on providing superior services to seniors and their families. We also entered into a new multi-year pipeline agreement with Sunrise, giving Ventas the right to fund a pool of new Sunrise round-up developments.

Second, we have also reached agreements with various customers to cooperate with them on modest asset sales or asset buybacks. These included the recently completed sale of seven long-term acute care hospitals, or LTACs, with Kindred to a new operator and a pending disposition of 11 non-strategic senior living assets with Brookfield.

This approach can give the care providers operating flexibility and higher cash flows and also enable Ventas to recycle capital into attractive development, redevelopment, or acquisition opportunities. We are committed to finding ways to support our customers' efforts to improve their own results and performance in ways that also benefit our portfolio and protect Ventas shareholders.

As a result of our portfolio performance and accretive acquisitions, we drove good cash flow from operations this quarter, too, enabling us to pay our investors a strong and secure dividend of over 4%. We expect our Board to increase our dividend in the fourth quarter of 2016.

When we look at the investment market, we continue to see attractive opportunities, but we remain highly selective. We focus on deals that will generate reliable cash flow and cash flow growth at an appropriate risk-adjusted return.

Our capital allocation is also strategic, emphasizing sectors with upside and situations like Lillibridge, Atria, Wexford, and Ardent, where significant future growth potential exists from consolidation and/or development. Our ability to invest capital across cycles to deliver value to our investors comes from the combination of our advantaged position within six asset classes or verticals, our strong relationships with market leading customers and platforms, and our team's hard-earned experience and skill.

The macro environment on balance continues to be favorable, including GDP growth in the 2% to 3% range and a global thirst for yield that is accelerating foreign investment into US real estate. While the expectation of higher interest rates can initially dampen enthusiasm for REITs and real estate, we are still enjoying the benefit of incredibly low long-term borrowing rates, reasonable job growth, rising household income, low inflation, and improving corporate confidence, as expressed in surging M&A activity. Hopefully we will also have certainty about the election soon.

All of these conditions should be positive for commercial real estate fundamentals and growth. At Ventas, with our needs-based, demographically-driven business; a superb track record of consistent, reliable growth; external investment opportunities; a terrific credit profile; and an advantaged business mix, we should continue to thrive.

Finally, the third quarter marked the anniversary of our Ardent deal and the successful spinoff of most of our skilled nursing facilities. When I reflect on the tremendous improvement in our enterprise since then, I really like what I see.

Compared to the third quarter of 2015, we still generate over $2 billion in annualized NOI. Our assets are higher quality, our business is more diverse, our cash flow is robust and even more reliable, and most of our business is with the nation's leading care providers and research institutions. And we enjoy multiple channels for growth. We are also lucky to have a best-in-class team that truly enjoys working together for the benefit of shareholders.

Now, to talk about our positive quarter, I'm happy to turn the call over to our CFO, Bob Probst.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Thank you, Debbie. The third quarter was representative of the hallmark of Ventas's performance for over a decade: strong earnings growth on an even stronger balance sheet. And on the back of that performance, we are pleased to update and improve our guidance for both FFO and same-store NOI for the full-year 2016.

Before I get to our overall financial results and guidance, let me start by reviewing the performance of our high-quality healthcare and senior housing properties, which together delivered same-store cash NOI growth of 2.4% for the nearly 1,200 assets in the Company's quarterly same-store total portfolio. Performance in the quarter was led by our triple net leased portfolio, which accounts 42% of our NOI. Triple net reported same-store cash NOI growth was 4.2% in Q3 versus the prior year, driven principally by strong in-place lease escalations.

Cash flow coverage in our overall stabilized triple net lease portfolio for the second quarter of 2016, the latest available quarterly information, was strong and consistent with prior quarter at 1.7 times, reflecting the quality of our triple net leased properties and of our operators. Coverage in our triple net same-store senior housing portfolio remained at 1.3 times. Coverage trends were driven by low single-digit EBITDARM growth at the asset level for the trailing 12 months.

Our shareholders continue to benefit from our decision to spin off the majority of our postacute portfolio in 2015, and SNFs now represent only 4% of Ventas's NOI. Cash flow coverage in our stabilized postacute portfolio is 1.9 times. This rent coverage level, though a decline of 10 basis points sequentially, is still best-in-class among peers, as skilled nursing operators remain under pressure.

Finally, Ardent continues to go from strength to strength, delivering continued positive momentum in top- and bottom-line key performance indicators. Adjusted admissions, revenue, and EBITDA have continued to trend favorably through the third quarter. With solid year-to-date performance, we expect our triple net segment to deliver toward the midpoint of our 3.5% to 4% full-year 2016 same-store NOI range.

Moving to our SHOP portfolio: before we jump into results, I'd like to take a moment to reflect on the value of senior housing through the lens of Hurricane Matthew in the Southeast United States. Our leading operators took every precaution and ensured the seniors in our communities were safe and secure as the hurricane approached -- including stockpiling food, supplies, and fuel for generators. Staff members went above and beyond to make the residents' safety their number one priority, often staying overnight and supporting sister communities in the area.

The support that our seniors received before, during, and after the hurricane highlights the value of senior housing: dedicated staff and resources, peace of mind, safety and security, and a sense of community even in the most challenging situations. All of us at Ventas thank our senior housing operator teams for their continued skill and commitment to seniors and their families.

Let's turn to the Q3 SHOP results. The framework by which we established our SHOP guidance range for the year continues to hold up well. Our SHOP portfolio delivered a solid quarter, generating Q3 same-store cash NOI growth of 2% versus the prior year.

Rate showed continued strength, growing 3.6% in the quarter versus 2015. Additionally, same-store occupancy grew 60 basis points sequentially, while the year-over-year occupancy shortfall narrowed to 30 basis points.

Operating expenses rose nearly 5%, driven by upward wage pressures, tempered by the lower fees from the new Sunrise agreement. The positive impact specifically of the permanent reduction in Sunrise management fees is approximately $1 million per quarter effective July 1, 2016, and therefore benefited third-quarter results.

Our key coastal markets, such as New York, LA, and Boston, continued to be the engine room of our overall SHOP portfolio growth in the third quarter. Our high barrier to entry infill communities overall represent approximately 70% of our SHOP NOI and grew Q3 same-store NOI mid-single digits on continued strong rate growth.

Also notable was the strong top- and bottom-line performance in the quarter of our Canadian portfolio, driven by very positive results from Atria's integration of the Canadian assets we acquired in 2014 and from our high-quality Sunrise Canada portfolio.

Throughout 2016, we have consistently discussed our framework in regards to the impact of new supply on performance. This framework continues to be valid through the third quarter. Our NOI exposure in markets with a new supply surplus continues to represent 30% of our SHOP portfolio. And consistent with the framework and initial guidance range we established at the start of the year, our same-store NOI in Q3 in these communities declined mid-single digits in aggregate. When combined with the mid-single-digit growth from the 70% of our portfolio in high barrier markets, we blend to the 2% overall same-store NOI growth in the quarter.

We also continue to see the positive growth impact of redevelopments overall on our results. As a reminder, virtually all of our SHOP assets are in the same-store pool, including redevelopment properties, which can both suppress as well as increase same-store performance over time, depending on stage of completion of the redevelopment.

This is evident in the performance of a small pool of assets in the tertiary markets in the quarter, where the disruption from a full-scale redevelopment in Cape Cod impacted growth. For the full-year 2016 we are trending toward the midpoint of our full-year SHOP guidance range of 1.5% to 3% same-store NOI growth for the full-year same-store pool.

Looking ahead to 2017, we are working in close collaboration with our operator partners as they set the annual rate increases for existing residents for next year. We are encouraged by the continued pricing power in our portfolio and the clear value proposition of senior housing, as Hurricane Matthew demonstrated. Further, we continue to believe strongly that the leading operators and the best assets will continue to outperform, and we like our position.

We are excited to round out the segment review with our newly renamed office operations reporting segment, which now includes our medical office business as well as our newly acquired life science and innovation centers. Taken together, these new assets now represent approximately 25% of Ventas's annualized NOI. In our supplemental reporting this quarter, you will be able to find further details behind the office operations segment.

We are pleased with the early performance of our life science acquisition, which closed in September. The 23 operating assets are performing well and in line with underwriting. The two development assets underway are on schedule, and we see exciting growth potential in the pipeline of future new developments.

In our medical office business, cash NOI in the 354-property quarterly same-store pool increased modestly in the third quarter, consistent with our expectations. Third-quarter results were driven by rate growth from in-place rent escalations, mostly offset by lower year-over-year occupancy resulting from expected move-outs, as well as the timing of repair and maintenance spend.

We continue to make progress on filling the leasing pipeline. Therefore, for the full-year 2016, we expect the MOB business will also trend toward the midpoint of our 1% to 2% same-store growth guidance range for the full-year asset pool.

Turning to our overall financial results, in the third quarter we delivered superior earnings growth and balance sheet strength, supported by terrific capital markets execution. First, our earnings growth: third-quarter 2016 normalized FFO totaled $1.03 per fully diluted share, representing 5% growth on a comparable basis over the third quarter of 2015. The strong year-over-year growth was driven by accretive investments, together with third quarter same-store NOI growth.

Ventas made over $1.5 billion in new investments in the third quarter of 2016, principally for the 25 life science and innovation centers managed by Wexford. During and following the quarter, in order to fund Wexford, we issued over $900 million in equity at an average gross price exceeding $73 per share. This included a block issuance in July for approximately $750 million as well as over $175 million of new ATM issuance in the quarter.

We also made progress in our capital recycling program, realizing nearly $200 million in aggregate gross proceeds during and immediately after the quarter, principally from loan repayments. The Company's normalized FFO results in the third quarter benefited by $0.02 per share from receipt of a net fee associated with repayment of loans in the quarter. Our year-to-date share of proceeds from asset sales and loan repayments now totals nearly $275 million, and we have line of sight for the $500 million of full-year gross proceeds included in previous and current guidance.

To round out the capital activity in the quarter, we also issued our best 10-year bond in the Company's history, raising $450 million of 10-year senior notes at an all-in effective yield of 3.22%. This represented the lowest spread to treasuries and the lowest [dollar] 10-year rate in Ventas's history.

In addition, the issuance was in very high demand, demonstrating strong investor confidence in Ventas's financial strength. The outstanding capital markets activity during the quarter ensured that our balance sheet and liquidity grew even stronger. The Company's net debt to EBITDA ratio has held steady at 5.8 times at the end of the third quarter. Our fixed charge coverage grew to an exceptional 4.7 times; our debt to gross asset value improved to 39%; and our secured debt to total indebtedness reached 6%.

Let me close out the prepared remarks with our revised full-year guidance for the Company. We are updating and improving our full-year 2016 normalized FFO per share guidance to now range from $4.10 to $4.13, up from previous guidance of $4.05 to $4.13, an increase of nearly $0.03 at the midpoint. The new guidance represents 4% to 5% growth in normalized FFO over 2015 on a comparable basis. Our improved guidance range is a result of solid year-to-date portfolio performance, closed accretive acquisitions, and excellent capital markets execution.

On the heels of positive year-to-date portfolio performance trends, we are also raising the lower end of our total 2016 same-store NOI guidance range by 50 basis points. 2016 same-store NOI is now estimated to grow in the range of 2.5% to 3%, up from the Company's previous range of 2% to 3%.

Our guidance continues to assume 2016 asset dispositions of approximately $500 million. We assume the loan to Ardent to fund the LHP acquisition closes in Q1 of 2017, and therefore is not included in our 2016 guidance. No further unannounced material acquisitions, dispositions, or capital activity are assumed in guidance.

