

Nationwide Health Properties



Leveraging NICMAP™ Data for Underwriting Analysis and Asset Management

March 2009

Meeting Agenda

COMPANY OVERVIEW

2

UNDERWRITING ANALYSIS

3

Market “scorecard”

Testing Acquisition/Development Project Assumptions

ASSET MANAGEMENT

20

Mapping portfolio by MSA

Operations vs. market fundamental

Construction alerts | Google Maps API

Company Overview



- **Leader in healthcare REIT sector**
 - Investment grade rated since 1994
 - Enterprise value \$5.0 billion
- **Investment in senior housing (48%), long-term care facilities (26%), medical office buildings (20%), CCRCs (4%) and specialty hospitals (2%)**
- **Nearly 600 properties, 80 tenants, 43 states**
 - \$3.7 billion of gross real estate investments
 - \$584 million of assets managed through joint venture
- **Triple net master lease to quality healthcare operators responsible for facility management, maintenance and all expenses**

Nationwide
Health
Properties



Underwriting Analysis
NIC Maps Advanced Training

Nationwide Health Properties



Q: For acquisition/development assisted living deals, given today's fundamentals, which markets show promise and which should we avoid?

Nationwide
Health
Properties



MSA “Scorecard”

Assisted Living MSA “Scorecard” | Factors



NICMap™

- Penetration rate= [ALF unit inventory / number of 75+ households]
- 45-64 growth rate
- 75+ growth rate
- Affordability index= [average REVPOR x 12 /median 75+ household income]
- Year-over-year absorption trend rate
- Median age
- Average occupancy
- Construction as % of inventory

Other Sources

- Unemployment rate (source: Department of Labor - www.bls.gov/LAU)
- Year-over-year home value growth/decline (source: National Association of Realtors - www.realtor.org/research/research/metroprice)

Assisted Living MSA “Scorecard” | Factor Data Summary

NICMap™

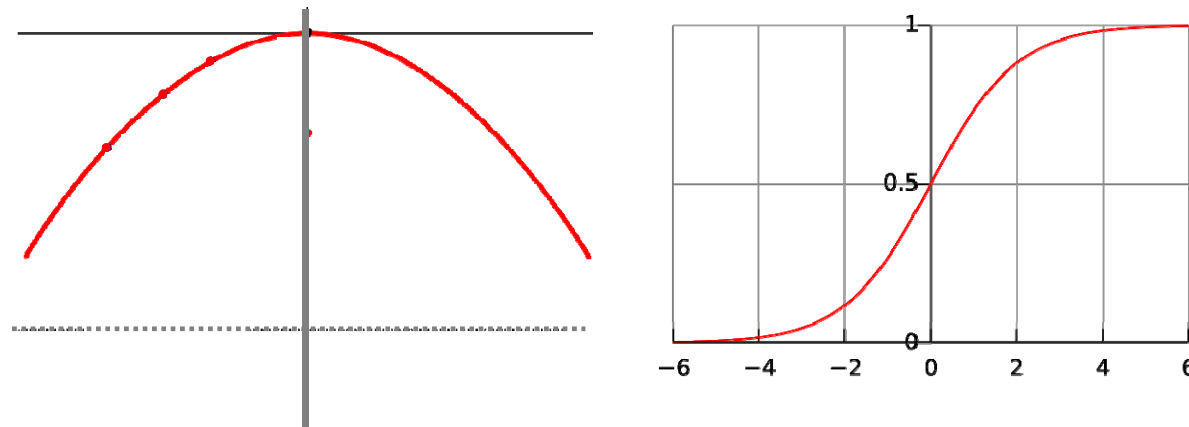
Other Sources

MSA	Penetration Rate	45-64 Growth	75+ Growth	Affordability Index	YoY Absorption	Median Age	Average Occupancy	Construction as % Inventory	Unemployment Rate	YoY Home Value Growth
Atlanta	5.7%	3.7%	3.9%	1.33x	1.5%	11	88.9%	2.6%	7.6%	-21.4%
Baltimore	4.0%	1.4%	0.9%	1.54x	-2.3%	11	88.8%	0.0%	5.8%	-5.5%
Boston	3.7%	1.3%	0.2%	1.83x	-1.1%	12	93.2%	3.7%	5.8%	-11.8%
Chicago	3.1%	1.4%	0.4%	1.54x	0.9%	11	89.1%	8.2%	7.1%	-16.6%
Cincinnati	3.9%	1.5%	0.9%	1.52x	-3.6%	21	90.2%	2.1%	6.7%	-12.4%
Cleveland	4.4%	0.3%	-0.2%	1.62x	-1.6%	11	89.7%	2.5%	7.1%	-25.5%
Dallas	5.3%	3.4%	3.0%	1.25x	0.4%	11	88.0%	0.8%	5.8%	-4.8%
Denver	6.3%	2.3%	1.9%	1.21x	2.8%	12	89.3%	4.3%	6.3%	-12.7%
Detroit	2.6%	0.8%	-0.2%	1.61x	0.0%	12	82.7%	1.9%	10.6%	-15.0%
Houston	3.4%	2.9%	3.3%	1.47x	0.5%	10	92.2%	1.2%	5.5%	-5.5%
Kansas City	4.9%	1.7%	1.1%	1.37x	-0.4%	14	89.2%	2.5%	6.5%	-11.6%
Las Vegas	2.7%	3.8%	4.7%	1.10x	13.1%	11	86.6%	0.0%	9.1%	-33.6%
Los Angeles	4.0%	2.0%	0.7%	1.16x	-0.4%	23	86.7%	1.0%	8.8%	-31.4%
Miami	2.4%	2.0%	1.0%	1.30x	-2.4%	19	88.7%	0.0%	7.1%	-32.3%
Minneapolis	6.6%	2.2%	1.3%	1.32x	-0.5%	14	92.0%	1.0%	6.4%	-13.2%
New York	2.3%	1.2%	0.4%	1.73x	0.8%	10	92.3%	1.7%	6.6%	-14.6%
Orlando	3.9%	3.3%	3.4%	1.27x	6.9%	15	88.4%	5.8%	7.7%	-27.1%
Philadelphia	4.5%	1.2%	0.2%	1.63x	0.8%	18	88.4%	1.0%	6.4%	-6.3%
Phoenix	3.4%	3.5%	2.4%	1.24x	2.5%	12	90.9%	5.3%	6.1%	-35.5%
Pittsburgh	4.7%	0.0%	0.0%	1.59x	1.9%	17	92.0%	3.1%	6.0%	-6.7%
Portland	9.9%	2.0%	1.2%	1.21x	0.7%	12	92.1%	3.1%	8.1%	-9.0%
Riverside	3.2%	3.9%	1.9%	1.20x	-1.6%	16	85.5%	1.4%	10.1%	-40.8%
Sacramento	4.5%	2.9%	2.0%	1.26x	0.3%	12	90.2%	4.7%	8.7%	-36.9%
St. Louis	3.3%	1.3%	0.7%	1.38x	-0.2%	12	89.9%	4.6%	7.6%	-14.8%
San Antonio	3.1%	2.6%	2.1%	1.13x	0.2%	12	90.0%	2.8%	5.3%	-5.5%
San Diego	3.3%	2.3%	0.2%	1.08x	0.1%	20	87.4%	4.3%	7.4%	-36.4%
San Francisco	4.0%	1.5%	0.5%	1.35x	-1.0%	16	87.3%	4.2%	7.0%	-37.4%
San Jose	3.4%	2.2%	1.3%	1.39x	-2.7%	18	88.8%	4.9%	7.8%	-37.7%
Seattle	6.5%	2.1%	1.4%	1.13x	0.7%	13	85.5%	2.9%	6.3%	-13.7%
Tampa	4.3%	1.8%	1.7%	1.31x	-0.1%	18	90.1%	0.6%	8.3%	-24.9%
Washington DC	4.1%	2.2%	2.3%	1.15x	-2.1%	13	89.6%	1.7%	4.7%	-26.2%

