

Who's Lending on What Terms



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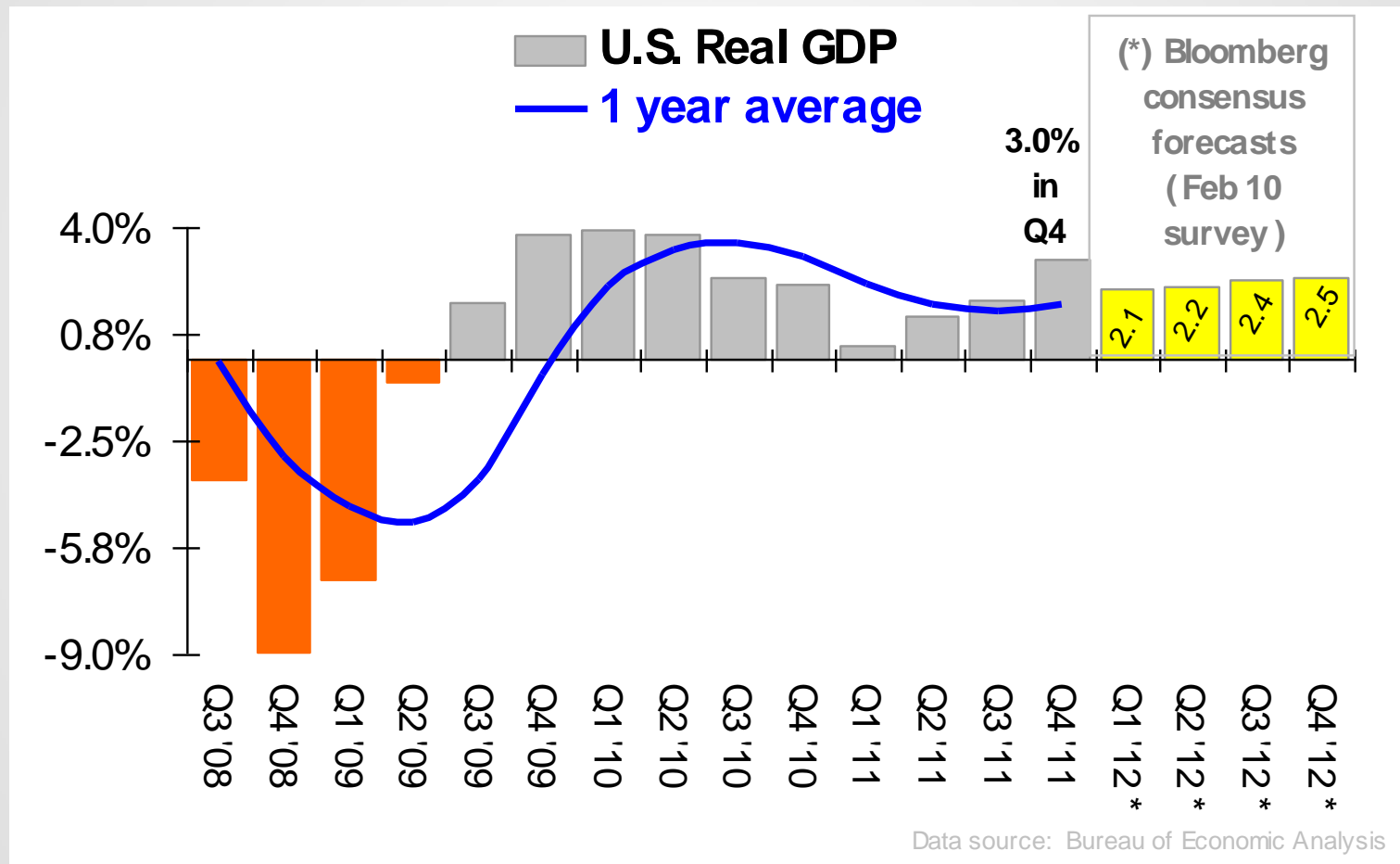