In summary, the entire Ventas team is pleased with our highly productive third quarter and our track record of sustained excellence throughout 2016. With that, I will ask the operator to please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Juan Sanabria, Bank of America.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

I was just hoping you could talk a little bit about the Sunrise agreement that you modified. It sounds like you had a $1 million reduction in expenses that was fully baked into the third quarter that helped your same-store NOI growth. What did you give them in terms of the incentives, if you could just walk through how that works?

Debra Cafaro ***Ventas, Inc. - CEO***

This is Debbie, Juan. What I would say about the agreement is that it is a mutually beneficial one, where we were able to provide Sunrise with good long-term stability in its management contracts for the original term, and we were able to make sure we were really aligned for growth going forward. And also, we were able to achieve, as you said, some lower management fees.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Is there going to be any increased costs if they hit [tenants] fees that would offset that $1 million in savings at some point? How should we think about that?

Debra Cafaro ***Ventas, Inc. - CEO***

Well, you should think about it, I'd say, very positively -- which is that we've actually created incentives for Sunrise to grow even more than the old agreements provided for. And if they do, there will be shared benefits to both companies from hitting those goals, which are stretch-year goals.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay. And did the management fee go from like a 6% to a sub-4%?

Bob Probst ***Ventas, Inc. - EVP and CFO***

It's not that significant a percentage decline. You can see on the face of the P&L, Juan, through the management fee line, the change. It is very clear on the face of the P&L. But the $1 million permanently per year, starting this quarter and carrying on, is a good number.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay. And then just secondly, I think you mentioned some Brookdale dispositions. Could you give us a sense of, A, did Brookdale exit the operations, or did they buy back those assets themselves? And then pricing expectations there -- and were they impacted at all by rent coverage levels at the facility?

Debra Cafaro ***Ventas, Inc. - CEO***

So again, this is a really good opportunity, I think, for us to work with our customers and benefit them in a way that also is good for Ventas shareholders. So this is still at the very early stage. It's 11 assets; we have agreed to jointly market those assets with Brookdale. So we would be exiting those assets together, and a new operator would take over.

And our portfolio would improve; Brookdale's performance would improve as a result. But again, it's a modest transaction, in the $20 million-plus range, so -- at the margin. But again, a good example of how the companies can work together to benefit both sets of shareholders.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Just one last one from me, if you don't mind. On the MOB portfolio, you guys have lagged a little bit. You've had some occupancy headwinds and some pressures from expenses. How should we think about that going forward relative to, I guess, the typical 2% to 3% that we generally see?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Juan, the performance of the quarter -- very much in line with expectation. We talked earlier in the year about a significant move-out, which flattered the first quarter in particular, and how we had to rebuild that pipeline.

We are doing that successfully. We expect to see sequential improvement in our occupancy line as we think about the balance of the year. We talked about reaching the midpoint of our 1 to 2 point guidance, which implicitly is a confident vote in the fourth quarter. So we feel like we are on track.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Thank you, guys.

Operator

Smedes Rose, Citi.

Smedes Rose ***Citigroup - Analyst***

I wanted to ask you, as you look at the pace of expense growth at the RIDEA portfolio, was it a little higher because of, maybe, overtime associated with Hurricane Matthew? And also, just as we look forward, what sort of rate increases do you think that portfolio would need to drive in order just to maintain margin?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Good questions. And I'll approach that both sequentially and year-over-year. Sequentially, you have a day's difference, and you have seasonality. So I wouldn't look at the sequential growth rate, because it isn't representative.

Year-over-year, however, we have approximately 5% growth in the expense line, and that's principally driven by labor. And it is due to factors we've talked about before, whether that be minimum wage pressures or just a tightening labor market.

So that is certainly something we are keeping a wary eye on. We've got a price to cover that, and that's where I -- therefore I come back to the importance, for example, of the annual rate letters and really being smart about where you have pricing power, and in getting the ability to cover your costs through improved pricing. So that is something we are likely to see carry on.

Smedes Rose ***Citigroup - Analyst***

Okay, because I think this year you talked about a 4% rate increase that kind of moved through the system. If the operators are able to push a similar rate increase for next year, do you think that's enough to maintain where you are now, or just to -- I mean, it seems like the pace of expenses is higher than that now. So I was just sort of wondering, has that maybe spiked a little bit in the third quarter? Or is that truly kind of the run rate going forward?

Bob Probst ***Ventas, Inc. - EVP and CFO***

I caution using any quarter as representative. There are always ebbs and flows.

I think it is safe to say, as we talked about earlier in the year, 4% is a good benchmark. We saw a bit of pressure on that in the third. The underlying drivers of that, I think we expect, will, for the foreseeable future in the near term, carry on. And so therefore we need to have the smart pricing decision on top of that. That, as we think about 2017, is particularly important.

Smedes Rose ***Citigroup - Analyst***

Okay. And then just sticking with senior housing for a second, you mentioned you're exiting some of your Brookdale assets. But would you consider purchasing other Brookdale assets that would be potentially more productive going down the line? I think there's a number of things going on with their portfolio across the different owners.

Debra Cafaro ***Ventas, Inc. - CEO***

Well, we have a good relationship with Brookdale, and they are one of the largest, obviously, senior living providers. And we've been doing business with them since 2005. So I would hope that over the years, as we have, we will engage in lots of different types of discussions with them to grow and to dispose, as we just talked about, in ways that can be beneficial for both of us.

Smedes Rose ***Citigroup - Analyst***

All right, thank you, guys.

Operator

Tayo Okusanya, Jefferies.

Tayo Okusanya ***Jefferies LLC - Analyst***

I just want to talk about the Ardent deal a little bit. And again, on a longer-term basis, a couple of things I wanted to understand. Do you have an ability to kind of do a loan to own, and actually own any of the real estate, number one?

Number two, is there any risk of Ardent prepaying the loan early, and are there any prepayment penalties associated with that? And number three, what kind of acquisition pipeline does the deal create for you on a going-forward basis?

Debra Cafaro ***Ventas, Inc. - CEO***

Well, I love the way you say loan to own. I wish I could say it as beautifully. But what we really have committed to in the hospital business, and with Ardent, is to help Ardent grow and expand their business in a really high quality, selective way. And that means, of course, great market share; great assets; and good payor relationships, good mix.

And so LHP meets all of those. And what we've tried to do is create a bespoke capital solution for the deal that really enabled Ardent to win the deal and will enable Ardent to close the deal -- and gives us great optionality, as you point out.

It's a well-structured loan. If we get it paid back, we will be quite happy. There are limitations, lockout periods and so on, on the repayment.

And of course LHP has these great partnerships with very high quality not-for-profit systems and academic medical centers. And in that regard we want to be good partners to them, and if they believe over time that there is an opportunity to gain real estate ownership, we would be very open to that.

But the key is really developing these relationships with the not-for-profits; fueling Ardent's growth; and creating, obviously, a larger Rolodex of relationships in the for-profit and not-for-profit quality healthcare business. So we are very excited about this, and I think it does a lot for us, for Ardent, and for EGI.

Tayo Okusanya ***Jefferies LLC - Analyst***

Got it, okay. That's helpful.

The second question, on the senior housing operating portfolio: just taking a look at the quarter results, again, there's some OpEx pressure, for sure. What is the -- is this opportunity to get even more aggressive with rental rate increases, to kind of offset some of that OpEx pressure going forward?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Yes, Tayo. Absolutely. And I mentioned earlier the need to understand your portfolio, where you have pricing power -- this is the time of the year where we are working in collaboration with our operators around the annual rent letter, which is an important part of the revenue line for the forward year. And therefore we need to take advantage of that pricing power.

And the value of senior housing, which I keep espousing -- the value proposition is tremendous, and therefore we need to recognize that through price. So we will be very thoughtful about that as we head into 2017.

Tayo Okusanya ***Jefferies LLC - Analyst***

Okay. That's helpful. And then just the last one from me; thanks for indulging me. Just going back to Juan's question around Sunrise: again, I know it might be difficult to give a lot of details about the changes, whether for competitive reasons, or you guys have non-disclosures and things like that, but it would still be helpful to just get a better sense of -- you guys are getting $1 million a quarter in savings -- trying to get a better, more detailed understanding of what Sunrise is getting that makes this mutually beneficial to them.

Debra Cafaro ***Ventas, Inc. - CEO***

Well, thank you for your sensitivity to the situation. I would just say that Sunrise is really getting the ability to have stability in these management contracts for the original term, and again, opportunities to align both of our companies toward profitable growth.

Tayo Okusanya ***Jefferies LLC - Analyst***

Okay. But again, the term didn't change, so it's not as if they'll now have the management contracts for a longer period of time. It seems like -- I mean, did they -- is there some type of promote that they get at a certain point, if they hit certain margin requirements? Or just kind of anything we can kind of get a sense of what is the opposite side of this transaction?

Debra Cafaro ***Ventas, Inc. - CEO***

As I mentioned, we have established some positive growth targets in the new arrangements. And should Sunrise outperform those, then we will both mutually benefit.

Tayo Okusanya ***Jefferies LLC - Analyst***

Okay. It's just that it's very hard to try to model this now, because something's changed, and we're just not quite sure what that means going forward.

Debra Cafaro ***Ventas, Inc. - CEO***

Just be happy.

Tayo Okusanya ***Jefferies LLC - Analyst***

(laughter) All right, Debbie. All right. Okay. I will let you guys go. Thank you.

Debra Cafaro ***Ventas, Inc. - CEO***

Both Ventas and Sunrise are happy. So you can share that. Thank you.

Operator

Rich Anderson, Mizuho securities.

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

If I could just finish that Sunrise dialogue, is there any change to the way by which a given contract can be canceled? Or there are still the same types of covenants involved in terms of their performance?

Debra Cafaro ***Ventas, Inc. - CEO***

Well, we basically have modified the contracts to convert single asset rights that Ventas has into more favorable but pooled contract provisions.

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Okay. Okay. That's interesting, okay. And then would you have produced -- would you have had to reduce your SHOP same-store growth had it not been for this revision?

Bob Probst ***Ventas, Inc. - EVP and CFO***

No, Rich. Thanks for that question. And I highlighted the fact that we are expecting to hit the midpoint of the range for the year. And even adjusting for the benefit of the Sunrise agreement, that would still put us right into that guidance range.

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Okay. And then lastly, I am fielding a few questions on LHP, and I want to give you the opportunity to respond here. Can you talk about -- to the degree you know -- their coverage metrics currently, pre-merger with Ardent? There is a perception about their kind of C credit worthiness in terms of their debt costs and whatnot. If you could give a perspective on why LHP is the great opportunity for Ardent, or if it's an opportunistic investment for Ardent to improve upon what is maybe something at a lower scale than where Ardent is operating? If you could comment on that.

Debra Cafaro ***Ventas, Inc. - CEO***

Absolutely. So again, LHP is extremely attractive because -- and then we noted that at the very beginning of our deal last year. And that's because they have really strong market share exceeding 60%, really good margins, really good mix -- and, as I mentioned, these valuable partnerships with brand names that give pricing power.

And so it is a real gem. And in terms of -- you know, we are looking at 2017 expected performance, and I'll tell you that LHP now is borrowing in the 4s. So we think that the credit market is understanding the creditworthiness of the company based on that.

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Do you have any comment about how they are covering their rents, their existing hospitals?

Debra Cafaro ***Ventas, Inc. - CEO***

As I understand it, they only have one asset, and it is performing exceedingly well. That is the (multiple speakers)

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

One asset it doesn't own, I guess. Instead of being rent, maybe talk about interest coverage.

Debra Cafaro ***Ventas, Inc. - CEO***

Yes. As we look forward, we expect to see very strong coverage of our loan, which is at a higher interest rate, as well as rent on the pro forma organization.

Rich Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Okay. All right. Thanks very much. I appreciate it.

Operator

Michael Knott, Green Street Advisors.

