UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-08895

Healthpeak Properties, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**33-0091377**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1920 Main Street, Suite 1200
Irvine, CA 92614
(Address of principal executive offices)
(949) 407-0700
(Registrant's telephone number, including area code)
HCP, Inc.
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $1.00 par value	HCP	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒
At October 29, 2019, there were 494,934,190 shares of the registrant's $1.00 par value common stock outstanding.

HEALTHPEAK PROPERTIES, INC.
INDEX

PART I. FINANCIAL INFORMATION

Healthpeak Properties, Inc.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Real estate:		
Buildings and improvements	$ 11,829,835	$ 10,877,248
Development costs and construction in progress	603,672	537,643
Land	2,017,284	1,637,506
Accumulated depreciation and amortization	(2,915,680)	(2,842,947)
Net real estate	11,535,111	10,209,450
Net investment in direct financing leases	84,604	713,818
Loans receivable, net	137,619	62,998
Investments in and advances to unconsolidated joint ventures	505,245	540,088
Accounts receivable, net of allowance of $7,887 and $5,127	56,991	48,171
Cash and cash equivalents	124,990	110,790
Restricted cash	30,114	29,056
Intangible assets, net	303,722	305,079
Assets held for sale, net	402,741	108,086
Right-of-use asset, net	172,958	—
Other assets, net	656,115	591,017
Total assets	$ 14,010,210	$ 12,718,553
LIABILITIES AND EQUITY		
Bank line of credit	$ 737,793	$ 80,103
Term loan	248,882	—
Senior unsecured notes	5,253,639	5,258,550
Mortgage debt	275,049	138,470
Other debt	85,069	90,785
Intangible liabilities, net	54,913	54,663
Liabilities of assets held for sale, net	35,063	1,125
Lease liability	156,297	—
Accounts payable and accrued liabilities	431,493	391,583
Deferred revenue	208,653	190,683
Total liabilities	7,486,851	6,205,962
Commitments and contingencies		
Common stock, $1.00 par value: 750,000,000 shares authorized; 494,848,212 and 477,496,499 shares issued and outstanding	494,848	477,496
Additional paid-in capital	8,904,765	8,398,847
Cumulative dividends in excess of earnings	(3,461,256)	(2,927,196)
Accumulated other comprehensive income (loss)	(5,223)	(4,708)
Total stockholders' equity	5,933,134	5,944,439
Joint venture partners	384,277	391,401
Non-managing member unitholders	205,948	176,751
Total noncontrolling interests	590,225	568,152
Total equity	6,523,359	6,512,591
Total liabilities and equity	$ 14,010,210	$ 12,718,553

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Healthpeak Properties, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Rental and related revenues	$ 312,600	$ 303,854	$ 908,019	$ 938,446
Resident fees and services	213,040	137,359	517,501	416,947
Income from direct financing leases	9,590	13,573	33,304	40,329
Interest income	2,741	1,236	6,868	9,048
Total revenues	537,971	456,022	1,465,692	1,404,770
Costs and expenses:				
Interest expense	61,230	63,486	167,499	211,626
Depreciation and amortization	171,944	132,198	469,191	418,740
Operating	248,069	181,207	630,989	527,625
General and administrative	22,970	23,503	71,445	75,192
Transaction costs	1,319	4,489	7,174	9,088
Impairments (recoveries), net	38,257	5,268	115,653	19,180
Total costs and expenses	543,789	410,151	1,461,951	1,261,451
Other income (expense):				
Gain (loss) on sales of real estate, net	(784)	95,332	18,708	162,211
Loss on debt extinguishments	(35,017)	(43,899)	(36,152)	(43,899)
Other income (expense), net	693	1,604	24,834	(37,017)
Total other income (expense), net	(35,108)	53,037	7,390	81,295
Income (loss) before income taxes and equity income (loss) from unconsolidated joint ventures	(40,926)	98,908	11,131	224,614
Income tax benefit (expense)	6,261	4,929	11,583	14,919
Equity income (loss) from unconsolidated joint ventures	(7,643)	(911)	(10,012)	(442)
Net income (loss)	(42,308)	102,926	12,702	239,091
Noncontrolling interests' share in earnings	(3,555)	(3,555)	(10,692)	(9,546)
Net income (loss) attributable to Healthpeak Properties, Inc.	(45,863)	99,371	2,010	229,545
Participating securities' share in earnings	(386)	(425)	(1,223)	(1,278)
Net income (loss) applicable to common shares	$ (46,249)	$ 98,946	$ 787	$ 228,267
Earnings per common share:				
Basic	$ (0.09)	$ 0.21	$ 0.00	$ 0.49
Diluted	$ (0.09)	$ 0.21	$ 0.00	$ 0.49
Weighted average shares outstanding:				
Basic	491,203	469,867	482,595	469,732
Diluted	491,203	470,118	484,792	469,876