National Investment Center
For the Seniors Housing & Care Industry

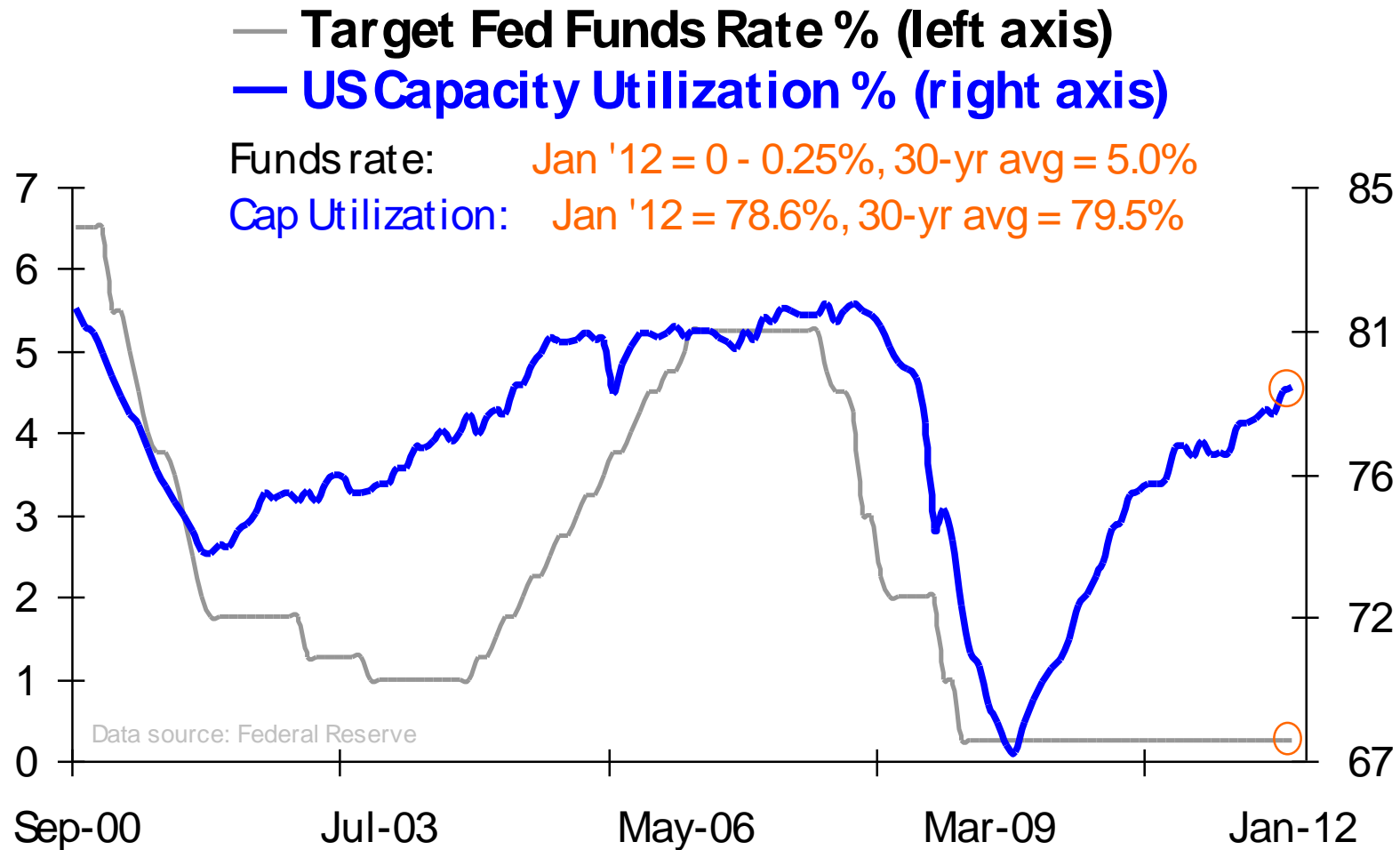
Who's Financing on What Terms

- What are your options?
Banks, REIT's, Finance Companies, Agency
- Who are the players?
- Latest Lender Underwriting Practices and trends.
- Where are we in the cycle?
- Banks are back