Michael Knott ***Green Street Advisors - Analyst***

Just to touch again on the Sunrise question, I was just curious if that was contemplated in last quarter's guidance; and just sort of what drove the need to do that arrangement -- redo that arrangement now?

Debra Cafaro ***Ventas, Inc. - CEO***

As I mentioned, we have myriad ways that Ventas is working all the time to produce results and cash flow for shareholders and to be a good partner to our customers. And this fits really squarely within that.

And our business is very dynamic; it's always evolving, and we have opportunities all the time, if we are wise enough and alert enough to see them, to work with our partners -- whether it's the kind of Kindred LTAC sale that we just completed, or the Brookdale deal that we just got launched, or this agreement with Sunrise -- to really find innovative ways that are creative, that are customized, that help both companies achieve the goals that they have. And this Sunrise deal fits squarely within that.

Michael Knott ***Green Street Advisors - Analyst***

Okay, thanks. And then just with respect to pricing power, can you help me understand the difference that you guys are seeing between renewals versus new residents, and discounting, and things like that?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sure. It really is a market-by-market conversation, based on the dynamics of that market, Michael. What I can say is if you look at it across our portfolio at the rate growth that we had -- and we saw 3.6% RevPAR growth in the quarter -- we see growth pretty consistently across the portfolio.

I think in the NIC data, if you do the same, you see that rate is up pretty significantly. And we see that in our portfolio.

Now, there are always pockets where there are exceptions, both above and below the average. But I'd say overall we are seeing good rate opportunity -- and, again, the opportunity to carry that forward as we look ahead. So the pricing power is there. It is real.

Michael Knott ***Green Street Advisors - Analyst***

So it's not just on the renewal side? You're not seeing increased discounts for new residents? It's fairly balanced, it sounds like you are saying.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Yes. I mean, the revenue line is going to be a function of both move-ins and the annual rate letter and, on a blended basis, very positive. And again, it's a market-by-market dynamic, but overall across the portfolio we feel good about the price.

And that, as you know, has been the strategy from the beginning of the year. And it's held in very well.

Michael Knott ***Green Street Advisors - Analyst***

Okay. And then if I could just ask one more, quickly, just on your thoughts on allocating capital? Obviously you have a very favorable cost of capital, and you continue to emphasize your discipline, which is admirable. Just curious your thoughts on -- do you expect that you will see more opportunities? Are you thinking about anything on the senior housing side? Just curious if you will -- in general, you expect additional investment going forward as opposed to the last couple quarters?

Debra Cafaro ***Ventas, Inc. - CEO***

We are seeing attractive opportunities, and that is one of the beauties of our diversified business, as I mentioned, with the six verticals. I think over cycles, we have consistently seen good opportunities to allocate capital in the right ways, hopefully at the earlier stage of a cycle.

And we continue to see that. I think we look -- John and his group look at tens of billions of dollars of transactions every year, and this year is no exception.

Michael Knott ***Green Street Advisors - Analyst***

Okay, thank you.

Operator

John Kim, BMO Capital Markets.

John Kim ***BMO Capital Markets - Analyst***

I had a question on Ardent or a follow-up on Ardent. So some of the hospitals that have merged recently have struggled with integration, and most publicly Community Health. How should we be comfortable that Ardent is any different with LHP?

Debra Cafaro ***Ventas, Inc. - CEO***

Great question. So the hospital market does seem to be a little bit of a tale of two cities, and I can't speak for the community deals that they have done, which have been large and are in the rural hospital market; I can say that David Vandewater, who runs Ardent, was a huge consolidator when he was the number-two executive at HCA over the years, and really started the hospital consolidation craze, if you will.

And so we have a lot of expertise, both here at Ventas and also at Ardent -- and, of course, with Sam Zell's organization, which is the majority partner in Ardent -- to make sure that we have a positive integration. We don't take anything for granted, and there will be lots of people focused on having a smooth integration. But thank you for that question.

John Kim ***BMO Capital Markets - Analyst***

But as far as the leverage post-deal and perhaps synergy expectations, can you just elaborate on what they are for Ardent?

Debra Cafaro ***Ventas, Inc. - CEO***

Well, I think the synergies are likely to be significant. We would hope to achieve those over a couple-year period, with the majority achieved in the first year. And so we feel really great about that.

John Kim ***BMO Capital Markets - Analyst***

As far as the --.

Debra Cafaro ***Ventas, Inc. - CEO***

And remember, also, just so you know, to keep this in context, these are five hospitals.

John Kim ***BMO Capital Markets - Analyst***

Right. As far as the loan you provided to them, did they approach more traditional lenders first? And I just wanted to make sure that they were paying cash interest and not PIK.

Debra Cafaro ***Ventas, Inc. - CEO***

(laughter) We pay -- we are a dividend-paying company. So we like cash payments.

So it is cash, and the floating-rate loan. And our view on it is it is a market loan; it's attractive for all parties. And we were able, really, to step up and provide a lot of certainty and expertise to EGI and Ardent. And that was, I think, really beneficial for the deal as a whole. And all three parties, I think, are happy about it.

John Kim ***BMO Capital Markets - Analyst***

Okay. On CapEx, your CapEx as a percentage of FFO has trended down this year by about 100 basis points. I'm wondering where you see that going forward, especially as you've increased your office and SHOP portfolio.

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sure. Certainly, as we think about the redevelopment and development pipeline, it's something we've talked about that we really excited about. We get strong risk-adjusted returns in that area; with the addition of Wexford, clearly there's new opportunities there as well. So I would expect to see those expenditures go up.

At the same time, on our nonrecurring-type FAD CapEx, if you like, I think we have been quite disciplined and maintain the right level of spend to invest in the properties, but also being mindful of cash flow. So I would say it will trend up through those high return opportunities. When you step back from it all and look at our underlying free cash flow, we feel very comfortable we can service that. So we aren't concerned about the financing.

Debra Cafaro ***Ventas, Inc. - CEO***

I'm glad that you've noticed that our FAD is going up, because of course that's very beneficial to our cash flow. And also, the Wexford assets are very new, and so we would not expect to have a significant amount of recurring CapEx on that 25-asset portfolio. So hopefully that's helpful.

John Kim ***BMO Capital Markets - Analyst***

Yes, it is, thank you. And then finally, just a follow-up on Brookdale: can you just discuss if there's an opportunity to reshape your portfolio further with them, either through dispositions or maybe even acquiring some more of their assets?

Debra Cafaro ***Ventas, Inc. - CEO***

We are going to have to move on. But like I said, our work is never done. And so we continue to work with our customers, with our partners to benefit both companies. So let's move on to the next question.

Operator

Jordan Sadler, KeyBanc Capital Markets.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

As it relates to the Sunrise agreement, is there an opportunity for you guys to, I guess, roll this agreement out more broadly -- maybe approach Atria with something similar? I don't know exactly what it is that you have done, but can you do what you did with Atria?

Debra Cafaro ***Ventas, Inc. - CEO***

Every agreement is customized to the specific situation. We have very positive agreements with Atria, and we've now reworked the Sunrise agreement in a way that we feel incents aligned growth and allows them to have stability and take care of seniors.

So each is unique. I think we have improved the Sunrise situation, and we like the Atria situation. But it is a customized approach.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay. I guess the nature of my question is: it seems like your agreement is aimed at -- you know, Sunrise has been the beneficiary of the great top-line growth, the revenue growth you have been able to achieve, but doesn't necessarily share as much in the expense growth. And so this agreement seems to maybe help them share a little bit.

And I guess I was curious if you would look to do the same thing, because you have been getting great top line, but there are expense pressures. So just given the nature of these management agreements, would you try to maybe do that a little bit more broadly with your other SHOP operators?

Debra Cafaro ***Ventas, Inc. - CEO***

I mean, part of our expertise is really developing these contracts in ways that incent the behavior and outcomes that we want. And in general, those types of management agreements do have incentive sharing. And the art is really figuring out under different environments what those levels are and what the percentage sharing is.

But in both cases, with Atria and Sunrise, we have that. And we therefore are aligned toward profitable growth.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Thanks so much. And one last one on LHP. Seems both these topics are getting a lot of airtime today.

Debra Cafaro ***Ventas, Inc. - CEO***

(technical difficulty) talking about them.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay. Good, good. I'm hoping not to pester you too much. So I'm just curious; you made a comment in reaction to a question or response about a 4% rate that I think LHP was borrowing at. And I was just curious about the differential between your loan rate and maybe what they are able to borrow at otherwise in the market.

Debra Cafaro ***Ventas, Inc. - CEO***

As I mentioned, LHP is attractive; they are well capitalized, and therefore they have an attractive borrowing rate. We believe the five-year floating-rate loan that we've made to help Ardent acquire LHP is a market loan, and is an attractive one at the same time that benefits the consortium of owners that is trying to move Ardent toward being the best privately owned hospital company in the United States.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Thanks so much.

Operator

Chad Vanacore, Stifel.

Chad Vanacore ***Stifel Nicolaus - Analyst***

So just thinking about the structure of the loan to Ardent: are you, going forward, more inclined to provide secured financing of this type rather than outright own the real estate?

Debra Cafaro ***Ventas, Inc. - CEO***

Okay. I'm ready. So we are inclined to be the leading premier capital provider to the best healthcare, senior housing, and research companies in the world. And what we do to do that is to customize capital solutions for specific circumstances and help our customers achieve their objectives.

And in this particular case, that involved a secured loan -- which has, of course, been part of our business from time immemorial. So the beauty of our business, again, is we have multiple verticals, six of them; we have -- we are doing business with the consolidators; we are in a gigantic sector; and we can invest at different parts of the capital structure -- whether it was BMR mezz that we did, or this secured loan, or sale-leasebacks, etc. And that is part of the formula that we have used to deliver reliable growth and income to investors for so long.

And so this fits in that pattern. It was a customized solution. It enabled our willingness to step up with this capital; enabled Ardent to get this deal with certainty, because we provided certainty. And so that's why we did it. And I think it provides great optionality down the road. And so we feel very happy about it.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. And from your prior answer to Tayo, I wasn't sure -- it sounded like you don't have a purchase option on a property. Is that true?

Debra Cafaro ***Ventas, Inc. - CEO***

Well, we have the right to, should assets be sold, to be the acquirer of those assets. But of course that involves cooperation amongst all the parties, should they ever decide to do that. But we are in the right position if that ever comes to pass.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right, so that is a right of first offer?

Debra Cafaro ***Ventas, Inc. - CEO***

(laughter) If the assets ever come to market, we will be in a good spot.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. You noticed -- you brought up the low end of your same-store cash NOI guidance, but you didn't actually change the individual segment guidance. Can you talk about what gave you more confidence in the overall, if you didn't change the individual segments?

Debra Cafaro ***Ventas, Inc. - CEO***

Thank you for noticing that increase.

Bob Probst ***Ventas, Inc. - EVP and CFO***

(laughter) Yes, certainly the confidence in the performance of the portfolio is what's driving that increase. We increased it last quarter, as you know; increased it again this quarter.

And that's just due to the portfolio performance overall. And within that, each of the segments we identified, we think we will be at the midpoint. And that ladders up to overall strong performance. So that confidence in the year-to-date plus the fourth quarter is why we did it.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right. Then one last one for me: have you seen any change in cap rates in senior housing back half of the year?

Debra Cafaro ***Ventas, Inc. - CEO***

There haven't been a lot of transactional data to look at, but we haven't seen anything significant to comment upon.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right, thanks.

Debra Cafaro ***Ventas, Inc. - CEO***

Let's keep going. We have a few more.

Operator

Michael Carroll, RBC Capital Markets.

Michael Carroll ***RBC Capital Markets - Analyst***

Real quick on Ardent, how scalable is that platform? And I'm basically trying to get is how big can they get, or how big does Ardent want to actually grow?