MSA “Scorecard” | Model Process

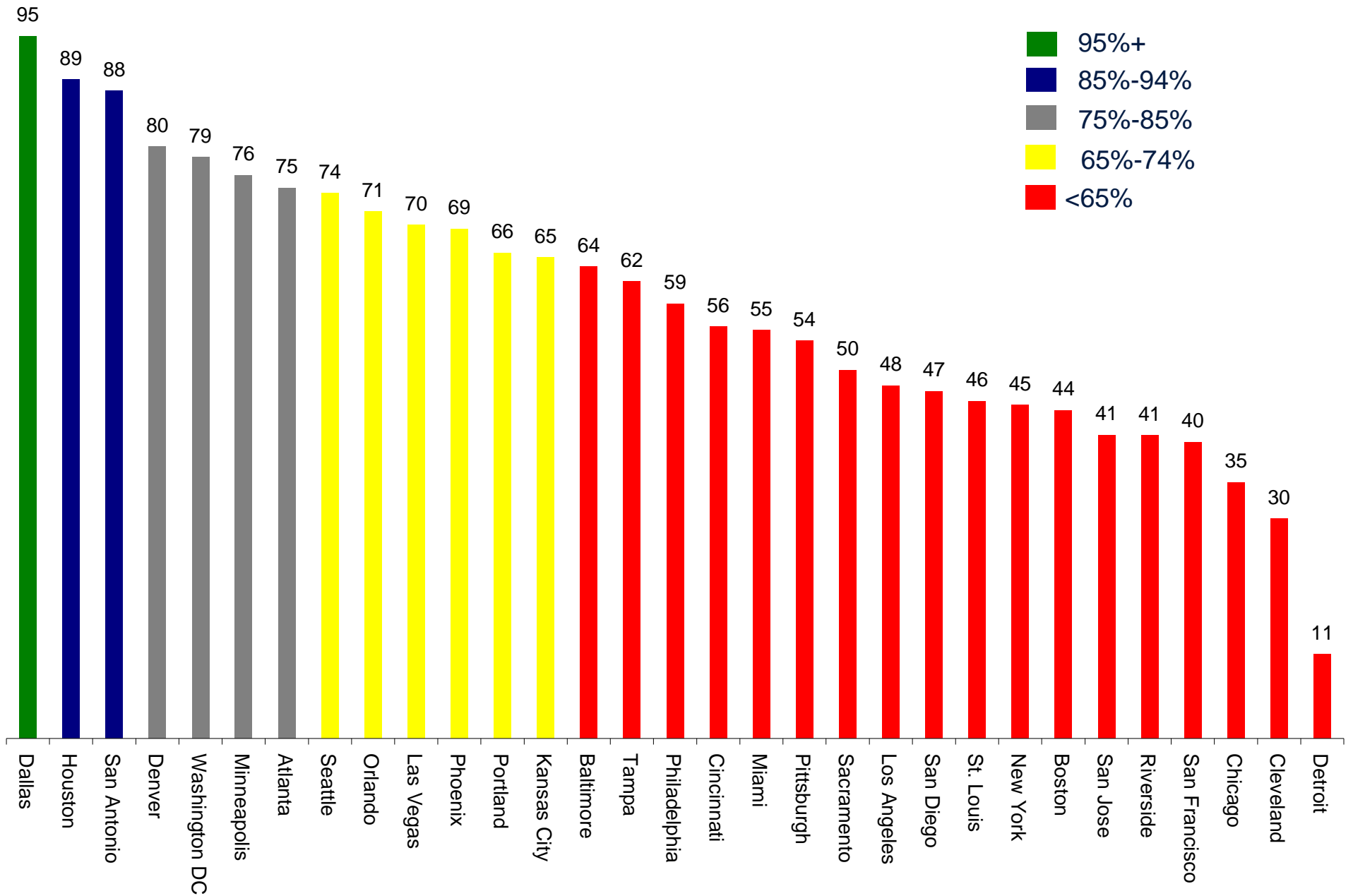


- Develop a grade model for each factor based on specified boundaries, converting each factor into a consistent measurement (i.e. points from zero to 100)
 - Linear model $\rightarrow \text{Grade} = mx + b$
 - Inflection point model $\rightarrow \text{Grade} = m(x - h)^2 + b$
 - s-curve model $\rightarrow \text{Grade} = 1 / (1 + e^{-x})$



- Weight each factor $\rightarrow \sum w_1 \text{factor}_1 + w_2 \text{factor}_2 + \dots + w_n \text{factor}_n = 100$

