

HCP to Sell a Portfolio of 64 Brookdale Communities for \$1.125 Billion

Resulting in Lower Brookdale Concentration; Improving HCP's Lease Coverage and Balance Sheet

IRVINE, Calif., Nov. 1, 2016 [/PRNewswire/](#) -- HCP (NYSE:HCP) today announced that it has entered into definitive agreements to sell a portfolio of 64 properties leased to Brookdale Senior Living, Inc. ("Brookdale") for an aggregate sales price of \$1.125 billion to affiliates of Blackstone Real Estate Partners VIII L.P. (collectively, "Blackstone"). HCP intends to use the proceeds primarily to pay down debt and for general corporate purposes. In addition, HCP and Brookdale have agreed to complete several other transactions, as outlined below. Combined, these transactions will advance our strategic priorities to reduce Brookdale concentration, improve lease coverage, diversify our operator relationships and strengthen our balance sheet and credit profile.

Overview of the Brookdale Transactions:

- Sell a portfolio of 64 triple-net assets comprising 5,967 units for \$1.125 billion, or \$189,000 per unit, representing a trailing twelve month lease yield of 8.0%, inclusive of a portion of the rent re-allocation as described below. Occupancy for the portfolio was 85.2% during the third quarter 2016, and EBITDAR-to-rent coverage was 0.81x for the trailing twelve months ended September 30, 2016. HCP's estimated gain on sale of the 64 properties of approximately \$160 million will be recorded at closing, which is expected to occur by the end of the first quarter of 2017. We intend to use the proceeds primarily to pay down debt and for general corporate purposes.
- Terminate leases within the next twelve months on 25 properties operated by Brookdale representing 2,031 units. HCP plans to sell the majority of the properties that are non-strategic, and transition select assets to other operators. The in-place annual rent on the 25 properties total \$20.3 million, of which \$9.8 million will be re-allocated as follows: \$6.3 million to the retained 78 triple-net properties retained by HCP, and \$3.5 million to the 64 properties being sold. The remaining \$10.5 million of the in-place rent represents a low-6% cap rate on the estimated value of the 25 properties. Occupancy for these 25 properties was 79.9% during the third quarter 2016 and EBITDAR-to-rent coverage was 0.52x for the trailing twelve months through September 30, 2016.
- Transfer eight expiring Brookdale leases to RIDEA structures: i) convert four Texas communities comprising 527 units from a triple-net lease to a 90/10 RIDEA joint venture structure with Brookdale acquiring a 10% interest in the real estate and the operations for \$11.7 million, and ii) transition four Florida communities comprising 340 units to a regional operator. These transactions are expected to close during the fourth quarter of 2016.
- The previously announced RIDEA II transaction remains on track to be completed during the fourth quarter of 2016.

Mike McKee, Chairman of the Board, President and Chief Executive Officer of HCP, stated, "We are pleased to announce these transactions related to our Brookdale portfolio, as a key component of our plan to launch HCP 3.0 as outlined earlier in the year. These initiatives enable us to address several important strategic priorities for HCP, including reducing our Brookdale concentration, improving the lease coverage of our triple-net senior housing portfolio and diversifying our operator relationships. We are delighted to

have reached a positive outcome on these high priority initiatives and look forward to continuing to strengthen our partnership with Brookdale, the largest senior housing operator in the country."

Strategic Benefits (upon completing the Brookdale transactions ("Transactions") outlined above):

- **Reduce Brookdale Concentration**, which is expected to improve from 35% of HCP's cash NOI plus interest income immediately post spin-off of Quality Care Properties, Inc. to 27%. Following the completion of the Transactions, Brookdale will operate 204 communities for HCP generating approximately \$350 million of expected annualized cash NOI, of which one third will be under triple-net leases and two thirds in RIDEA joint ventures.
- **Improve Lease Coverage** for our Brookdale triple-net portfolio by 19 basis points to 1.21x on a trailing twelve month basis.
- **Improve Portfolio Occupancy and Demographics** of our Brookdale triple-net portfolio significantly, with occupancy increasing by 260 basis points to 89.1%. The retained Brookdale portfolio is located in stronger markets with better overall demographic profiles.
- **Diversify Relationships** by gaining 2-3 new operator relationships in conjunction with transitioning communities from Brookdale.

The closing of the Transactions is expected to occur in various stages by the end of 2017, but remain subject to regulatory approvals and the satisfaction of other customary closing conditions, and may not close on the anticipated timeline or at all.

About HCP

HCP, Inc. is a fully integrated real estate investment trust (REIT) that invests primarily in real estate serving the healthcare industry in the United States. HCP owns a large-scale portfolio diversified across multiple sectors, led by senior housing, life science and medical office. Recognized as a global leader in sustainability, HCP has been a publicly-traded company since 1985 and was the first healthcare REIT selected to the S&P 500 index. For more information regarding HCP, visit www.hcpi.com.

Forward-Looking Statements

Statements in this release that are not historical factual statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include, among other things, statements regarding our pending sale of communities leased to Brookdale and our use of the resulting proceeds, our other strategic initiatives discussed in this release, the anticipated closing or completion timeframes of the transactions, and the anticipated benefits and results of the transactions. All forward-looking statements are made as of the date hereof, are not guarantees of future performance and are subject to known and unknown risks, uncertainties, assumptions and other factors — many of which are out of our and our management's control and difficult to forecast — that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. These risks and uncertainties include but are not limited to: our ability to complete the transactions, or any of them, on the currently proposed terms or at all, including in respect of the satisfaction of closing conditions, the risk that any regulatory or other approvals required for the transactions are not obtained or are subject to unanticipated conditions, uncertainties as to the timing of the transactions; the risk that we may not be able to achieve the benefits of the transactions, or any of them, within expected time-frames or at all, or within expected cost projections; and other risks and uncertainties described from time to time in our Securities and Exchange Commission filings. We caution investors not to place undue reliance on any forward-looking statements. We assume no, and hereby disclaim any, obligation to update any forward-looking statements as a result of new information or new or future developments, except as otherwise required by law.

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