Debra Cafaro ***Ventas, Inc. - CEO***

Good. Good. Well, remember, we are talking about a sector that's $1 trillion in annual revenues, over $300 billion in real estate value. So what we've always liked about this business is it's very fragmented; it's very capital-intensive; it's consolidating. And we just need to do a little bit to be successful. So those are good characteristics.

So, look, we want to make sure we effectively integrate LHP, and it delivers the results that we believe it will. But -- and 80% of this market is owned by not-for-profits and academic medical centers. And so we like this additional entree into that community, which, of course, Todd has had his whole career as well.

So we like that aspect to it. So I think over time we want to build a -- as we said, a formidable, high-quality hospital business. And that's a long game, but the opportunities are quite large.

Michael Carroll ***RBC Capital Markets - Analyst***

Okay, great. And then, Bob, on the SHOP results, was there more of a focus on improving occupancy this quarter, as the rate jumped up about 60 basis points sequentially? Or was that just a seasonal impact?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Sequentially we saw a nice increase. That's seasonal, typical this time of year -- but also narrowed the gap year-on-year, which was encouraging to us, consistent with what we had talked about last quarter. So, again, very much in line with what we had portrayed a quarter ago.

Debra Cafaro ***Ventas, Inc. - CEO***

All right, two more. Thank you.

Operator

Vincent Chao, Deutsche Bank.

Vincent Chao ***Deutsche Bank - Analyst***

Maybe just staying with the hospital opportunity, we talked about potential in Ardent, but I'm just curious how focused you are on potentially adding new hospital operator partners versus tapping the Ardent opportunity.

Debra Cafaro ***Ventas, Inc. - CEO***

Yes, good question. I would say that, again, while the opportunity is large, we are going to remain selective, and in this business we care deeply about who the managers are. And so we do have multiple ways we can grow this business. I think it's a great advantage to try to scale Ardent in the way we have some of our other businesses, because you are capturing those synergies and so on. And so that really helps a lot. But over time I would imagine, like our other business lines, that we will have multiple opportunities to grow with potentially multiple partners.

Vincent Chao ***Deutsche Bank - Analyst***

Okay. Is there anything you can comment on -- I think you said that the business is doing well, but just any comments you can make on sort of admission rates that they are seeing at Ardent?

Bob Probst ***Ventas, Inc. - EVP and CFO***

Without specific numbers, I think if you look across the board at their key performance indicators, green is what you'll see -- positive trends through the third quarter, consistently through the third quarter. Adjusted admissions, revenue, EBITDA are three I highlighted.

And so a lot of momentum. I described it as going from strength to strength, and that's what we are seeing in that business.

Vincent Chao ***Deutsche Bank - Analyst***

Okay, thanks. Just one last one, just going back to the same-store discussion: on the triple net side, it does seem like the midpoint would suggest an acceleration from the third quarter. Kind of was just curious if there's anything specifically that you know about that's going to cause that to move higher?

And then I think, if I recall correctly, there are some larger than normal escalator deals in there that would roll off at the end of 2016. Is that right?

Bob Probst ***Ventas, Inc. - EVP and CFO***

In terms of the growth rate in the fourth quarter, I think you will see it looks and feels very much like what we saw in the third to get to that full-year number. So not anticipating anything unusual.

Debra Cafaro ***Ventas, Inc. - CEO***

And also true that at least one of our triple net escalators has early-year outsized escalators, and that the last one of those would be in the fourth quarter of this year.

Vincent Chao ***Deutsche Bank - Analyst***

Okay, thanks a lot.

Debra Cafaro ***Ventas, Inc. - CEO***

It would revert to more normalized levels.

So all right. One more.

Operator

Nick Yulico, UBS.

Nick Yulico ***UBS - Analyst***

Just going back to this Sunrise question, I want to be clear. Is the actual base management fee being reduced, or is it only a change to the performance management fee?

Debra Cafaro ***Ventas, Inc. - CEO***

The base is being reduced.

Nick Yulico ***UBS - Analyst***

Okay. And, sorry, did you quantify what the percentage amount was, or the sort of benefit is from an expense standpoint?

Bob Probst ***Ventas, Inc. - EVP and CFO***

I just gave a $1 million per quarter number. So you can back-of-the-envelope that based on the revenues in the P&L.

Nick Yulico ***UBS - Analyst***

Okay. All right, thanks.

And I guess just lastly, just a bigger-picture question for you, Debbie, is how you're thinking about senior housing exposure overall. We are getting later in the cycle; occupancy seems like it peaked a year ago. Supply is having more of an impact.

If you go back to sort of the big debate of five, six years ago, it was whether it made sense to take a lot of operating exposure in senior housing or just stay with triple net. It feels like we are now past the period of outsized growth in operating, and maybe triple net is going to outperform. So how do you think about managing your overall senior housing portfolio? Are you looking to maybe sell some assets, reduce some of your operating exposure? Thanks.

Debra Cafaro ***Ventas, Inc. - CEO***

Thank you. We believe in a balanced and diversified portfolio that over time, again, will deliver reliable growth and income, as it has. I would say that in our senior housing operating portfolio, which is about -- a little bit more than a quarter of our business, we have enjoyed tremendous growth, as you point out. And it is really some of our best assets in the best markets.

And so we like owning those assets. They will go through normal cyclical activity. But at the end of the day, in all the assets we own, whatever structure we own them in, the assets have to perform, and grow, and produce EBITDARM growth over time.

And so we really like our spot. We like the diversification. We can always modify kind of at the margin or wholesale, as we did with the SNF business. But on balance we really like the diversification of our business and also the quality of our SHOP portfolio.

Nick Yulico ***UBS - Analyst***

Thanks.

Debra Cafaro ***Ventas, Inc. - CEO***

Thank you for being patient. And to everyone on the phone, if you are still there, thank you for joining us today. We sincerely, as always, appreciate your interest in our Company. We look forward to seeing you at NAREIT. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone have a great day.

THOMSON REUTERS

EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Ryan Shannon *Ventas, Inc. - IR*
Debra Cafaro *Ventas, Inc. - Chairman, CEO*
Bob Probst *Ventas, Inc. - EVP, CFO*
Todd Lillibridge *Ventas, Inc. - EVP Medical Property Operations, President Lillibridge Healthcare Services*

CONFERENCE CALL PARTICIPANTS

Juan Sanabria *BofA Merrill Lynch - Analyst*
Smedes Rose *Citigroup - Analyst*
Michael Carroll *RBC Capital Markets - Analyst*
Steve Sakwa *Evercore ISI - Analyst*
Nick Yulico *UBS - Analyst*
Vincent Chao *Deutsche Bank - Analyst*
Michael Knott *Green Street Advisors - Analyst*
Richard Anderson *Mizuho Securities Co., Ltd. - Analyst*
Chad Vanacore *Stifel Nicolaus - Analyst*
John Kim *BMO Capital Markets - Analyst*
Jordan Sadler *KeyBanc Capital Markets - Analyst*
Josh Raskin *Barclays Capital - Analyst*
Todd Stender *Wells Fargo Securities, LLC - Analyst*
Tayo Okusanya *Jefferies LLC - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ventas Q4 2016 earnings conference call. (Operator Instructions). As a reminder, this conference is being recorded.

I would like to introduce your host for today's conference, Mr. Ryan Shannon, investor relations. You may begin.

Ryan Shannon *Ventas, Inc. - IR*

Thanks, Sierra. Good morning and welcome to the Ventas conference call to review the Company's announcement today regarding its results for the year and quarter ended December 31, 2016.

As we start, let me express that all projections and predictions and certain other statements to be made during this conference call may be considered forward-looking statements within the meaning of the federal securities laws. The projections, predictions, and statements are based on management's current beliefs, as well as on a number of assumptions concerning future events. These forward-looking statements are subject to many risks, uncertainties, and contingencies, and stockholders and others should recognize that actual results may differ materially from the Company's expectations, whether expressed or implied.

We refer you to the Company's reports filed with the Securities and Exchange Commission, including the Company's annual report on Form 10-K for the year ended December 31, 2015, and the Company's other reports filed periodically with the SEC for a discussion of these forward-looking statements and other factors that could affect these forward-looking statements. Many of these factors are beyond the control of the Company and its management. The information being provided today is as of this date only and Ventas expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any changes in expectations.

Please note that quantitative reconciliations between each non-GAAP financial measure referenced on this conference call and its most directly comparable GAAP measure, as well as the Company's supplemental disclosure schedule, are available in the investor relations section of our website at www.ventasreit.com.

I will now turn the call over to Debra A. Cafaro, Chairman and CEO of the Company.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Thank you, Ryan. Good morning to all of our shareholders and other participants and welcome to the Ventas year-end 2016 earnings call.

I'm delighted to be joined this morning by my Ventas colleagues as we discuss our excellent productive year, highlight our continued execution of our business plan, and discuss our outlook for 2017.

Our results and our 2017 expectations are completely consistent with the preliminary view we shared with you about a month ago. The Ventas advantage of superior properties, platforms, and people has enabled us to consistently deliver growth in income and outstanding performance through multiple cycles for almost two decades. Our success has been founded on solid strategic vision, innovative and rigorous execution, and a stable team with the skill and the will to excel.

With our commitment to diversification and balance in our high-quality portfolio, our financial strength and flexibility, and the insight to allocate capital wisely in five asset types across the capital structure, we have enjoyed an enduring advantage in value creation. These principles powered our great year in 2016 as we reinforced our position as the premier provider of capital to leading healthcare and senior living companies and university-based research institutions. They will also serve us well as we look forward to 2017, despite a changing macro environment.

I'm happy to share some of our important accomplishments during the year. First, we delivered 16% total return to shareholders, outperforming the S&P 500 and the REIT and healthcare REIT indices. Our 17-year compound annual return to shareholders is an exceptional 25%.

During the year, we grew normalized FFO per share by 5%, at the high end of the guidance range we presented at the beginning of 2016, and we did so on an even stronger balance sheet than we expected, ending the year with a meaningfully enhanced credit profile. We worked with our leading operators to grow our same-store cash NOI through operational-excellence initiatives and focus.

We made or committed to investments of nearly $2 billion, including our exciting and accretive $1.5 billion acquisition of a high-quality new life sciences and innovation center portfolio affiliated with leading universities, academic medical centers, and research institutions. This deal is a winner, with great yields approaching 7%, attractive real estate, long-term leases with institutional-quality tenants, and a leading developer partner in Wexford. It also added an important new channel for growth, and we already have a robust pipeline with significant near-term acquisition and development opportunities.

We also delivered reliable income growth to our shareholders by increasing our dividend by 6%. Ventas has one of the best dividend growth records in the REIT industry and it remains an important component of the value proposition we offer to shareholders.

To fund our business, we once again demonstrated excellence in capital markets by completing over $2 billion in highly attractive, long-term senior note and equity offerings. We also generated additional funding sources by accelerating our capital recycling and portfolio optimization plan, receiving over $600 million in profitable loan repayments and disposition proceeds from non-strategic assets.

We cooperated with several of our customers to help them achieve their business objectives and increase their cash flow, while at the same time protecting Ventas and optimizing our portfolio. These mutually beneficial arrangements with Sunrise, Brookdale, Capital Senior, Kindred, and others demonstrate our commitment to our customers and our ability to find innovative solutions that benefit those companies. Key among these agreements is the $700 million SNF disposition deal we reached with Kindred to enable Kindred to exit its skilled nursing segment at a very favorable cash rent yield to Ventas of 7%.

Finally, we also delivered an innovative capital solution to our partners, Ardent and Sam Zell's EGI, to fund their pending acquisition of high-quality acute care provider LHP and scale the Ardent platform into a $3 billion revenue company operating in six states. With its major market share, valuable not-for-profit relationship, and strong margins and payer mix, LHP is a great fit for Ardent and we hope to close our investment at the end of the first quarter.

