Moody's Investors Service

Rating Action: Moody's upgrades Ventas' senior unsecured rating to Baa3; outlook is stable

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Approximately $1.1 billion in securities affected.

New York, February 04, 2010 -- Moody's Investors Service upgraded the rating of Ventas' senior unsecured debt to Baa3 from Ba1. The ratings outlook is stable.

The upgrade reflects the strength in the REITs balance sheet after significant de-leveraging activity in 2009. By 3Q09, net debt to EBITDA was 4.3X vs. 5.1X in 3Q08. Moody's expects this metric to remain under 5.0X, even as Ventas grows its portfolio. The upgrade also reflects the REIT's sound liquidity management through the credit crisis, strong fixed charge coverages (2.9X at 3Q09), and high quality property portfolio. Moody's also notes that Ventas has managed its senior living operating assets well as evidenced by its recent increase in earnings guidance for the fourth quarter.

Ventas's credit profile continues to be challenged by its operator and tenant concentration. The REIT's top three operators by NOI contribute 77% of total NOI and its top two tenants contribute 59%. Moody's expects these concentrations to decrease, but acknowledges this will take time. Ventas also employs higher secured debt levels than its investment grade rated peers. The rating upgrade also reflects Moody's expectation that secured debt as a percentage of gross assets will decrease closer to 15% over the near-term. Given Ventas' material operator and tenant concentrations, the REIT's credit metrics need to remain more conservative than its more diversified peers in order to maintain the same ratings.

The stable outlook reflects Moody's expectation that Ventas will maintain adequate liquidity, reduced secured debt levels and maintain net debt to EBITDA below 5.0X, even as the REIT resumes growth. Moody's also expects the REIT to continue to advance the diversity of its healthcare property portfolio by sub-type and tenant/operator base.

Moody's indicated that upward rating's movement would be predicated upon a reduction in its top two tenant exposure closer to 25% of NOI, secured debt closer to 10% of gross assets, and net debt to EBITDA below 4.5X on a consistent basis. The rating agency also indicated that downward rating's movement could result if Ventas were to employ a more aggressive capital strategy, demonstrated by a rise in net debt to EBITDA beyond 5.0X and secured debt beyond existing levels which would most likely be driven by a large, leveraged strategic acquisition. In addition, any material operating weakness in either of its top two tenants could also pressure the ratings.

The following ratings were upgraded with a stable outlook:

Ventas Realty Limited Partnership -- Senior debt to Baa3, from Ba1; senior debt shelf to (P)Baa3, from (P)Ba1; subordinated debt shelf to (P)Ba1, from (P)Ba2

Ventas, Inc. -- Senior guaranteed debt to Baa3, from Ba1; senior debt shelf to (P)Ba1, from (P)Ba2; subordinated debt shelf to (P)Ba2, from (P)Ba3

Ventas Capital Corporation -- senior debt shelf to (P)Baa3, from (P)Ba1; subordinated debt shelf to (P)Ba1, from (P)Ba2

The following ratings were affirmed with a stable outlook:

Ventas, Inc. -- Preferred stock shelf at (P)Ba3

The last rating action with respect to Ventas Inc was on September 24, 2007 when Moody's upgraded the ratings to Ba1 (senior unsecured debt) from Ba2. The outlook was stable.

Ventas, Inc. [NYSE: VTR] is a health care real estate investment trust that owns 243 senior housing facilities, 187 skilled nursing facilities, 40 hospitals and 31 medical office and other properties in 43 states and two Canadian provinces. At September 30, 2009, Ventas had $5.6 billion in book assets.

The principal methodology used in rating Ventas Inc. was the Rating Methodology for REITs and Other Commercial Property Firms, published in January 2006 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's web site.

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