Assisted Living MSA “Scorecard” | Hypothetical Results



Assisted Living MSA “Scorecard” | Re-Test Model Hypothesis

MSA	Penetration Rate	45-64 Growth	75+ Growth	Affordability Index	YoY Absorption	Median Age	Average Occupancy	Construction as % Inventory	Unemployment Rate	YoY Home Value Growth
Atlanta	5.7%	3.7%	3.9%	1.33x	1.5%	11	88.9%	2.6%	7.6%	-21.4%
Baltimore	4.0%	1.4%	0.9%	1.54x	-2.3%	11	88.8%	0.0%	5.8%	-5.5%
Boston	3.7%	1.3%	0.2%	1.83x	-1.1%	12	93.2%	3.7%	5.8%	-11.8%
Chicago	3.1%	1.4%	0.4%	1.54x	0.9%	11	89.1%	8.2%	7.1%	-16.6%
Cincinnati	3.9%	1.5%	0.9%	1.52x	-3.6%	21	90.2%	2.1%	6.7%	-12.4%
Cleveland	4.4%	0.3%	-0.2%	1.62x	-1.6%	11	89.7%	2.5%	7.1%	-25.5%
Dallas	5.3%	3.4%	3.0%	1.25x	0.4%	11	88.0%	0.8%	5.8%	-4.8%
Denver	6.3%	2.3%	1.9%	1.21x	2.8%	12	89.3%	4.3%	6.3%	-12.7%
Detroit	2.6%	0.8%	-0.2%	1.61x	0.0%	12	82.7%	1.9%	10.6%	-15.0%
Houston	3.4%	2.9%	3.3%	1.47x	0.5%	10	92.2%	1.2%	5.5%	-5.5%
Kansas City	4.9%	1.7%	1.1%	1.37x	-0.4%	14	89.2%	2.5%	6.5%	-11.6%
Las Vegas	2.7%	3.8%	4.7%	1.10x	13.1%	11	86.6%	0.0%	9.1%	-33.6%
Los Angeles	4.0%	2.0%	0.7%	1.16x	-0.4%	23	86.7%	1.0%	8.8%	-31.4%
Miami	2.4%	2.0%	1.0%	1.30x	-2.4%	19	88.7%	0.0%	7.1%	-32.3%
Minneapolis	6.6%	2.2%	1.3%	1.32x	-0.5%	14	92.0%	1.0%	6.4%	-13.2%
New York	2.3%	1.2%	0.4%	1.73x	0.8%	10	92.3%	1.7%	6.6%	-14.6%
Orlando	3.9%	3.3%	3.4%	1.27x	6.9%	15	88.4%	5.8%	7.7%	-27.1%
Philadelphia	4.5%	1.2%	0.2%	1.63x	0.8%	18	88.4%	1.0%	6.4%	-6.3%
Phoenix	3.4%	3.5%	2.4%	1.24x	2.5%	12	90.9%	5.3%	6.1%	-35.5%
Pittsburgh	4.7%	0.0%	0.0%	1.59x	1.9%	17	92.0%	3.1%	6.0%	-6.7%
Portland	9.9%	2.0%	1.2%	1.21x	0.7%	12	92.1%	3.1%	8.1%	-9.0%
Riverside	3.2%	3.9%	1.9%	1.20x	-1.6%	16	85.5%	1.4%	10.1%	-40.8%
Sacramento	4.5%	2.9%	2.0%	1.26x	0.3%	12	90.2%	4.7%	8.7%	-36.9%
St. Louis	3.3%	1.3%	0.7%	1.38x	-0.2%	12	89.9%	4.6%	7.6%	-14.8%
San Antonio	3.1%	2.6%	2.1%	1.13x	0.2%	12	90.0%	2.8%	5.3%	-5.5%
San Diego	3.3%	2.3%	0.2%	1.08x	0.1%	20	87.4%	4.3%	7.4%	-36.4%
San Francisco	4.0%	1.5%	0.5%	1.35x	-1.0%	16	87.3%	4.2%	7.0%	-37.4%
San Jose	3.4%	2.2%	1.3%	1.39x	-2.7%	18	88.8%	4.9%	7.8%	-37.7%
Seattle	6.5%	2.1%	1.4%	1.13x	0.7%	13	85.5%	2.9%	6.3%	-13.7%
Tampa	4.3%	1.8%	1.7%	1.31x	-0.1%	18	90.1%	0.6%	8.3%	-24.9%
Washington DC	4.1%	2.2%	2.3%	1.15x	-2.1%	13	89.6%	1.7%	4.7%	-26.2%

Nationwide Health Properties



Q: Need to test the assumptions of an independent living project currently in lease-up (Dallas MSA)

Nationwide
Health
Properties



Project Assumptions - "Sanity Check"

Key Assumptions



- Independent living facility, in “higher-end” submarket within Dallas MSA
- Current occupancy = 45%
- Total # of units = 200
- Occpucancy at stabilization = 90% (in 19 months)
- Units leased / month = 5
- Revenue per occupied unit = \$3,400

ILF Comp Set (Dallas MSA)

Independent Living (IL) ▾

125 ▾

No Limit ▾

Step 2

Select Properties to Add to Your Comp Set Report

Your search returned 33 properties closest to the center of the selected zip code.

Distance	Facility	Owner	Operator	Total units or beds	Payment	City	State	County	Zip Code	For-profit	
<input checked="" type="checkbox"/>	3.68	Preston Place Retirement Living Community	Spectrum Retirement Communities, LLC	Spectrum Retirement Communities, LLC	224	Rental	Plano	TX	Collin	75093-5093	Y
<input checked="" type="checkbox"/>	5.69	Highland Springs	Erickson Retirement Communities	Erickson Retirement Communities	449	Entrance Fee with Monthly Service Fee	Dallas	TX	Collin	75252-	N
<input checked="" type="checkbox"/>	9.87	Tuscany at Goldmark	Quest Asset	Quest Asset	184	Rental	Dallas	TX	Dallas	75240	Y
<input checked="" type="checkbox"/>	9.9	Waterford at Goldmark	Quest Asset	Quest Asset	220	Rental	Dallas	TX	Dallas	75240	Y
<input checked="" type="checkbox"/>	10.5	Treemont Healthcare & Rehabilitation Center	Horizon Bay Senior Communities	Horizon Bay Senior Communities	258	Rental	Dallas	TX	Dallas	75230-1684	Y
<input checked="" type="checkbox"/>	10.83	Christus St Joseph Village	Christus Health	Christus Health	155	Rental	Coppell	TX	Dallas	75019	N
—	—	Town Villages North	Brookdale Senior Living	Brookdale Senior Living							