Where are we in the cycle? – 3rd year

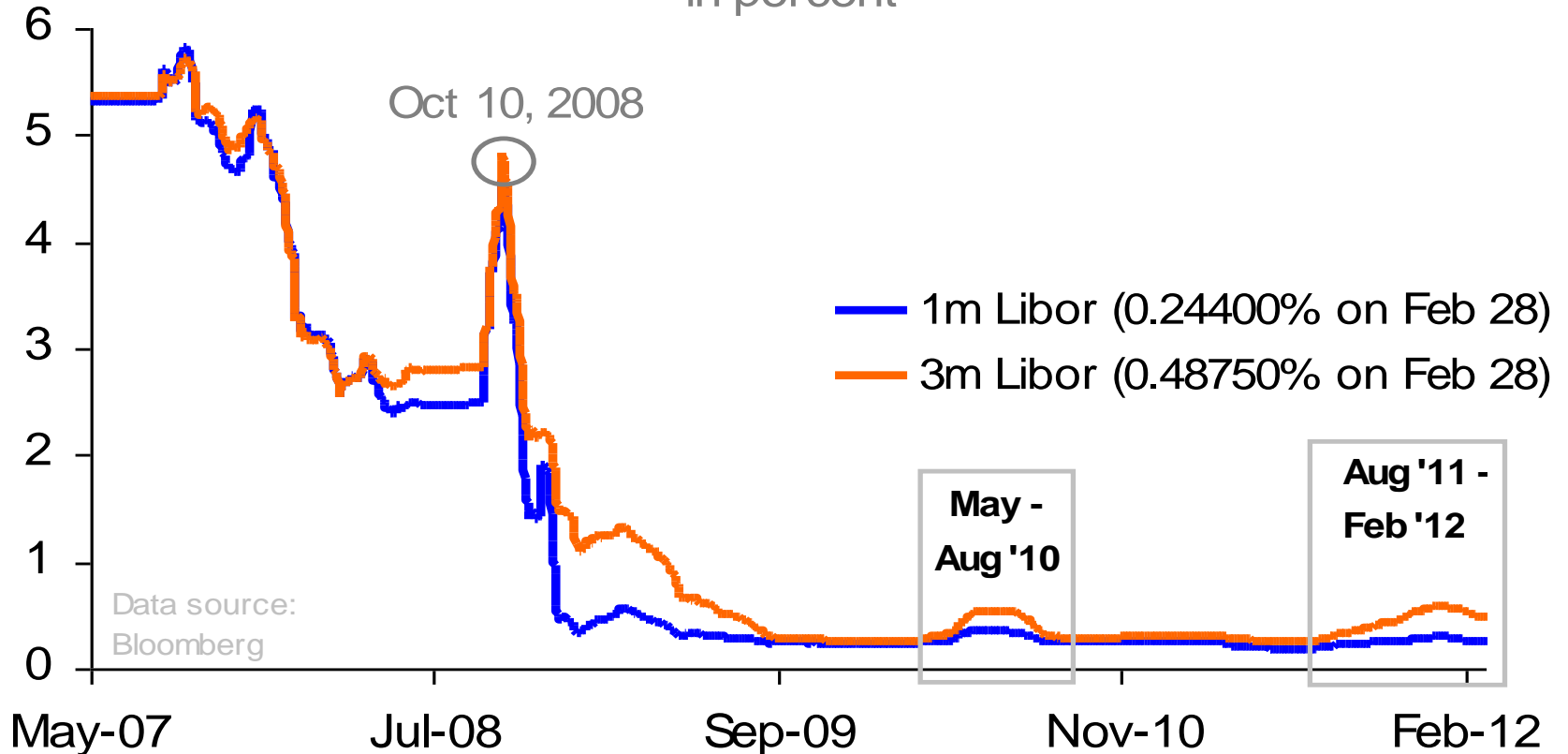


Fed Funds lags Capacity



Big Picture, Libor Contained

1 and 3-month U.S. Libor in percent



10-year Treasury versus 1 month Libor

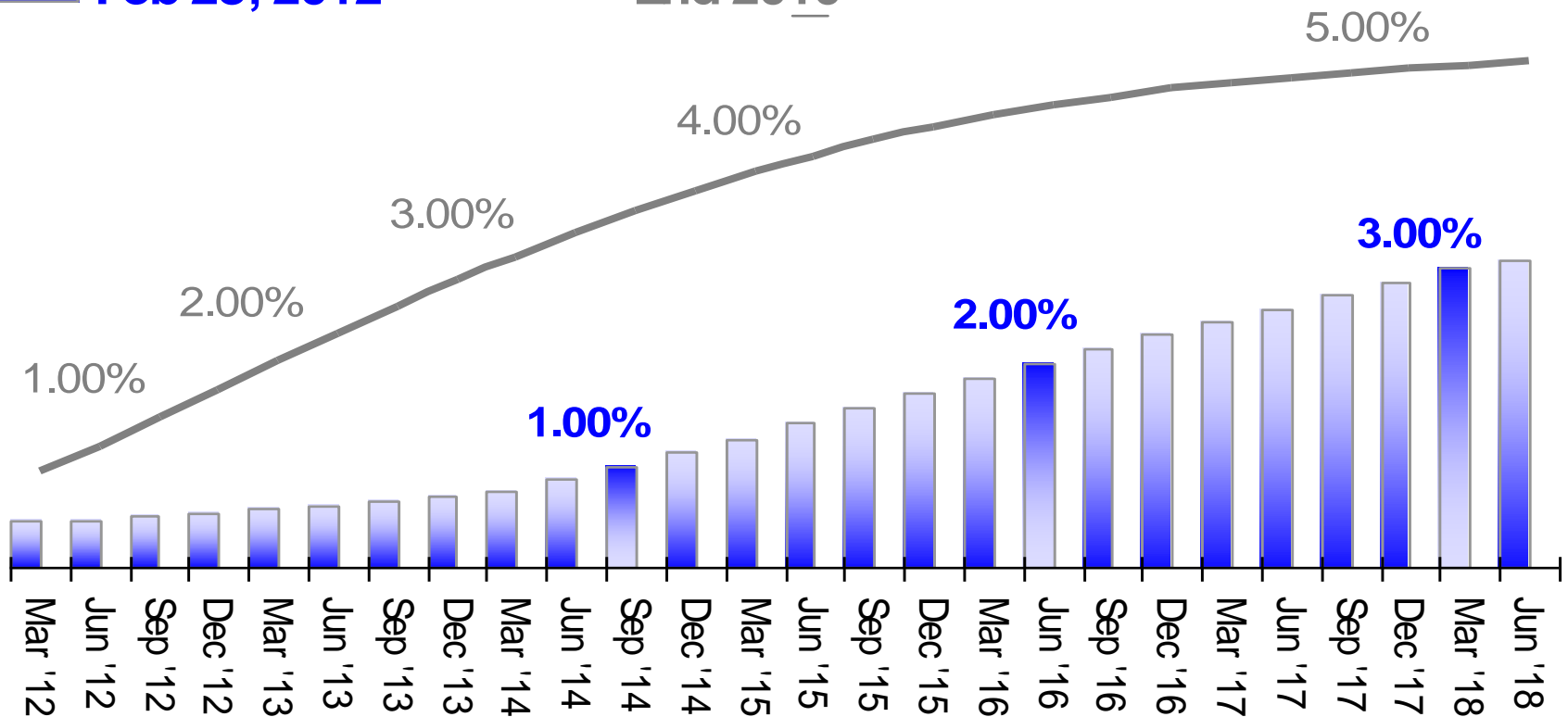


Rate expectations fall dramatically

3m U.S. Libor - per futures

■ Feb 28, 2012

— End 2010



Data source: Bloomberg

REIT Overview

- Real Estate Investment Trusts
 - Publicly traded or private; Equity or mortgage
- Healthcare REITs invest across the healthcare spectrum
 - Seniors housing, medical office, skilled nursing, hospitals and life science
 - Focus on stabilized, cash flowing properties
- Excellent access to capital + Liquidity = Appetite to invest
 - 12 healthcare REITs with a total market cap of \$55B ⁽¹⁾
 - Healthcare REITs raised over \$10B of equity and unsecured debt in 2011 ⁽¹⁾
 - Healthcare REITs have over \$9B of committed revolver capacity from banks ⁽²⁾



1: NAREIT. As of December 31, 2011.
2. Company filings.

REIT Financing Structures

- Sale-Leaseback
 - 100% financing provided by the REIT
 - REIT owns/acquires, leases to operator in a triple-net master lease
 - Long term capital solution with low blended cost of capital
- RIDEA
 - REIT owns property and directly participates in property-level cash flow
 - Independent manager operates property for a management fee
 - Focus on properties with a higher growth profile
- Development
 - Construction financing, though usually in conjunction with stable portfolio

Agency Lending – Fannie, Freddie & HUD

- Fannie Mae DUS[®] Delegated Underwriter and Servicer
- Freddie Mac Program Plus[®]
- FHA HUD LEAN 232

Not all Agency Lenders underwrite all three products
Fannie Mae DUS lenders have credit exposure or loss sharing.

All Lenders underwrite, close and service their Loans.