As a result of our 2016 activity and 2015 spinoff of most of our skilled nursing properties, Ventas has created an industry-leading differentiated portfolio, highly diversified by asset type, business model, and tenants. Specifically, our own portfolio generates 93% of its revenue from private pay sources. Our SHOP portfolio represents approximately 30% of our net operating income. Our attractive life science and medical office building segment generates about 25% of our NOI. Our operating and development partners are the best in their respective businesses. Our triple net leases, representing 42% of our NOI, have virtually no lease expiration through the end of 2018 and none of our tenants represents more than 10% of our NOI.

And finally, at the end of this year we expect to generate only 1% of our NOI from skilled nursing facilities.

During my 18 years at Ventas, we have seen a lot of changes in our markets as we've become the premier provider of capital to leading healthcare and senior housing operators and research institutions. We've navigated successfully through multiple economic, capital markets, and reimbursement cycles and have continued to grow with strength and integrity.

That said, we now face a period of significant macro volatility and uncertainty. Whether it's major tax reform and its impact on real estate, modifications to the healthcare system, interest rates, or the unknown contours and economic impacts of potential trade barriers or immigration trends, none of us knows exactly what's in store for our businesses.

What we do know is that Ventas will operate with intensity, experience, and skill at the dynamic intersection of healthcare and real estate, two of the largest and growing sectors of GDP. We will focus on managing the risk and capturing the opportunities that a changing environment presents to us, through development of the right strategies, prudent capital allocation, and excellent innovation and execution.

That's what the talented and cohesive Ventas team has done successfully for almost two decades. And it's the same thing we intend to do in 2017 to create value for investors and customers.

Let me share some of our specific priorities for the year ahead. Enhancing our balance sheet through lengthened debt maturities and increased liquidity to take advantage of opportunities and preserve value in the context of a more volatile and uncertain environment. Allocating and recycling capital prudently by investing principally in life science, high-quality acute-care hospitals, and customer-related growth, and by making smart divestitures, including our SNF sale, as a way to further differentiate our excellent portfolio mix. Investing in our future growth and higher-quality asset base through selective development and redevelopment, especially in our exciting new life sciences business and premier senior housing and MOB assets with leading developers and tenants like AA-rated Sutter Health care in San Francisco. Continuing to build on our advantaged platform, including Atria, Ardent, and Wexford. Capitalizing on increasing convergence we see between healthcare providers, managed-care companies, and senior living operators. Engaging in mutually supportive and beneficial transactions with our customers. Driving cash flow growth and performance in our high-quality assets to deliver reliable growth and income. And continuing to align, motivate, and challenge our team, which provides our winning competitive edge.

It is indisputable that senior living and healthcare real estate is a great place to be. Underpinning our confidence is the incredible market that will certainly provide long-term opportunities for assets to be owned in the most efficient hands, like ours. The senior population in the US will grow rapidly, and with it, demand for our real estate sites, where essential home, care, and comfort are provided to individuals and their families and groundbreaking research is conducted every day.

We also foresee that senior housing and healthcare providers will work with each other and with managed care companies to limit readmissions, control healthcare costs as our nation ages, and advance the nation's health and wellness.

We expect to be a full participant in these trends, supporting this operating convergence with our capital. So, while we may experience near-term challenges from peaking deliveries of senior living units in 2017, or potential changes to the Affordable Care Act, the opportunities in our $1 trillion fragmented market are unmistakable, inexorable, and gigantic. That is one reason we continue to see significant interest in all of our asset types, from private equity, pension, and sovereign wealth funds, at robust pricing.

In the midst of a highly dynamic environment, we are confident that we can continue to capitalize on these opportunities. We have the properties, platforms, and people to continue leading our sector. The entire Ventas team is excited and ready to deliver in 2017 and beyond.

Now, I'm happy to turn the call over to our CFO, Bob Probst.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Thank you, Debbie. I'm pleased to report another strong year of cash flow performance from our high-quality portfolio of healthcare, senior housing, and life science research properties.

Our overall same-store cash NOI increased 2.7% for the full-year 2016, right in line with our 2.5% to 3% total company same-store guidance range. Our fourth-quarter same-store NOI growth of 2.9% results are right in line with our expectations.

Let me detail our 2016 performance and 2017 guidance for our portfolio at a segment level, starting with our triple net business, which accounts for 42% of our NOI. Our triple net portfolio grew same-store cash NOI by an excellent 3.7% for the full-year 2016 over 2015. In the fourth quarter, triple net same-store cash NOI increased by 4.5%, driven principally by strong in-place lease escalations and rent reallocated to more productive assets from the Kindred LTAC lease modification agreement in Q2.

Cash flow coverage in our overall stabilized triple net lease portfolio for the third quarter of 2016, the latest available information, was consistent with prior quarter at 1.7 times. Coverage in our triple net same-store senior housing portfolio remained at 1.3 times, incorporating escalator growth for the trailing 12 months that exceeded 3%. Coverage trends in senior housing were supported by low single-digit EBITDARM growth at the asset level for the trailing 12 months.

Cash flow coverage in our same-store postacute portfolio was 1.8 times. Our shareholders continue to benefit from our spinoff of the majority of our SNF assets in 2015, together with the anticipated sale of our Kindred SNF assets in 2017. We expect that the spinoff in Kindred disposals will together achieve a highly attractive blended cap rate approximating 7% and will reduce our exposure to the skilled nursing space to only 1% of Ventas' NOI.

Specialty hospital coverage declined by 10 basis points to 1.9 times, in line with our expectation as Kindred entered the new LTAC patient criteria in the third quarter. As a reminder, Kindred expects this transition will have the most impact on asset performance through the first half of 2017, after which the net mitigated impact of the criteria begins to ease.

During the year, we also pruned our Kindred LTAC portfolio and extended leases on the remaining LTACs for eight years while Kindred navigates through the new rules on patient criteria.

Finally, Ardent continues to drive strong performance and stand out as a leading hospital platform, delivering sustained positive momentum in top- and bottom-line key performance indicators. Rent coverage at the assets improved 10 basis points sequentially to a very strong 3.1 times in Q3. Third-quarter 2016 results for Ardent compare favorably to even the very best publicly traded hospital systems in the US. Meanwhile, adjusted admissions, revenue, and EBITDA continued to trend positively through the fourth quarter of 2016.

For 2017, we expect our triple net portfolio overall will grow in the range of 2.5% to 3.5%, driven by more normalized in-place lease escalations in the year. As we discussed in prior calls, 2016 benefited from outsized escalators with certain tenants, as well as nonrecurring profits and fees from various value-creating transactions. Consistent with prior practice, our outlook does not include the benefit of new fees in 2017. Taken together, these items result in more moderate, yet still attractive, triple net same-store cash NOI growth in 2017.

Moving on to our senior housing operating portfolio, the framework by which we established our SHOP guidance range one year ago held up very well throughout the year, both for the full year and the fourth quarter of 2016. Our same-store SHOP cash NOI increased by 2.3% for the full-year 2016 and grew over 1% in the fourth quarter, both right in line with our expectations.

In both the fourth quarter and full year 2016, REVPOR increased at approximately 4% overall, driven by our high barrier to entry coastal markets where we have attractive pricing power. We also saw strong pricing in independent living rents and the care component of assisted living revenues. Labor cost increases, driven by wage pressures, exceeded 5% in 2016. These increases were partially tempered by the benefit of $2 million in lower sunrise management fees in the second half of the year.

Our framework for predicting the impact of new competition on performance was accurate throughout 2016. Our premier coastal markets in the US, such as New York, Los Angeles, and Boston, provided the engine room of growth for our overall SHOP portfolio in the fourth quarter and for the full year. These high-quality infill communities represent 70% of our shop NOI, and for the fourth quarter and full year, these communities increased same-store NOI mid-single digits on strong rate and revenue growth. Canada also delivered very strong performance, increasing NOI by nearly 7% in the fourth quarter and 5% for the full year.

We observed elevated levels of newbuilding openings in our trade areas in the fourth quarter. Our NOI exposure in markets with a new supply surplus continues to represent 30% of our SHOP portfolio, or less than 10% of Ventas's overall NOI. Our same-store NOI performance in the fourth quarter in these communities decelerated to a mid-single digits decline via occupancy pressure as a result of the cumulative impact of new deliveries.

Net net, the 70% of our portfolio in high-barrier markets powered same-store NOI growth overall, both in the fourth quarter and for the full year.

Turning to 2017, we remain bullish on the value proposition of seniors housing and we expect the SHOP portfolio to grow same-store NOI in 2017 in the range of zero to 2%. We are encouraged by continued pricing power in our SHOP portfolio, which fueled our growth in 2016 and continues to present opportunity in 2017. In fact, both Atria and Sunrise implemented accelerated rent increases through the annual rate letters issued this January. These rate increases appear to be holding up well in the first quarter. Given over 70% of annual SHOP revenue is determined by these rate letters, they are extremely important to our full-year SHOP profit delivery.

A more severe flu season thus far in 2017 will pressure occupancy in the first quarter. A slower start to the year, together with new deliveries throughout 2017, will likely result in a widening of the occupancy gap in 2017. Nonetheless, the aforementioned strong rate increases support expected NOI growth overall for the year.

The accelerated level of pricing is also important in light of the continued labor wage pressure, which we estimate will approximate 4% to 5% for our SHOP portfolio overall in 2017. The carryover impact of Sunrise fee reductions from the revised contracts signed in Q3 2016 act as a partial offset to these wage pressures.

We expect deliveries of new supply in 2017 to outpace the elevated levels observed in 2016. In the 30% of our SHOP portfolio with the supply surplus, we anticipate mid to high single-digit NOI declines, a deceleration due to the cumulative impact of new units online. That said, new construction as a percentage of inventory within our trade areas has held steady at 5% overall over the last several quarters and we are seeing early signs that suggest new starts may be slowing.

Encouragingly, the 70% of our portfolio located in high-barrier markets are expected to continue driving mid single-digit NOI growth in 2017. In fact, we continue to invest in attractive, high-return redevelopment projects in these advantaged markets, with six new projects totaling $70 million now underway to help fuel our growth over the medium and long term.

Let's round out the portfolio review with our office operations reporting segment, which includes our medical office business, as well as our newly acquired life science and innovation centers. Taken together, these assets now represent approximately 25% of Ventas' annualized NOI.

The 23 operating assets acquired through our life science investment, which closed in September 2016, performed very well in the fourth quarter and are in line with underwriting. We expect two more properties to come online late in 2017, adjacent to Duke University and Wake Forest.

Finally, we have already made exciting progress in scaling the life science platform by green-lighting two new ground-up developments associated with the University of Pennsylvania and Washington University.

In our medical office business, cash NOI for the full-year 2016 same-store pool of 270 assets increased by 1.3%, in line with guidance. In the fourth quarter, same-store NOI increased 2.1%. Fourth-quarter results were driven by rate growth from in-place rent escalations and expense controls, modestly offset by lower year-over-year occupancy. On a sequential basis, as expected we made progress in the fourth quarter in growing occupancy, with sequential occupancy increasing by 40 basis points to 92%.

Looking ahead to 2017, we expect stable and steady growth of 1% to 2% from our same-store office portfolio of 364 medical office assets. This guidance assumes modest occupancy and revenue growth as we continue to fill the leasing pipeline through 2017.

Turning to our overall Company finance results for the full year 2016. In 2016, we delivered strong earnings and dividend growth, together with enhanced balance-sheet strength. These results were driven by increasing cash flows from our high-quality properties, optimization of our portfolio through continued capital recycling, and terrific capital markets execution.

Income from continuing operations per share for 2016 grew 36% to $1.59 compared to 2015. Full-year 2016 normalized FFO totaled $4.13 per fully diluted share, representing a 5% growth on a comparable basis over 2015. This strong year-over-year earnings growth was driven by accretive investments, lower transaction costs, positive property performance, and profits and fees from transactions with borrowers and tenants.