Note: This set of property segments may not necessarily include every competitive property

Comp Set Metrics

Q4 2008

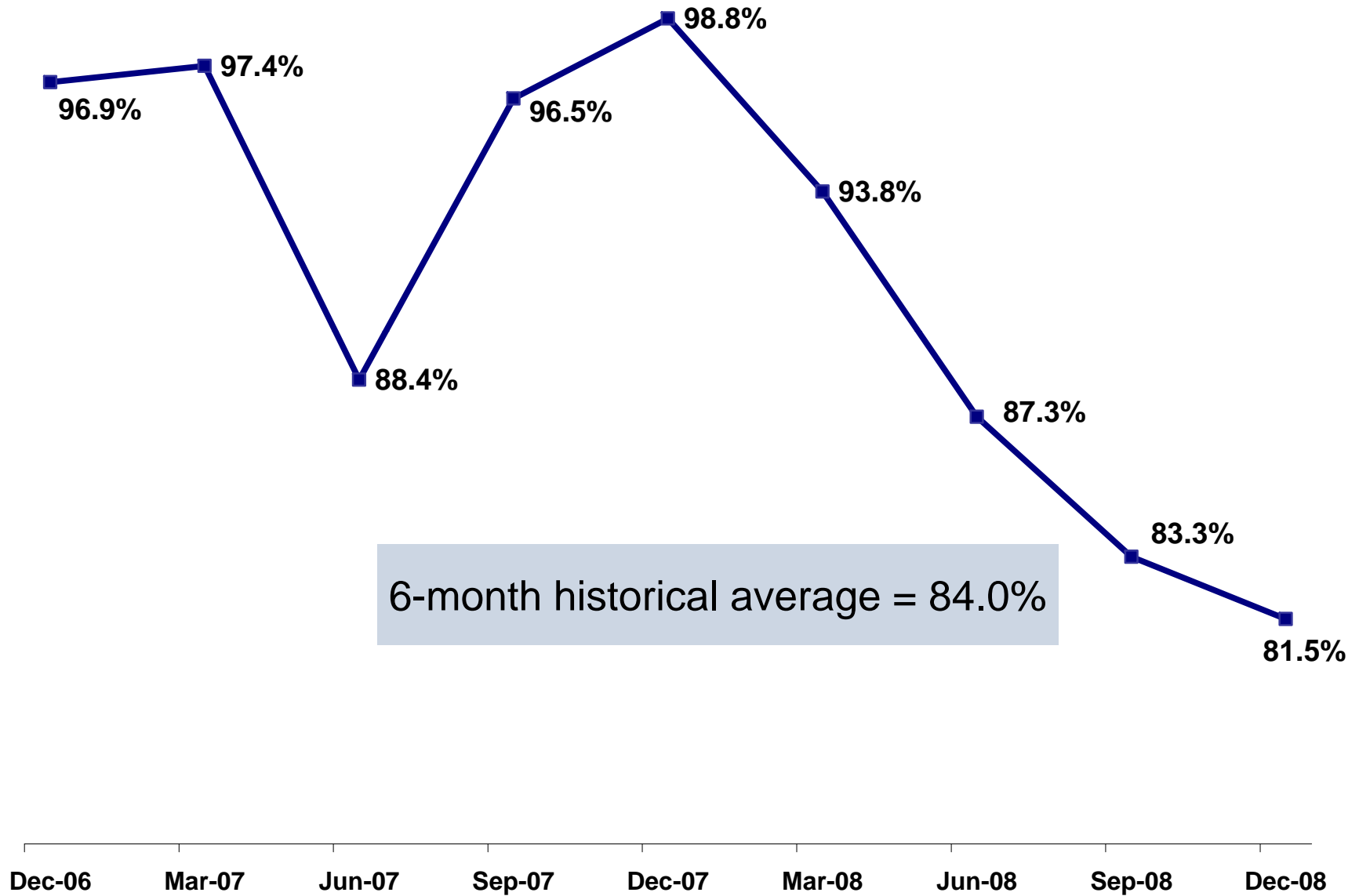
Revenue Per Occupied Unit (Mean) \$2242

