

Discovery Palm Beach  
Palm Beach Gardens, Florida



Healthpeak  
PROPERTIES

# SHOP Same- Store (SS) Policies

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February 2020

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# SHOP Same-Store (SS) Policies

- We believe same-store results are a useful performance metric for management to gauge the operating results of our stabilized properties. However, the usefulness in comparing same-store results across peer companies is limited unless the policies used to determine the metric are consistent and transparently disclosed.
- In order to ensure we are utilizing industry best practices, we completed a comprehensive review of Healthpeak's SHOP SS Policies which is described on the following pages, along with the rationale for those policies.
- While our policies remain largely unchanged, we will make the following revisions to our SHOP SS Policies effective in 2020.
  1. Properties undergoing operator transitions will be removed from same-store results to more closely conform with industry practice and prevent temporary distortions unrelated to property fundamentals. However, if material, we will continue to provide disclosure around future transition properties.
  2. Consolidated and unconsolidated JVs will be included at our pro rata share in order to most accurately include the interests in our same-store population.
  3. We will disclose management fees separately from operating expenses so investors can better understand the components of SHOP NOI.
- We have provided pro forma disclosure illustrating the impact that these changes would have had on 2019 SHOP SS results.
- These changes have no impact on earnings per share, FFO, FFO as Adjusted, or FAD.

# SHOP Same-Store (SS) Policies

The table below depicts PEAK's New and Old SHOP SS policies

	New Policy	Rationale	Old Policy
Development	Enter SS when the asset is stabilized for both comparison periods. Stabilized defined as the earlier of 80% occupancy or two years from completion	Avoids inflated SS growth caused by the lease-up of a property coming out of development (occupancy gains during development lease-up create distortion versus same-store properties that have been stabilized). A two-year time period is necessary given senior housing development's typical lease-up period	No change
Redevelopment	Exit SS based on qualitative criteria regarding scope of project pursuant to an approved plan. Re-enter SS when the asset is stabilized for both comparison periods. Stabilized defined as the earlier of 80% occupancy or two years from completion	Same as development rationale above	No change
Acquisitions	Enter SS when the asset is owned for both comparison periods, unless the acquisition is in lease-up following a recent (re)development, in which case the respective definition would apply. Recent is defined as (re)development completion within two years prior to acquisition date	Ensures that comparisons are consistently based on stabilized properties owned for both comparison periods presented	No change
Property Pools	Maintain sequential, quarterly, and YTD pools based on comparability in both periods presented	Ensures that comparisons are consistently based on stabilized properties owned for both comparison periods presented	No change
Operator Transitions	Exit SS upon reaching a signed definitive agreement with existing operator. Re-enter SS as soon as results can be provided under the new operator for both comparison periods presented	Better aligns with Healthcare REIT industry practice. Avoids distorting SS results with the positive or negative impacts of disruptions associated with operator transitions	Remain in SS
NNN to SHOP Segment Conversions	Exit SS upon reaching a signed definitive agreement. Re-enter SS as soon as results can be provided under the RIDEA structure for both comparison periods presented	Reported NOI from a NNN lease is not comparable to SHOP NOI	No change

# SHOP Same-Store (SS) Policies

The table below depicts PEAK's New and Old SHOP SS policies

	New Policy	Rationale	Old Policy
NOI Normalization	No routine normalization of results. If unusual or non-recurring item materially impacts results, disclose the rationale, and reconcile in both the Supplemental and 10-K/Q	Provides better transparency of NOI results for investors	No change
Held for Sale	Exit SS upon meeting the GAAP definition of HFS. Immediately re-enter the SS pool if the asset no longer meets the GAAP definition (i.e. the asset is no longer being actively marketed for sale)	GAAP metric provides a standardized set of rules that is consistent with REIT industry best practice and removes management subjectivity from the determination	No change
Casualty	Exit SS in the quarter the asset experienced a significant casualty event. Re-enter SS when re-stabilized for both comparison periods presented. Re-stabilization is defined as one year after the casualty event	Avoids inflated SS growth caused by the lease-up of a non-stabilized property (occupancy gains during lease-up create distortion versus same-store properties that have been stabilized)	No change
NOI Components	Separately report management fee component of operating expenses	Provides better transparency of NOI results for investors	Management fee component was not broken out separately from operating expenses
Property Count Reconciliation	Provide a full property count reconciliation for YTD, sequential, and quarterly pools	Provides greater transparency on what assets are included / excluded from SS	No change
Consolidated and Unconsolidated JVs	Report consolidated and unconsolidated JVs at share	Ensures results are consistent with the economic impact to the Company and how management reviews results	Excluded unconsolidated JVs and reported consolidated JVs at 100%
Consistency with 10-K/Q Reporting	Consistent reporting, or reconciliation of any differences, between Supplemental and SEC filings	Provides clarity and transparency of reported results for investors	No change

# Senior Housing Same-Store (SS) Pro Forma Results

## 2019 Cash NOI SS Growth

	As Reported	As Reported + SWF SH JV at 100% <sup>(1)</sup>	New Policy
Senior housing triple-net	2.4%	2.4%	2.4%
SHOP	(1.0%)	(4.5%)	(2.7%)
<b>Total Senior housing</b>	<b>1.5%</b>	<b>(0.9%)</b>	<b>0.7%</b>

## 2019 SS Property Count<sup>(2)</sup>

	As Reported	As Reported + SWF SH JV at 100% <sup>(1)</sup>	New Policy
Senior housing triple-net	59	59	59
SHOP	21	37	32
<b>Total Senior housing</b>	<b>80</b>	<b>96</b>	<b>91</b>

(1) As Reported + SWF SH JV (Sovereign Wealth Fund Senior Housing Joint Venture) at 100% is consistent with how Healthpeak set 2019 SHOP and Total Senior Housing Cash NOI SS Guidance.

(2) Under the New Policy the SHOP SS property count increases by 11 properties due to the inclusion of 16 Brookdale-managed assets from the Sovereign Wealth Fund Senior Housing Joint Venture and 5 assets owned in a joint venture with MBK, partially offset by the removal of 10 Operator Transition assets.

# Disclaimers

## Forward Looking Statements

This presentation contains forward-looking statements within the meaning of federal securities laws and regulations. These forward-looking statements are identified by their use of terms and phrases such as "believe," "expect," "intend," "will," "project," "anticipate," "position," and other similar terms and phrases. Examples of forward-looking statements include, among other things, those related to establishing industry best practices, the effects of our SHOP SS policies, and our future disclosures relating to our SHOP SS policies. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks include, but are not limited to, risks and uncertainties associated with our business described from time to time in our Securities and Exchange Commission filings. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. Except as required by law, we do not undertake, and hereby disclaim, any obligation to update any forward-looking statements, which speak only as of the date on which they were made.