We closed on $1.6 billion in acquisitions in 2016, including our acquisition of 23 high-quality life science and innovation centers. We also invested over $140 million in high-return redevelopment and development projects in 2016.

We accelerated our portfolio optimization and capital recycling programs during 2016. Ventas sold properties and received final repayment on loans receivable for proceeds totaling nearly $620 million, at a gain of $100 million and with 8% cash in GAAP yields. These proceeds outpaced our previous guidance of $500 million, including approximately $350 million in proceeds realized late in the fourth quarter.

Importantly, we made great strides in enhancing our balance sheet and financial strength in 2016. We demonstrated capital markets excellence by issuing $1.3 billion in equity over the course of the year at an average gross price of approximately $70 per share. We also raised $850 million of new senior notes, including our most attractive 10-year bond in Ventas' history with an all-in rate below 3.25%.

Meanwhile, we retired or refinanced approximately $1 billion of in-place debt, yielding approximately 2.3% on a GAAP basis.

This cumulative capital activity during the year further bolstered our balance sheet at year-end. The Company's net debt to adjusted EBITDA improved to 5.7 times, a 0.4 times reduction from our year-end 2015 leverage of 6.1 times. Our fixed-charge coverage grew to an exceptional 4.8 times. Our net debt to gross asset value improved by four percentage points to 38% and our secured debt to total indebtedness reached 6%.

Let me close out our prepared remarks with our full-year 2017 guidance for the Company. In 2017, we expect to demonstrate continued enterprise strength through ongoing strategic dispositions by extending debt maturities and through continued investment in our attractive platforms. Our expectation as we begin the year is for 2017 income from continuing operations to range between $1.72 and $1.78 per fully diluted share. We expect normalized FFO per share to range from $4.12 to $4.18. We expect the total Ventas same-store portfolio to grow cash NOI by 1.5% to 2.5%, with all segments contributing to growth, as described earlier.

Our guidance range assumes continued capital allocation discipline. We expect our ongoing capital recycling program to generate $900 million in disposition proceeds at a 7% to 8% GAAP yield. This includes $700 million in proceeds at a gain approximating $670 million in the second half of the year through the potential sale of 36 skilled nursing facilities. Disposition proceeds are expected to be redeployed at approximately the same rate into new 2017 investments, approximating $1 billion, principally to scale our life science and acute care platforms, including $700 million in secured debt financing to fund Ardent's acquisition of LHP. The LHP deal is expected to close late in the first quarter of 2017.

We also expect to invest in future growth through attractive new ground-up life science developments, with our development and redevelopment funding expected to accelerate to approximately $300 million in 2017.

A note on quarterly phasing. We expect a softer first quarter sequentially in 2017, due to nearly $350 million in late Q4 2016 dispositions, the proceeds of which are principally being held as cash until they can be redeployed into our LHP acquisition in late Q1. We plan to drive an even stronger financial profile in liquidity in 2017, including refinancing approximately $1 billion of low-cost short-duration debt with longer-dated notes.

Our outlook assumes 358 million weighted average shares in 2017, compared to 348 million shares outstanding in 2016. The increase in share count arises from the full-year impact of shares issued in 2016 and we do not assume new equity issuance in 2017.

Net, we forecast our leverage at year-end 2017 to be in line with our strong year-end 2016 position. The result of this 2017 activity underscores the continued excellence of Ventas' enterprise and our team's confidence in our ability to continue to create value for our shareholders.

With that, I will ask the operator to please open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Juan Sanabria, Bank of America.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

For the RIDEA portfolio, how do you guys think about the trajectory of that same-store growth? Could there be any quarters throughout 2017 where the growth goes negative, but the full year is still positive? It just looks like you've got pretty tough comps with [canton] in the second half in particular and rolling the benefit of just lower Sunrise fees in the second half as well. How should we think about growth?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Thanks, Juan. For the full year, just to reinforce, we expect to grow. So the guidance was zero to 2% is the full-year outlook.

As we look at phasing, I expect that we'll grow throughout the year, and fairly consistently. There are puts and takes. We mentioned, for example, the flu season in Q1, highlighted that the occupancy challenge from that is going to affect Q1. However, for the first half we also have the carryover benefit of the management fee savings on Sunrise. So net net net, as we look across the quarters, we expect fairly consistent growth. No hockey stick type movements either way.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay. And then on the MOB platform, you guys had, I think, 1.2% same-store growth in 2016, kind of 1% to 2% in 2017, which is below the typical trend we see for most MOB platforms of 2% to 3%. If you could just delve into what is driving that kind of lower growth, and when should that start to accelerate?

Bob Probst ***Ventas, Inc. - EVP, CFO***

So, 1.3% growth was -- 1.3% was the growth last year, and if you unpack that a little bit, we had an interesting year in the sense of a significant tenant departure early in the year and then having to refill that pipeline in terms of tenancy in the back half. That's what we saw in the fourth quarter. We saw the sequential improvement and 2% growth in the fourth quarter just in line with our expectation and reiterating the same steady type of growth in 2017.

I'd highlight we have fairly significant roles in 2017 relative to history, so that's our challenge to meet and beat in 2017 on the topline. So that's really how we think about it. It's going to be a topline-driven business, but very steady and predictable.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay, great, and just last question for me. For hospitals, how are you guys thinking about making incremental investments with the uncertainty that Debbie alluded to with the potential repeal of the Affordable Care Act? Are you changing how you are underwriting or are you kind of hitting the pause button or how are you looking at things on the hospital space at this point in time?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

We are excited about our investment in Ardent, which, as Bob said, is performing very well. We are executing on the game plan, which is to scale that platform as we hope to fund the acquisition of LHP in 2017 and LHP is a real gem, so I think our strategy of acquiring really high-quality assets, scaling the business, and we are very focused on executing on that this year.

And in addition, we have said all along that we are going to be very highly selective, which we have been and will continue to be, but we have a gigantic secular opportunity and we will continue having conversations with people. And should there be additional opportunities that we think will create value, we will certainly pursue them. So that's where we stand on the business right now.

Juan Sanabria ***BofA Merrill Lynch - Analyst***

Okay, thank you very much, guys.

Operator

Smedes Rose, Citi.

Smedes Rose ***Citigroup - Analyst***

I wanted to ask you on RIDEA. You mentioned, Bob, that Atria and Sunrise have rolled out accelerated rate increases, and I was just wondering when you say that, does that mean that they are increasing what they normally would have done or are they impacting more customers sooner for rate increases? What does that mean, exactly?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Sure. So as you know, Smedes, in January for most of the business, not all, but most of the business, the annual rent increase for in-place residence goes out. And the point I made this year is we had more aggressive, would be the right word, accelerated rate increases for this year versus last, and particularly so, I'd say, in the Sunrise portfolio, and Atria has historically had the same methodology. But I think we saw more alignment between the two operators this year, so strong growth and stronger than last year in terms of that rate letter, which I mentioned is really important to the full-year revenue number.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

And I think one of the real benefits that Bob has brought to this -- to our senior housing business in working with our care providers is really understanding pricing and where we are making money and making sure we are pricing appropriately for the care and the home that seniors are receiving.

And so, really deconstructing what the pricing should be and matching it with the services that are being provided and the quality of the residence that's been provided, so clicking, double clicking, triple clicking into pricing and making sure that we're matching pricing with needs and services.

Smedes Rose ***Citigroup - Analyst***

Okay. And then just on the supply, as you break out in your supplement, it continues to kind of tick up a little bit sequentially. Do you feel like 2017 is a peak year in terms of construction? You mentioned that you are seeing some slowdown in starts. Or do you -- kind of maybe a little more color around that.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Sure, so let me start with deliveries first. So we saw elevated deliveries really in the second half, beginning in the second half principally of last year. We expect that to continue and to increase in terms of new deliveries in 2017 versus 2016.

At the same time, when you think about new starts, we've seen through the NIC data that for two quarters now for our trade areas we've had 5% construction to inventory, so level amounts in both quarters. And as we look at the data, we said some early signs perhaps that that new starts may be slowing. So that gives us some hope about that, but the deliveries certainly in 2017 will be elevated, even versus 2016 levels.

Smedes Rose ***Citigroup - Analyst***

Thank you.

Operator

Michael Carroll, RBC Capital Markets.

Michael Carroll ***RBC Capital Markets - Analyst***

I know, Bob, in your prepared remarks you kind of talked about the LTAC portfolio and Kindred's plans to mitigate the new patient criteria. Can you explain how they plan on mitigating some of that weakness?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

I'll take that, Michael. Good morning. So as we talked about before, Kindred's spent a year or two preparing to move into patient criteria, which Select Medical, another LTAC provider, went on successfully almost a year prior. So Kindred was highly prepared to make this transition.

And essentially, Kindred has been adopting a strategy of really identifying patients who are eligible for LTAC reimbursement, as well as developing a strategy where they can care profitably for what are called site-neutral patients. So, I have every confidence that Kindred will be able to go into criteria in accordance with its expectations and work through the reimbursement and mitigate some of those impacts as we look to the back half of 2017. So, that's a shorthand way to describe a very complex transition.

Michael Carroll ***RBC Capital Markets - Analyst***

Okay, then real quick on the coverage. I guess it's at 1.9 right now. I mean, how much further should we expect that to drop as these mitigations kind of take hold?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Right. I mean, what we've talked about in the past is over time we would expect it to be maybe 20 basis points, 10 to 20 basis points, all else equal, but there will be a trough and then, of course, they will elevate out of that in the back half of 2017 and into 2018.

So, in and around that neighborhood and, again, very expected, I guess. We have confidence in Kindred's ability to execute and we have good long-term lease arrangements with them as we go through the transition.

Michael Carroll ***RBC Capital Markets - Analyst***

Thank you.

Operator

Steve Sakwa, Evercore ISI.

Steve Sakwa ***Evercore ISI - Analyst***

I was just wondering if you could talk a little bit more about Wexford, and it sounds like you've got some robust development opportunities there. Can you just maybe talk a little bit about the deal, what's gone well, and maybe what have been some of the challenges, and maybe talk a little bit more about the returns and the opportunities on the development front?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Sure. First of all, we are very excited to be in this business with the university-based R&D tenants, and it's UPenn Medical, it's Yale, it's Duke, Wake Forest, really leading institutions who account for 10% of university-based R&D spending in the US.

And I think the opportunity -- and, also, Wexford is the name in this business, so being partnered with them, I think, is a real advantage. And the business opportunity is really very much like the MOB opportunity, for example, which is to say we have these big institutions. They have a lot of demands on their capital and they don't need to own or build all of their real estate.

So we have this great nucleus of assets now. We have a great development partner who is renowned among the universities for what they do, and the business plan is to scale that platform by doing more business with the universities who are already in our tenant base and to do business with additional leading R&D universities, very simple.

And what's exciting about this acquisition is that, A, the assets we acquired are excellent and they are performing well. And then, B, the demand for what we are doing is very strong. And so, we see additional follow-on opportunities in the pipeline with one very well-known university. We also, as Bob said, have green-lighted a couple other projects, one adjacent to UPenn in downtown Philadelphia, another one related to WashU. And the pipeline is very robust.

And so, we think this can be a great channel for growth for us. It's really come in sort of fast and furious, and our job is to make sure we are doing good underwriting and that we are available to build this as a real growth opportunity for the Company. So, we are excited about it.

Steve Sakwa ***Evercore ISI - Analyst***

Could you provide any parameters around sort of unlevered development yields in this business?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Of course, it always depends on the amount of pre-leasing, etc., that is -- and what the credit quality is, things like that. But, in general, we would be looking at 7% to 9% yields.

Steve Sakwa ***Evercore ISI - Analyst***

Okay, thanks very much.