Occupancy Rate (Mean) 85.45%

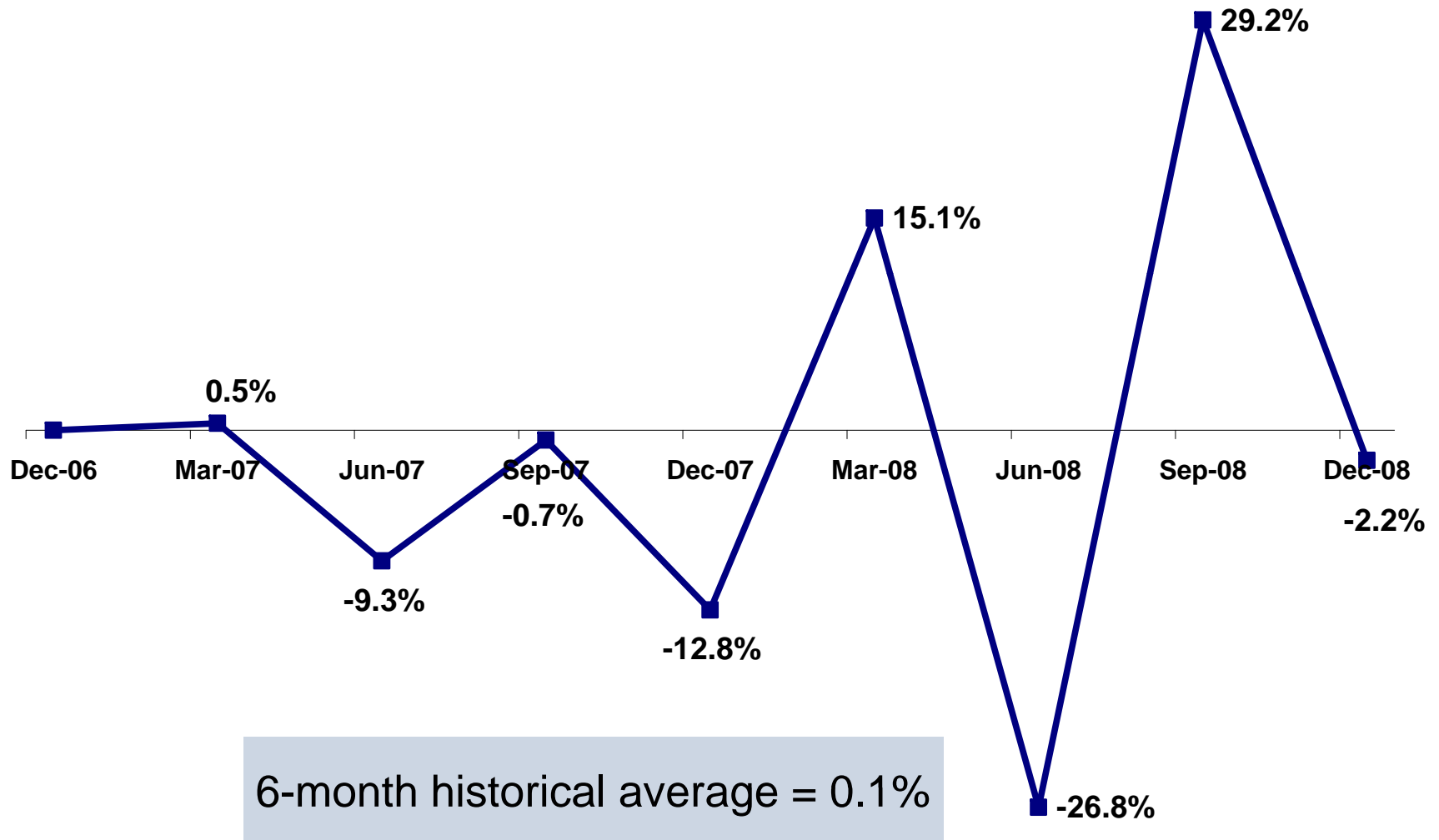
Supply (Units or Beds) 6235

Average Age of Property in Years 23

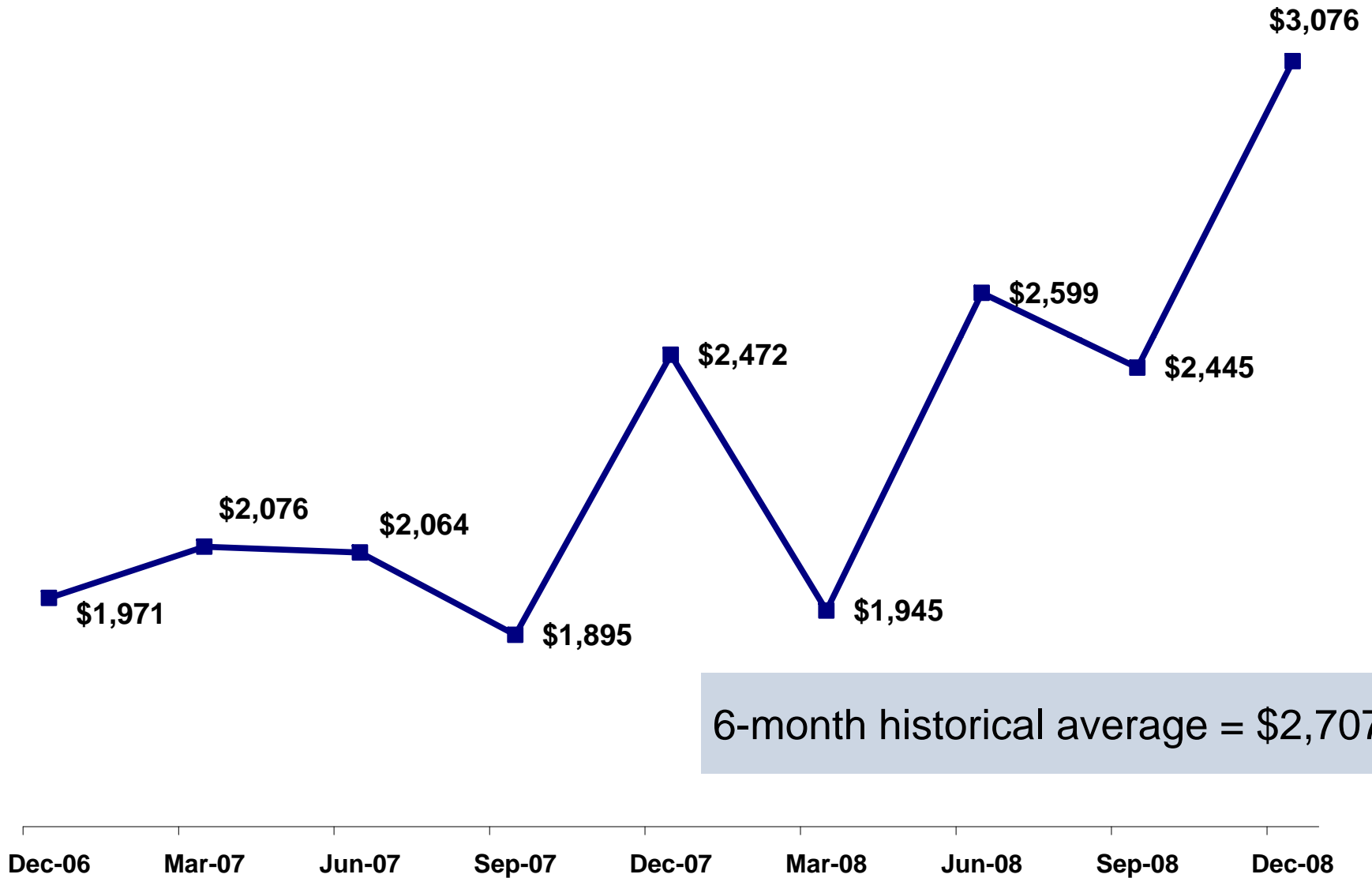
ILF Submarket Trend Report | Stabilized Occupancy



