

## Ventas Realty L.P.'s Commercial Paper Program Rated 'A-2'

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NEW YORK (S&P Global Ratings) Jan. 17, 2019--S&P Global Ratings today assigned its 'A-2' short-term rating to Ventas Realty L.P.'s (Ventas Inc.'s operating partnership subsidiary) new commercial paper program. Under the terms of the program, Ventas may issue unsecured unsubordinated notes of up to a maximum of \$1 billion. The company's \$3 billion revolving credit facility maturing in 2021 will back up the commercial paper program. We expect Ventas to use the new commercial paper program as a cheaper source of capital in lieu of normal borrowings under its revolving credit facility, not as an incremental source of debt.

Ventas is one of the largest REITs focused on health care facilities. The company's business is supported by favorable demographic trends, its large private-pay exposure at the facility level, and the adequate coverage of its triple-net-leased properties, which have modest lease rollover exposure. As Ventas has grown its portfolio (usually through large acquisitions), the company has also increased its investment in senior housing operating portfolio (SHOP) assets, which are more management- and capital-intensive than its triple-net-leased investments. Thus the company has become modestly more vulnerable to macroeconomic trends (such as rising labor costs and supply/demand imbalances), which could lead to heightened cash flow volatility. Offsetting this risk somewhat is Ventas' increased presence in markets that have higher barriers to new competition through acquisitions in its senior housing portfolio, which have enhanced its overall portfolio quality. Ventas' university-based research and innovation centers and medical office buildings, which is approximately 26% of the portfolio, also provides

additional stability and growth to cash flows.

We project that Ventas' debt to EBITDA will increase slightly over the next year but likely remain in line with our expectations for the company's long-term financial policies. As of Sept. 30, 2018, Ventas' S&P Global Ratings' adjusted debt to EBITDA was 5.6x, which we forecast will increase slightly by year-end 2018 because the timing of its loan repayments and dispositions was more heavily weighted toward the first half of the year. We expect that Ventas will sustain debt leverage in the high-5x area over the longer term.

#### RELATED CRITERIA

- Criteria - Corporates - Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

#### RELATED RESEARCH

- REITrends: Third-Quarter 2018 Operating Performance Was Solid, Modest Deceleration Expected For 2019, Dec. 6, 2018
- Industry Top Trends 2019: Real Estate, Nov. 15, 2018
- When The Cycle Turns: REITs Around The World Are Braced For Rising Rates, Tighter Funding Conditions, Oct. 10, 2018

#### RATINGS LIST

Ventas Realty L.P.  
Issuer Credit Rating                      BBB+/Stable/--

New Rating

Ventas Realty L.P.  
Short-Term Rating                      A-2  
Commercial Paper

Global Scale

A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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