Operator

Nick Yulico, UBS.

Nick Yulico ***UBS - Analyst***

Just, I guess, first off on, Bob, going back to the senior housing operating guidance this year. I know you gave some detail on how to think about occupancy and labor expenses. Is it possible to get a little bit more of a breakout for the same-store revenue growth versus the same-store expense growth?

Bob Probst ***Ventas, Inc. - EVP, CFO***

For 2017 specifically, in terms of the outlook?

Nick Yulico ***UBS - Analyst***

Yes.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Sure. Let me unpack that a little bit. In terms of occupancy, we finished the fourth quarter about 120 basis points down year on year. Our expectation as we come into the first quarter, as I mentioned, is with the flu and with these new deliveries that that gap would widen. I would put that -- that's versus prior year. I would put that in the 200 basis points down range.

At the same time, really importantly, the pricing that we expect to see -- and if we delivered REVPOR of 4%, I think given that we were more accelerated in our rate letters this year, we expect to see something north of that in terms of rate. And that's necessary, again, because of the wage pressure in the 4% to 5%. That's for labor, I should say, that 4% to 5%. Total cost will be below that growth rate as we drive efficiency in utilities and things like that. So that's the algorithm, net net net, to get us down to the zero to 2% outlook.

Nick Yulico ***UBS - Analyst***

Okay, that's helpful. And then going back to Ardent, could we get a feel for the ultimate ACA benefit that they've gotten? I mean, if we look at the public hospital operators, it's been between around 5% to as high as 15% as an EBITDA benefit for operators in 2016. Do you have a sense for where Ardent would fall in that range?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

I do. And if you look at Ardent pro forma with LHP, they will be in six states, as I mentioned. Only two of those are Medicaid expansion states.

You know, our general view is that the potential impact on the Company as a whole would, potentially, assuming no mitigation, be less than the potential synergies from the transaction. And so, we have a built-in buffer there, as well as obviously as the landlord we have over three times coverage. But just at the operating level, we think that what we are doing is really smart and we have a built-in cushion there, should there be any impact from a change to the Affordable Care Act.

You know, I do think it's interesting and I caution investors not to equate equity operator prices with the reliability of lease streams, but I would note that if you look at, like, an HCA, for example, their stock price is $66. Last year at this time, it was $84 -- $83, $84 now. I mean, I think there is recognition that these good companies will continue to be good, and what these excellent operators do over the decades is they know how to pull the levers in this business to create positive cash flow, and that's what we would expect Ardent to do with a very seasoned CEO that's been through this for three decades. So we feel good about it.

Nick Yulico ***UBS - Analyst***

That's helpful, Debbie. Just one last question is it sounds like there is some acquisition opportunities heating up a bit in hospitals, but more so on the nonprofit side. Is there any opportunity for you and Ardent to participate in that?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes. Well, good. We are really focused on closing LHP and are excited about that because it's a gem. And what comes with it, as you point out, are these really valuable not-for-profit relationships with academic medical centers and other large not for profits, like Ascension. And so, that is one incremental step toward this gigantic opportunity, and again we'll continue to have conversations, but our focus right now is really closing LHP and then we'll take it from there.

Nick Yulico ***UBS - Analyst***

All right. Thanks, everyone.

Operator

Vincent Chao, Deutsche Bank.

Vincent Chao ***Deutsche Bank - Analyst***

Maybe just to stick with the last line of questioning. Debbie, maybe if you could expand a little bit. You mentioned some cushion at the operating level beyond just the coverage. Exactly what are you referring to there? What are some of the things that can help offset some of the potential ACA pressures?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Well, should there be ACA pressures, which, honestly, I think there may be a lot of easier policy priorities to accomplish in the near term, but should there be something, I think they will be, first of all, pushed out, and, secondly, we have -- we announced that there would be significant synergies in the merger between the two companies, which, again, only has two of the six states in Medicaid expansion. And so, we think that's more than enough cushion should there be impact from an ACA repeal.

But the key thing is what is the replacement. The replacement may be fine and so it may have no impact. The key thing is what is the replacement, and, of course, we would expect that that replacement would not take effect for one to multiple years.

Vincent Chao ***Deutsche Bank - Analyst***

Okay. Just trying to clarify that point. And then, just on the hospital opportunity, which you are very happy with the Ardent performance and still looking to scale that business. I guess from a pipeline perspective, given some of the uncertainties out there, has the pool of potential acquisitions changed at all on the hospital side? Or are you still seeing the same level of potential?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Well, as we've said, we are going to be very selective and we're going to play at that top percent of operators that have -- and assets that have significant market share, that have quality outcomes, that are efficient, etc., and so those conversations will continue over time, and it's a really gigantic opportunity. It's a $1 trillion revenue business, the acute care business.

Vincent Chao ***Deutsche Bank - Analyst***

But, I guess, have the conversations changed at all in light of some of what's going on out there with regard to policy?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Really, I talked to Todd, who is here with me, and we were at the JPMorgan healthcare conference, and, honestly, the hospital acute care providers are going about their business, which is creating efficiencies, driving quality, all the things that they were doing before. And many of the changes that are in the healthcare system are so already embedded in what they are doing I would say that that is really what they are focused on, execution of their business.

Vincent Chao ***Deutsche Bank - Analyst***

Okay, thanks.

Operator

Michael Knott, Green Street Advisors.

Michael Knott ***Green Street Advisors - Analyst***

A question for you just along the lines of ACA potential repeal. Can you just touch on how you think that might impact your MOB business and maybe health system decision-making with regards to space?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Right, so I would say that, again, let me just repeat a little bit of what I said, which is that the acute care providers are going about the business of driving efficiencies, quality, improvements, M&A, etc., and they are some of the biggest customers, obviously, in the MOB business and we have a really high-quality portfolio that's affiliated with some of the top hospitals.

And so, while uncertainty generally is -- can delay decision making and things like that, and we may see some of that this year, I do think that we are well positioned to continue creating stable, growing cash flows in our portfolio.

Michael Knott ***Green Street Advisors - Analyst***

Okay, thanks. And then just on the investment side, do you mind just touching on what you are sort of seeing out there, the pulse of the investment market, any changes in cap rates or appetite? Is there a slowdown because of some of the uncertainties?

And then, I think Bob used the word discipline with respect to your investment activity. Just curious if we could also sort of infer that caution is a word that you are applying to your investment activity opportunity set, just given where we are at in the cycle.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

So, I think what's really interesting is that we are seeing huge continued interest at very robust pricing, as I mentioned, across our asset types.

And it's coming from pension funds, it's coming from sovereigns, it's coming from private equity, and I think those people -- that is a sign that people value our assets and they see the big opportunity in our business. When we talk about being disciplined capital allocators, as you know, we have always been about doing things that create value for our investors and hopefully being good partners with our customers at the same time. And so, I would not conflate those two words.

I think we are disciplined when we think about our cost of capital, when we think about risk-adjusted returns, and when we think about what is going to create value. And that's always been a hallmark of Ventas' and that's partly why we have such a good track record of total return. That's why we have a good track record of capital allocation and growth in income is we take that very seriously and we think about deals on their own and also how they affect the balance and mix in our portfolio.

So, we will be disciplined; we've always been disciplined and take all those factors into account as we continue to make investments.

Michael Knott ***Green Street Advisors - Analyst***

Okay, thanks. And then just one more from me, if I could, and thanks for the time, on senior housing. I know you've emphasized, Bob, the strength of the rate letters that are going out, and there's this kind of dichotomy between reduced occupancy, but strong pricing power. Can you just talk about how long you think that can persist, and if we look into maybe a year from now, as we think about 2018 just with all the continued supply growth, deliveries in 2017, and then probably similarly high in 2018, I would argue, can you just talk about the outlook for pricing power? How long can that dichotomy between occupancy and rate growth sort of persist? Thanks.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Good question, Michael. I keep coming back to the value prop of senior housing, and let's not forget the big picture of the cost of replicating the services that you receive in the senior housing community. It's twice as expensive to do so at home, not to mention the benefits of being in a community.

And that, I think, is a truism, every market that we go into and everything we hear, and the value added of the services in your report highlights this of assisted living services, the value it provides to residents, and I don't think that, generally speaking as an industry, we've priced that value necessarily to the point that we can.

And so, we are seeing in 2017 the opportunity to do that. Because of the value proposition, I see the opportunity to continue to do so. I come back to the framework, though, of looking at the high-barrier markets where you have the demand, where you have the wealth, where you have little supply of new competition. That's the area where we have pricing power and that's where we are focused. And I think that can continue. But clearly, the supply is going to have an impact in the balance of the portfolio.

Michael Knott ***Green Street Advisors - Analyst***

Just a quick follow-up. So, in general, you think sort of a stronger renewal rent prospect and then maybe weaker on the new rent side can continue for a while, just given what you talked about, the value that's provided to residents, etc.? That seems like that can persist?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes. So we have not only the annual increase, but also street rate. We expect to see year-over-year growth again and that's driven by those engine room markets where we see nice increases, not at the level necessarily of the rate letter, but still nice growth. So it's both that we see, particularly in that 70% of our portfolio that is the high barrier to entry markets.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Okay, thank you.

Michael Knott ***Green Street Advisors - Analyst***

Okay, thank you.

Operator

Richard Anderson, Mizuho Securities.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Thanks, and I know one hour is the magic number, so I'll be quick. So in your disclosure, you've had this footnote before for SHOP. It says it excludes closed units during periods of closure, which is kind of a funny way to say it, but I assume it's been a lot of thought put into it. But what does that mean, like, and how substantial is that relative to the impact it might have on your growth profile in the SHOP portfolio?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

It's very minimal. For example, if there was a fire and the building was closed down or a flood or something like that, that type of thing. Very minimal.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Okay, the short answer is good with me. And then for 2017, you said -- you pointed out Canada was a leader at 7% plus or whatever it was for 2016. What do you think this Canada/US breakdown might be for SHOP in 2017?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes, I was, first of all, thrilled about the Canada performance. It grew mid-single for the year. That's great, 7% in the fourth. And if you look at occupancy, pushing 95%. And so I'm going to sound like a broken record here, but the opportunity as we think about 2017 is very much, with a 95% occupied building, to get some pricing.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Plus they have good hockey.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Plus they have great hockey. She is going to drive Canada next year -- or this year, 2017.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

So Canada will again be a leader, you think?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

To the degree it was this time? I mean, that was pretty substantial.

Bob Probst ***Ventas, Inc. - EVP, CFO***

It will be a nice grower, no doubt. It will contribute nicely.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Could that mean that US could be a negative number?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Well, again, we have a range. So 0 to 2%, you could probably back in the math to suggest that to be true.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Multiple permutations.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Because it's just where you are in the range.

Richard Anderson ***Mizuho Securities Co., Ltd. - Analyst***

Okay, sounds good. Thanks very much.

Operator

Chad Vanacore, Stifel.

Chad Vanacore ***Stifel Nicolaus - Analyst***

Thinking about fourth-quarter earnings, FFO was largely in line. FAD was a little bit lower than expected and it looked like that was on CapEx spending. And I know you had warned us about this last quarter, but it still seemed to come in a little bit higher at around $45 million a quarter. So, should we expect that to be a run rate through 2017? Or does that moderate or increase?

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes, so FAD, relative to what we put out a month ago in the range in terms of dollars, I think we are about $1 million below the $1.27 billion of our outlook, so, and that was really CapEx timing as much as anything. I would step back and say in terms of FAD CapEx focus areas, MOB is one area of focus in particular. But I wouldn't infer anything kind of beyond that.