ILF Submarket Trend Report | Absorption Percent



ILF Submarket Trend Report | Average Monthly Revenue per Occupied Unit



NICMap™ Reports | Side-by-Side Comparison

← Broad → Narrow Focus

	Dallas MSA	"Higher-end" Submarket	UMA 10-mile	Stabilized Project	
Median Unit Occupancy of Stabilized Properties		84.1%			
Average Unit Occupancy of Stabilized Properties	85.9%	76.5%	84.1%	90.0%	→ ???
Average Unit Occupancy of All Properties		69.9%			
Net Monthly Move-In Rate of Properties < 24 Months	No Data	No Data		6	
Increase or Decrease in Units Occupied since Last Quarter		-22			
Percent Increase or Decrease in Units Occupied since Last Quarter	-2.0%	-2.2%			→ ???
Total Number of Properties by Type of Service Provided	84	9			
Total Unit Inventory	11,010	1,376		200	14.5%
Penetration Rate of Total Units per 75+ Households	8.5%	13.7%	19.6%		
Number of Units Under Construction	-	-			
Average Monthly Revenue per Occupied Unit/Bed	\$ 2,237	\$ 2,289	\$ 1,874		
Upper Quartile Monthly Revenue per Occupied Unit/Bed		\$ 3,105	\$ 3,310	\$ 3,400	9.5%
Median Quartile Monthly Revenue per Occupied Unit/Bed		\$ 2,344	\$ 2,542		
Lower Quartile Monthly Revenue per Occupied Unit/Bed		\$ 2,082	\$ 1,253		
Affordability Index	0.75x	0.84x	0.60x	1.25x	
Median Age of Property in Years	12	8	10		
Percent of Properties Reporting Need to Upgrade	45.7%	25.0%			
Median Number of Units/Beds per Property	119	113			
Projected Annual Growth Rate of 75+ Households	3.0%	6.8%			
Projected Annual Growth Rate of 45 to 64 Households	3.4%	6.2%			
75+ Households as Percent of Total Households	5.9%	3.7%			
Median Household Income of 75+ Age Group	\$ 29,445	\$ 32,639			10.8%
Median Household Income of 45 to 64 Age Group	\$ 68,275	\$ 91,905			34.6%

Key Assumptions [Revised]



- Independent living facility, in “higher-end” submarket within Dallas MSA
- Current occupancy = 45%
- Total # of units = 200
- Occpucancy at stabilization = 90% (in 19 months)
[85% (in 28 months)]
- Units leased / month = 5
[0 in 2009, 4 in 2010, 6 thereafter]
- Revenue per occupied unit = \$3,400
[\$3,100 in 2009, \$3,200 in 2010, \$3,400 thereafter]

Nationwide
Health
Properties



Asset Management
NIC Maps Advanced Training

Nationwide Health Properties



Q: How does our existing portfolio compare to market data for the same region?

Nationwide
Health
Properties



Data Compare – Apples to Apples?

[Granny Smith]

[Red Delicious]

NICMap™ Data Comparisons

- Mapping portfolio by MSA, allows for quick analysis and characterization of portfolio

(US Census Bureau

www.census.gov/population/www/metroareas/metroarea.html, or other sources like www.msa-zip.com)

- Typically generates questions, but often suggests a “thesis”

	SNF		ALF	
	NIC	DATA SET	NIC	DATA SET
Occupancy	90.7%	84.6%	91.5%	87.4%
# of facilities	4,538	113	2,991	132
# of beds/units	564,094	13,478	174,277	11,010
Age	30	29	11	14
Revenue per Occupied Bed/Unit	\$ 6,437	\$ 6,652	\$ 3,358	\$ 3,816
Medicare%	13.9%	17.4%		
Private%	10.3%	30.7%		
Q-Mix	24.2%	48.1%		

Nationwide Health Properties



Q: Is the occupancy problem at the Denver assisted living facility driven by poor operations or poor market fundamentals?

Nationwide
Health
Properties



Operator vs. Market Fundamentals

ALF Metromarket Trend Report



Trend Report

[Return to Subscriber Home Page](#)

Please note that trend data is subject to periodic restatement.