Agency Lending – Program Comparison

	Fannie Mae DUS®	Freddie Mac Program Plus®	FHA HUD LEAN 232
Product type: IL, AL, ALZ, SNF	IL, AL, ALZ, with no more than 20% SNF	IL, AL, ALZ, with no more than 20% SNF	AL, ALZ, SNF, with no more than 25% IL
Loan type: - Permanent - Construction	Yes No	Yes No	Yes Yes
LTV (max):	75%	75%	80%
DSCR (min): - IL - AL / ALZ - SNF	1.30x 1.40x 1.50x	1.30x 1.40x 1.50x	1.45x 1.45x 1.45x
Typical Terms: - Permanent - Construction	10 yr / 30 yr am N/A	10 yr / 30 yr am N/A	Up to 35 yr / 35 yr am Up to 40 yr / 40 yr am
Cash-out Refinance:	Yes, but lower LTV and higher DSCR	Yes, but lower LTV and higher DSCR	No, only refinance of existing & eligible debt
Supplemental:	Yes	Yes	No
Liability:	Non-recourse	Non-recourse	Non-recourse

Agency Lending – Loan Volumes

	Fannie Mae	Freddie Mac	HUD LEAN 232
2010:	\$640 Million	\$661 Million	\$2.5 Billion
2011:	Approx. \$700 Million	Approx. \$700 Million	\$3.25 Billion

Agency Lending – Present & Future?

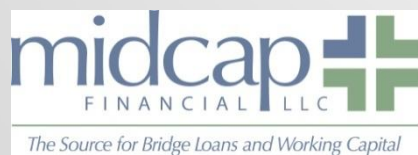
- Fannie and Freddie lenders remain busy & competitive compared to other financing sources – banks, commercial finance companies, etc.
- HUD is working through its deal queue, and has eliminated the queue for A7 deals, and the expects elimination of the queue for traditional refinances by summer 2012. The construction queue remains a problem.
- Potential for Freddie Mac to spin off is still a significant concern in the industry.

Which Banks are Lending?

2012 NIC Regional Symposium Attendees



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Bank Trends

- Bank lending activity has picked up
- Spreads are lower and LTV's are higher
- Cross Selling not as important
- Some Banks Have Dedicated Healthcare Group
- Trying to tie up Agency / takeout
- More regulated than finance companies
- Geographic Restrictions for Regional and Community Banks

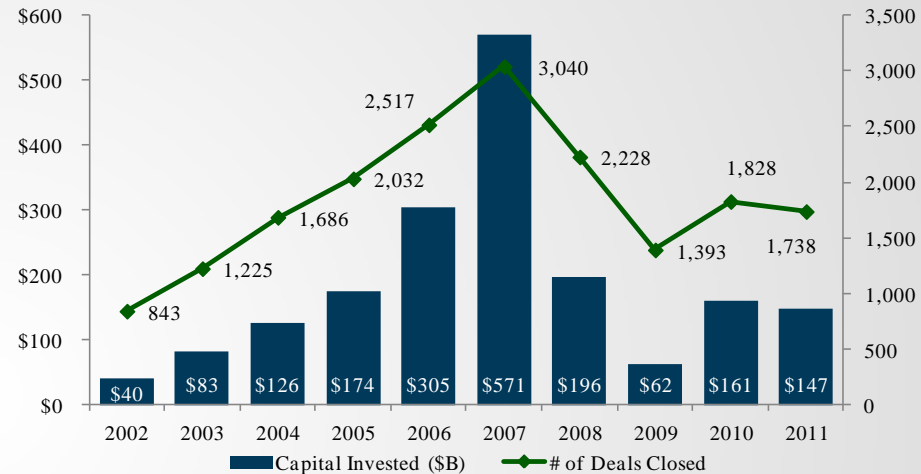
Finance Companies

- Finance Companies movement to Banks
 - CIT, Capital Source and Capital Funding
- Traditionally higher spreads due to cost of capital
- Will provide SNF financing as well as Seniors Housing
- Typically a more dedicated Healthcare group
- More reliance on internal underwriting than actual 3rd party appraisals
- More creative with structure than regional banks

