



REIT Growth and Income Monitor

REIT Sector Comments

Health Care REITs

09/08/2009

Notes:

Health Care REIT stock price recovery is lagging other REIT sectors, with Health Care REITs now trading flat year to date for 2009, compared to average gain of 13% for all REITs followed by **REIT Growth and Income Monitor**. Health Care REITs are, in fact, the worst performing REIT sector for this period, despite stable operations, consistent FFO and dividend increases.

Health Care REITs provide income investors with yields in a range of 2.7% for **Alexandria Real Estate Equities** to 10.5% for **Medical Properties Trust**. Valuations, as measured by ratio of total capitalization to annualized FFO, are in a reasonable range of 13.4X for **National Health Investors** to 26.2X for **Cogdell Spencer**.

Despite stock price underperformance, Health Care REITs have been less impacted by dividend reductions during 2009 than other REIT sectors. Of 14 Health Care REITs, 3 increased dividends, including **HCP** up 1%, **Senior Housing Properties Trust** up 3% and **Universal Health Realty Income Trust** up 1%, while 4 reduced dividends, including **Alexandria Real Estate Equities** (56%), **BioMed Realty Trust** (67%), **Cogdell Spencer** (56%) and **Medical Properties Trust** (26%).

With a few notable exceptions, most Health Care REITs reported modest growth or slightly lower FFO for 2Q 2009. Guidance for FFO for 2009 is in a range of 3% growth to a decline of (8%), excluding those Health Care REITs where FFO growth and guidance for FFO for 2009 are impacted by dilutive stock offerings.

Most negatively impacted by cessation of development spending were **Cogdell Spencer** and **Medical Properties Trust**. Both were earning fees and capitalizing expenses on development projects, and both raised money from dilutive stock offerings during 2009. As a result, **Cogdell Spencer** reduced guidance for FFO for 2009 to decrease of (48%), while **Medical Properties Trust** forecasts (25%) FFO decrease.

We recently upgraded **Healthcare Realty Trust** to BUY on 16% FFO growth for 2Q 2009. We have BUY rankings on 9 other Health Care REITs, including **Alexandria Real Estate Equities**, **HCP**, **Health Care REIT**, **Medical Properties Trust**, **National Health Investors**, **Omega Healthcare Investors**, **Senior Housing Properties Trust** and **Ventas**, while we maintain HOLD rankings on 4 Health Care REITs, including **BioMed Realty Trust**, **Cogdell Spencer**, **LTC Properties**, and **Universal Health Realty Income Trust**.

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