MBA

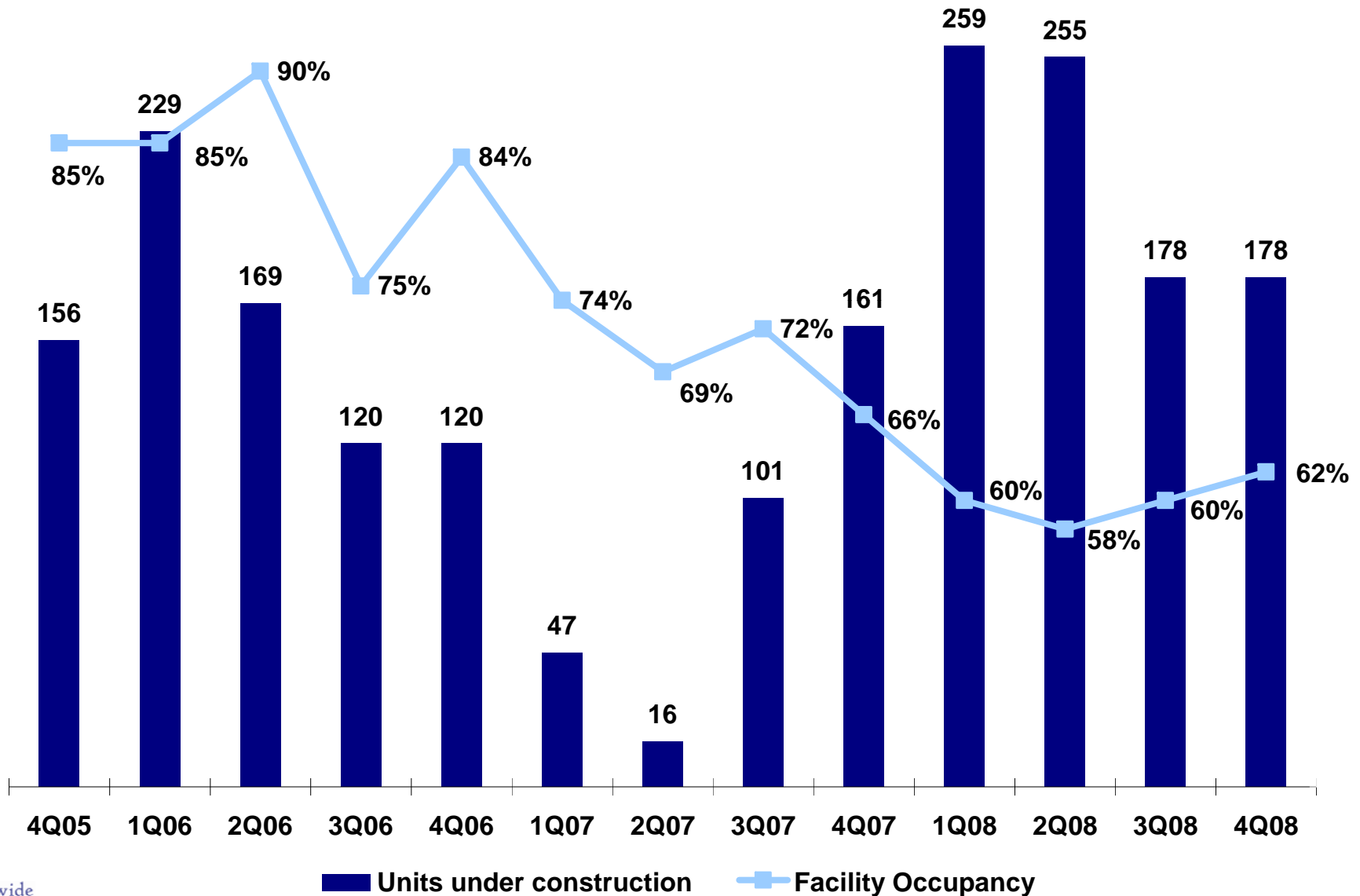
Export Format Type

Choose Metric to Chart

Segment	Quarter	Metric										
		Absorption	Adjusted Cost	Avg. Occupancy All	Avg. Stabilized Occupancy	Inventory Growth	Median Occupancy	Penetration Rate	REVPOR	REVPOR (12 Month Avg.)	Units Completed	Units Under Construction
AL	4Q05	44	76.2%	95.2%	96.1%	-4	98.1%	5.5%	\$2,622	\$2,629	0	156
	1Q06	-10	78.1%	94.5%	95.7%	0	98.8%	5.6%	\$2,649	\$2,644	0	229
	2Q06	44	78.9%	94.3%	95.4%	54	98.7%	5.5%	\$2,766	\$2,677	60	169
	3Q06	43	79.9%	93.8%	94.9%	65	100.0%	5.7%	\$2,841	\$2,720	65	120
	4Q06	-56	79.7%	92.7%	93.2%	0	96.3%	6.1%	\$2,807	\$2,767	0	120
	1Q07	-11	82.7%	92.4%	93.0%	1	96.7%	5.9%	\$2,893	\$2,828	0	47
	2Q07	-75	87.1%	89.8%	90.8%	27	96.2%	5.6%	\$2,903	\$2,862	27	16
	3Q07	5	87.9%	89.9%	90.7%	1	96.9%	5.5%	\$2,935	\$2,883	0	101
	4Q07	35	89.8%	90.9%	91.8%	-3	94.4%	5.5%	\$2,993	\$2,939	0	161
	1Q08	-2	87.9%	90.4%	90.4%	19	94.4%	5.7%	\$3,110	\$2,993	0	259
	2Q08	-81	89.2%	87.8%	88.8%	27	92.3%	5.6%	\$3,135	\$3,033	16	255
	3Q08	121	92.9%	87.6%	89.3%	148	93.6%	5.7%	\$3,156	\$3,104	150	178
4Q08	93	94.6%	89.2%	91.0%	28	94.0%	5.8%	\$3,216	\$3,147	28	178	

ALF Metromarket Trend Report | Graphical Comparison

New ALF construction significant contributor to poor occupancy



Nationwide Health Properties



Q: Would like to be alerted when new construction (ILF, ALF, ALZ, SNF) occurs within 15 miles of an existing property.