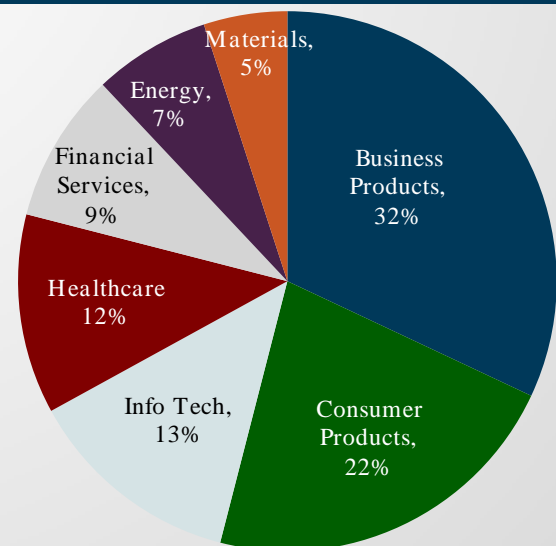
Private Equity Update

- Private equity investments down slightly in 2011
- Deal flow remains robust, although slowed in second half of 2011
- General healthcare private equity investments constitute approximately 12% of all volume
- Private equity investment in the healthcare sector is expanding
- Equity contribution as a percentage of total transaction capital at 10 year high in 2011

Private Equity Transaction Volume



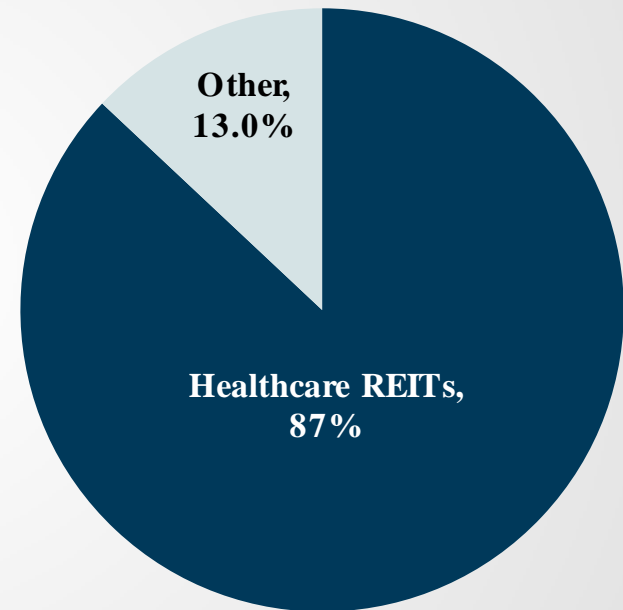
Private Equity Investment by Industry



Types of Equity in Seniors Housing

- Healthcare REITs
- Traditional private equity
 - Institutional
 - Family
- Traditional real estate (multi-family / commercial)
- Institutional funds
- Sovereign wealth funds
- Quasi-equity (mezzanine finance)

2011 Investor Distribution by \$



Key Transaction Observations

- Overall return expectations coming down
 - High teens versus previously Low to Mid 20%'s
- Private investors targeting niches
 - Moving towards deals with a more “hair” (turnarounds / fill-ups); higher return profile
 - Less competition from the Healthcare REITs
- Equity requirements on the rise
 - Leverage markets are tight, investors “over” equitizing investments
 - Putting downward pressure on return expectations
- Increase in creative investment structures
 - Earnouts, contingent payments, holdbacks
- Avoid the headline risk

Development Loans

	Finance Co's	Banks	REITs	HUD
LTV	70-80%	65-75%	100%	75%
Pricing	7.00% + All in rate	250 -350 bps with Floor rates	8.0 – 10.0% Lease rate	Less than 4.50%
Product	AL, ALZ and SNF	IL, AL and ALZ	Bundled w/other assets *	AL and SNF
Target Customer	Existing	Existing Customers	Existing Customers	All

Acquisition Loans

	Finance Co's	Banks	REITs	Agency
LTV	75-85%	<75%	100%	75%
Pricing	5.50% +	300 -350 bps with Floor rates	7.00 - 9.00% Lease rate	Less than 5.00%
Product	All	IL, AL and ALZ *	All	All
Target Customer	Existing and New	Existing Customers	Existing and Growth Co's	All

Refinance Loans

	Finance Co's	Banks	REITs	Agency
LTV	75-85%	75%	100%	75%
Pricing	5.50% +	275 -350 bps with Floor rates	7.0 – 9.0% Lease rate	Less than 4.75%
Product	All	IL, AL and ALZ *	All	All
Target Customer	Existing and New	Existing and New	Existing and Growth Co's	All

Key Takeaways

- 2012 is 3rd year of growth cycle
- Banks are back and Aggressive
- Cost of Capital is critical
- REITs have dominated the acquisition market
- Agencies still strong at \$4+ billion of volume
- Finance Co- still active, Flexibility - stretch
- Equity – More selective, lower return expectations

Questions & Answers



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