Chad Vanacore ***Stifel Nicolaus - Analyst***

What should we be thinking like on average per quarter?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

If you look at the reconciliation for 2017.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes, and if we have about $125 million of what I call FAD CapEx in the year, it tends to be more back-half weighted, you know, typically in the fourth quarter to ramp a little bit in the fourth quarter. But, again, it depends a little bit, Chad, just on what is going on in terms of the projects. You could have a roof, which would be lumpy, for example. So, there is an extreme seasonality to that number.

Chad Vanacore ***Stifel Nicolaus - Analyst***

Okay, thanks, and then just thinking about pricing growth, you mentioned pushing aggressive pricing on the SHOP portfolio. What's the difference in pricing between that 70% of SHOP that seems to be in high barrier to entry markets and the 30% that's basic competition?

Bob Probst ***Ventas, Inc. - EVP, CFO***

In terms of absolute REVPOR?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes. Again, I think the pricing is really an enhanced way to appropriately have the operators be paid for the care and services that they are providing and to match pricing with the value that the families and the seniors are getting, and we are doing that more effectively, I would say, in 2017. And Bob will take the rest of that.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Yes. There is not -- if you look at the 70% versus the 30% at REVPOR, the 70% equilibrium markets, there's not a significant difference on REVPOR. What's different is the growth rate between the two.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Okay?

Chad Vanacore ***Stifel Nicolaus - Analyst***

Yes, I'm sorry. So what you're saying is pricing in a more competitive market is a little -- that growth is going to be smaller than the high barrier market, is that about right?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Well said.

Bob Probst ***Ventas, Inc. - EVP, CFO***

Exactly.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes.

Chad Vanacore ***Stifel Nicolaus - Analyst***

Okay, all right. And just one quick update, the Kindred portfolio sales, I think you left most of that in Kindred's hands. Can you give us an update of where you are in that process?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

I can and would encourage you to listen to Kindred's call later because they will give a more fulsome update because they are on point there. Our understanding is that it's going well and there's a lot of interest, as I talked about earlier, that there is a lot of interest in all of our asset classes, and this would presumably be no exception. And so, we are anticipating on balance a second-half execution of that transaction.

Chad Vanacore ***Stifel Nicolaus - Analyst***

All right, thanks for taking my questions.

Operator

John Kim, BMO Capital Markets.

John Kim ***BMO Capital Markets - Analyst***

Last year in your supplemental, you broke down a sizable revenue-enhancing CapEx figure of $110 million and this year that figure is not in your supplemental. Do you still have this program or is it just now reclassified somewhere else?

Bob Probst ***Ventas, Inc. - EVP, CFO***

We absolutely still have the program, John. We changed a little bit the presentation to really highlight on that one page, I will call it, the FAD CapEx breakdown, sustaining CapEx versus the prior pages, which demonstrate the development and redevelopment, so really just try to differentiate and distinguish the different types of spend. But the program is very important and a huge priority for us, as we've said. In fact, we're going to increase --

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Accelerate it, yes, yes.

Bob Probst ***Ventas, Inc. - EVP, CFO***

-- our amount of spending from $140 million to $300 million, round numbers, 2016 to 2017. So it's key -- it's a core priority.

John Kim ***BMO Capital Markets - Analyst***

And so, can you just remind us or maybe provide some color on what constitutes a redevelopment? And also, if you have a projected yield on your existing program?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

If we have a what? I'm sorry.

John Kim ***BMO Capital Markets - Analyst***

A projected yield.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Okay, so in those numbers, we're talking about the selective redevelopment and development program we talked about. We would include within that ground-up development, like our Class A downtown San Francisco medical office building. It would be our newly-opened senior living community, Foster City, in northern California. It would include any life sciences, as we mentioned, potential developments with UPenn or WashU that we talked about, and it would include some redevelopments that we've done over time where there is significant impact on the community while we, for example, add a life guidance or memory care unit or, you know, build another wing or convert parts of the building to other uses, those types of things.

And, you know, we tend to -- as John said, we tend to look at 7%-plus returns, depending again on the profile of the tenancy, the pre-leasing, the credit quality in the ground-up developments. I mentioned in the San Francisco MOB we've got AA-rated credit. It's a substantially pre-leased building. That's one type of yield. As we are doing these redevelopment projects, I'd say high single digits, low double digits unlevered expectations for returns.

John Kim ***BMO Capital Markets - Analyst***

Okay. That's helpful. So the redevelopments are mostly additive, not just enhancing existing units.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

I mean, principally they are redos of things or additions of things, yes.

John Kim ***BMO Capital Markets - Analyst***

Got it, okay.

Bob Probst ***Ventas, Inc. - EVP, CFO***

That generate a return.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

That generate a return, yes. Yes.

Bob Probst ***Ventas, Inc. - EVP, CFO***

As distinguished from the FAD CapEx, which are profit-sustaining type initiatives, roofs and boilers and things like that.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes.

John Kim ***BMO Capital Markets - Analyst***

And Debbie, you mentioned briefly the share prices of some of the public operators. I'm just wondering if you find it preferable for your operating partners to be public or private.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

We are agnostic. We want our operators to be great at what they do, leaders in their markets, provide good quality care, and operate with a lot of integrity and compliance. So that's what we like. And we have -- the lion's share of our portfolio, as we've reshaped our business over the last couple of years, is with those leading operators.

So we have a few more questions. I'm sorry, but we have to hustle. We have a few more questions that we still want to take, John. We'll be happy to talk -- okay, thank you.

John Kim ***BMO Capital Markets - Analyst***

Sure, no problem.

Operator

Jordan Sadler, KeyBanc Capital.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

In terms of your acquisition discussion and guidance, in terms of deploying $1 billion or so in 2017, you are focused on life science and the acute care hospital platforms. So should we expect the life science deployments principally to be through development, and then -- is that right?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

So no new, really, stabilized property acquisitions there, outside of Wexford.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

There could be. There could -- again, when we give the $1 billion, it's pretty straightforward. We got $700 million that we are funding on the Ardent acquisition of LHP, and then we have $300 million of other. Some are acquisitions of stabilized assets. Some are developments of life science that we've talked about.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

I guess my question is, as you are looking out and pursuing and underwriting transactions, I'm just curious what your interest level is, where the best risk-adjusted opportunity is among the segments that you are invested in.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes. I think the best risk-adjusted segments are the areas we've identified for capital allocation, which will be really high-quality hospitals; definitely growth in the life sciences segment, principally by development, but also by potential acquisitions and follow-on opportunities; and customer-oriented activities. That's where we have been focusing the last couple of years and that's where we'll continue to focus and that's where we think we have the best return, in addition to, of course, the development and redevelopment that we just talked about.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay. And so on the other side, the trimming that you are doing, which was also identified, but there's a couple hundred million that's not, necessarily, your trimming could be done presumably out of the MOB and senior housing portfolios, as you've done?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

I think that the trimming -- so we are talking, I think it's important to identify this capital recycling that we are doing in 2017 of $900 million of dispositions and then $1 billion of investments, so the $900 million is straightforward, too. It's the Kindred $700 million and then some drips and drabs, $88 million we just closed on some senior housing with a customer that was a good, mutually beneficial deal. So that covers about $800 million of it, and the rest is kind of drips and drabs to get to the $900 million, and I've already gone over the $1 billion. So that's the capital recycling that we've talked about that really is value creating.

Jordan Sadler ***KeyBanc Capital Markets - Analyst***

Okay, thank you.

Operator

Josh Raskin, Barclays.

Josh Raskin ***Barclays Capital - Analyst***

Thanks for fitting me in at the end. I guess I'll just ask a quick one. Just getting back to the slowing of new construction, I wonder, is there specific data on maybe markets or how long that takes to get to deliveries, etc., just when you would expect that to start showing up in terms of results?

Bob Probst ***Ventas, Inc. - EVP, CFO***

I'd say one thing to point to is the data we referenced that could suggest some slowing is NIC data, where if you look both for IL and AL at starts, both -- in both cases they are the slowest that we've seen since 2012 to 2014, in that range. So, it's a couple data points. Anecdotally around financing would be another one, difficulty of financing, difficulty of lining up construction at a reasonable cost, etc. etc. So, those are some of the facts that would indicate it may be slowing, but it's still early to call that.

Josh Raskin ***Barclays Capital - Analyst***

Yes, I didn't know if you were seeing anything in your specific markets anecdotally, more than the broad NIC data of just saying, okay, here are the markets. And then, you know, I didn't know if the $88 billion of divestitures, maybe that was related to what you are seeing in certain markets, etc.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

The divestitures were really with one of our customers. They were underperforming assets, so we were able to sell those at a fixed yield and increase their cash flow and improve our portfolio so everybody was happy. So that was something that was a unique sort of solution that worked for both companies.

Josh Raskin ***Barclays Capital - Analyst***

Okay, thanks.

Operator

Todd Stender, Wells Fargo.

Todd Stender ***Wells Fargo Securities, LLC - Analyst***

Is Todd Lillibridge there? I had a MOB question for him.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

He is.

Todd Stender ***Wells Fargo Securities, LLC - Analyst***

All right. Same-store NOI growth in MOBs picked up a little bit in Q4, got you over 2%, but your outlook for this year would only top out at 2%. I just want to see if you can go through some of the drivers behind your growth expectations. That's part one. And part two is maybe just touch on the stuff you sold into Q4.

Todd Lillibridge ***Ventas, Inc. - EVP Medical Property Operations, President Lillibridge Healthcare Services***

Good morning, Todd. I know, as Bob mentioned, you know, we were within our guidance this past year at 1.3%, at the midpoint, roughly, and as we have set 2017 guidance again really at that 1.2% to 1.3% range, and you are correct. We did finish the Q4 on a year-over-year basis at 2%. Our leasing and therefore occupancy was up in Q4, when we got to 92%. So we see a steady year.

But, again, as Bob mentioned, we do have a bit of a peak in terms of overall renewal activities that we are going to be faced with here in 2017. So we factor that all in and, again, we feel very comfortable with our guidance for 2017 between 1% and 2%.

Todd Stender ***Wells Fargo Securities, LLC - Analyst***

Great, thanks, and then how about what you sold in Q4? Any characteristics we can point to, whether single tenant or smaller buildings?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Yes, nonstrategic assets that we thought we got a really good price for and that were more valuable to the tenant user than they were to us. So, a good transaction there.

Todd Stender ***Wells Fargo Securities, LLC - Analyst***

Great, thank you.

Operator

Tayo Okusanya, Jefferies.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Tayo, you are batting cleanup.

Tayo Okusanya ***Jefferies LLC - Analyst***

It's just a quick one. Just given some of this recent news around Brookdale, I just wanted to -- could you just talk a little bit again about if Brookdale does kind of end up in play, what rights you have as a landlord for the company?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Good, okay. So Brookdale, as you know, is an important customer of Ventas and they are an important industry participant with 80,000 employees and 100,000 seniors that they care for every day. We have a good relationship with them. We have excellent agreements between the companies and we continue to try to work with Brookdale, as we do with all of our customers, to continue to enhance and improve our mutual businesses.

Tayo Okusanya ***Jefferies LLC - Analyst***

But I guess, specifically, do you have to approve a transaction? Or how exactly will that work if the entire company is being sold?

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Tayo, how long have you known us?

Tayo Okusanya ***Jefferies LLC - Analyst***

(laughter). I'm just trying to get an answer there.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

All kidding aside, we care deeply about the success of Brookdale and we will continue to try to work with them, as we have with our small disposition deal that we have in the market and as we have with our other customers, to try to continue making them a success.

Tayo Okusanya ***Jefferies LLC - Analyst***

All right, I had to give it a try.

Debra Cafaro ***Ventas, Inc. - Chairman, CEO***

Thank you. With that, I think we're going to close the call. We are going to thank everyone for their patience and we really appreciate your tuning in to hear us talk about our great year and what we hope to accomplish in 2017 on your behalf. So we look forward to seeing you, and thank you again for your interest and attention.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.