Nationwide
Health
Properties

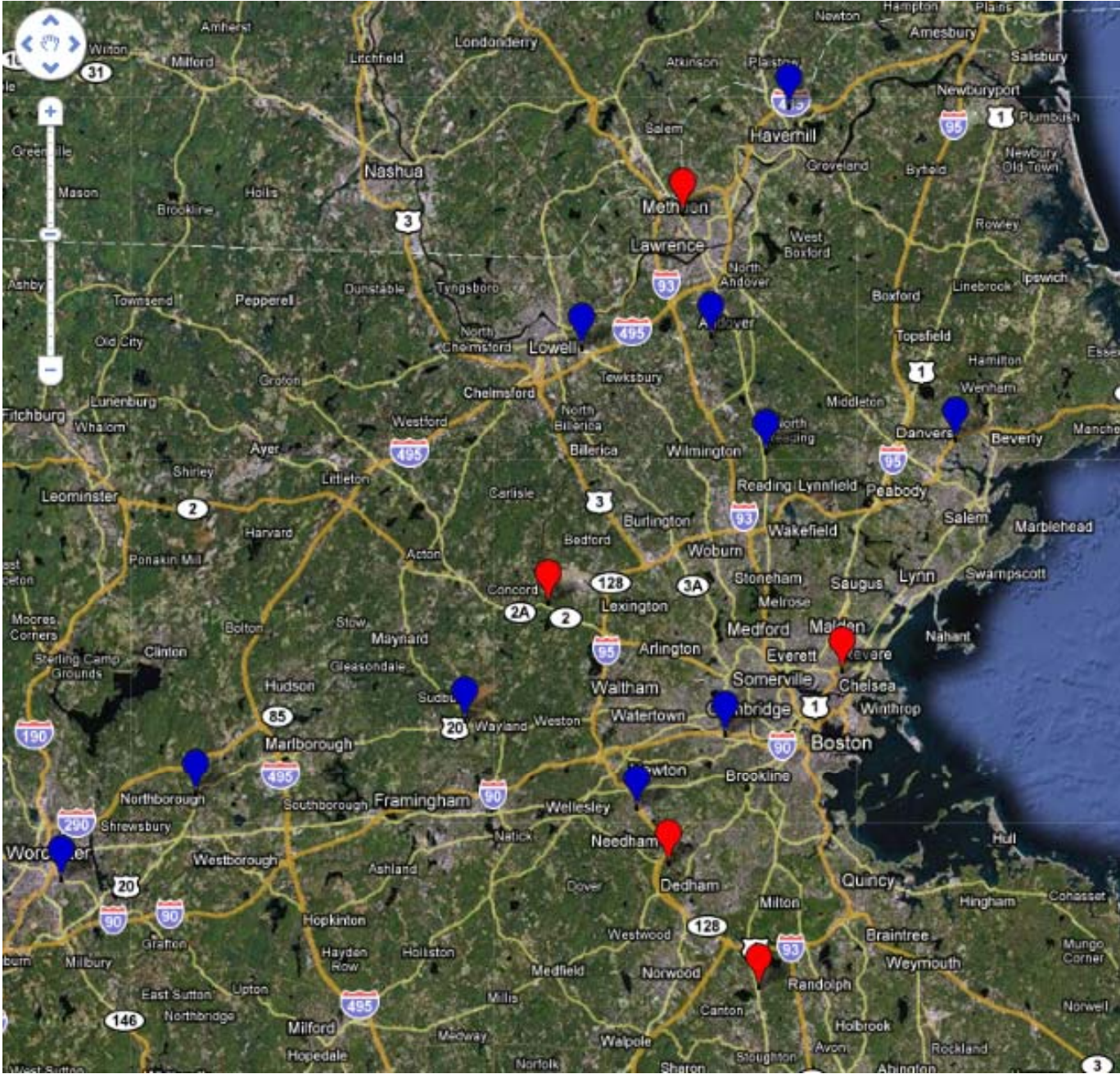


Construction Alerts | Google Maps

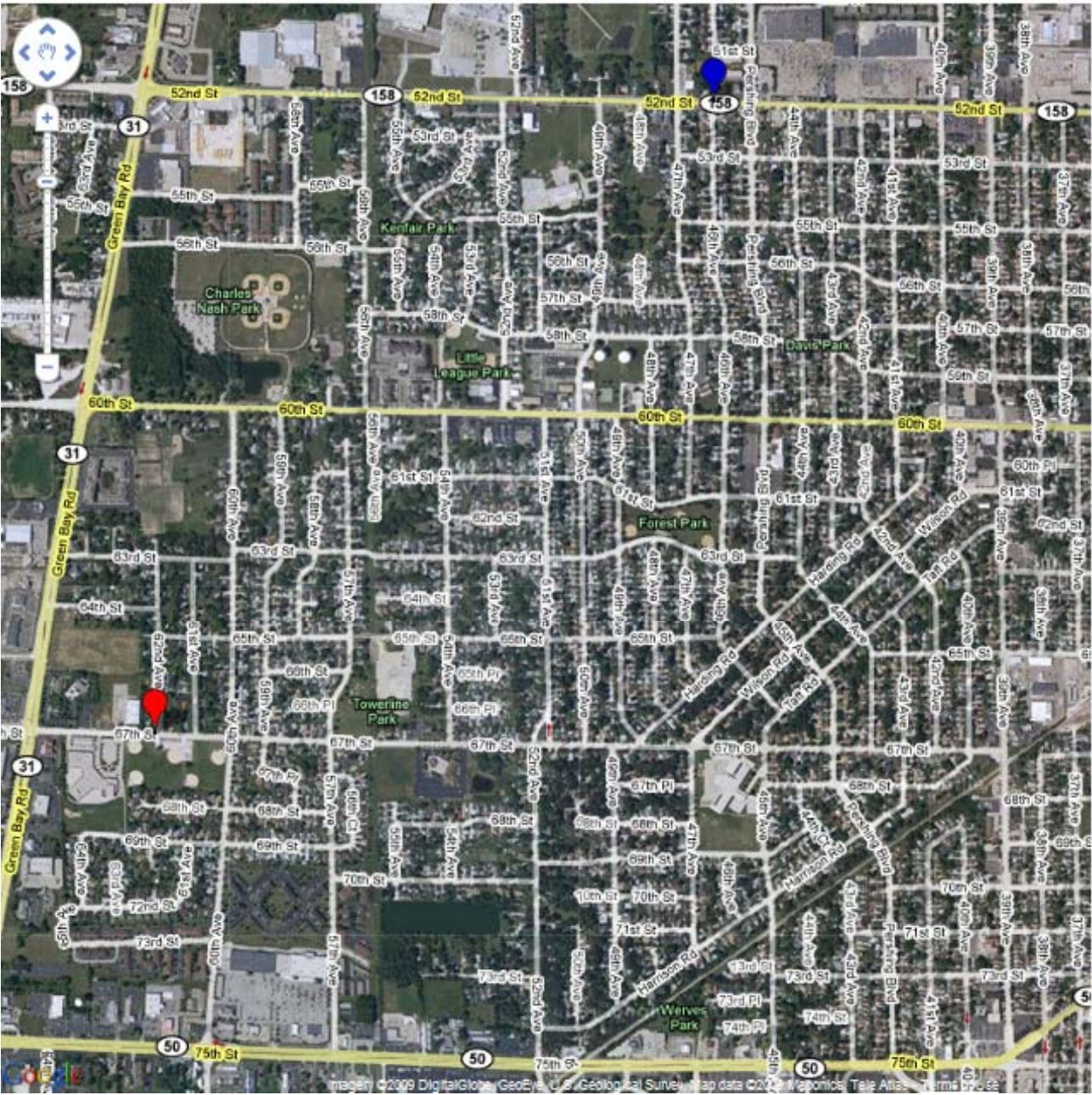


- **Primary construction starts (top 31 MSAs), longitude and latitude**
- **Secondary construction starts (32 – 100 MSAs), from property address can generate longitude and latitude**
- **Link internal software application with external google maps API, through “secure” connection**
- **Calculate distance from existing portfolio of assets to new construction, utilizing google maps API functions**
- **Based on results, generate email alerts to asset managers**
- **Prepare trend analysis of selected “watch list” properties**

Construction Alerts | Boston MSA



Construction Alerts | Chicago MSA – Satellite View



Nationwide
Health
Properties



Derrick Pete, Vice President Corporate Development
949.718.4409 | derrick@nhp-reit.com