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Healthpeak Properties, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ (42,308)	$ 102,926	$ 12,702	$ 239,091
Other comprehensive income (loss):				
Net unrealized gains (losses) on derivatives	288	342	483	5,971
Change in Supplemental Executive Retirement Plan obligation and other	69	82	206	264
Foreign currency translation adjustment	(1,121)	(921)	(1,204)	(4,596)
Reclassification adjustment realized in net income (loss)	—	280	—	18,088
Total other comprehensive income (loss)	(764)	(217)	(515)	19,727
Total comprehensive income (loss)	(43,072)	102,709	12,187	258,818
Total comprehensive income (loss) attributable to noncontrolling interests	(3,555)	(3,555)	(10,692)	(9,546)
Total comprehensive income (loss) attributable to Healthpeak Properties, Inc.	$ (46,627)	$ 99,154	$ 1,495	$ 249,272

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Healthpeak Properties, Inc.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share data)
(Unaudited)

For the three months ended September 30, 2019:

	Common Stock		Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
	Shares	Amount						
July 1, 2019	491,109	$ 491,109	$ 8,801,037	$ (3,233,283)	$ (4,459)	$ 6,054,404	$ 564,868	$ 6,619,272
Net income (loss)	—	—	—	(45,863)	—	(45,863)	3,555	(42,308)
Other comprehensive income (loss)	—	—	—	—	(764)	(764)	—	(764)
Issuance of common stock, net	3,703	3,703	98,726	—	—	102,429	—	102,429
Repurchase of common stock	(10)	(10)	(339)	—	—	(349)	—	(349)
Exercise of stock options	46	46	1,170	—	—	1,216	—	1,216
Amortization of deferred compensation	—	—	4,171	—	—	4,171	—	4,171
Common dividends ($0.37 per share)	—	—	—	(182,110)	—	(182,110)	—	(182,110)
Distributions to noncontrolling interests	—	—	—	—	—	—	(7,901)	(7,901)
Issuances of noncontrolling interests	—	—	—	—	—	—	29,703	29,703
Purchase of noncontrolling interests	—	—	—	—	—	—	—	—
September 30, 2019	494,848	$ 494,848	$ 8,904,765	$ (3,461,256)	$ (5,223)	$ 5,933,134	$ 590,225	$ 6,523,359

For the three months ended September 30, 2018:

	Common Stock		Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
	Shares	Amount						
July 1, 2018	469,830	$ 469,830	$ 8,187,385	$ (3,509,641)	$ (4,080)	$ 5,143,494	$ 273,229	$ 5,416,723
Net income (loss)	—	—	—	99,371	—	99,371	3,555	102,926
Other comprehensive income (loss)	—	—	—	—	(217)	(217)	—	(217)
Issuance of common stock, net	90	90	787	—	—	877	—	877
Repurchase of common stock	(21)	(21)	(543)	—	—	(564)	—	(564)
Exercise of stock options	17	17	359	—	—	376	—	376
Amortization of deferred compensation	—	—	2,880	—	—	2,880	—	2,880
Common dividends ($0.37 per share)	—	—	—	(174,127)	—	(174,127)	—	(174,127)
Distributions to noncontrolling interests	—	—	—	—	—	—	(4,458)	(4,458)
Issuances of noncontrolling interests	—	—	—	—	—	—	297,934	297,934
Purchase of noncontrolling interests	—	—	(922)	—	—	(922)	(1,053)	(1,975)
September 30, 2018	$ 469,916	$ 469,916	$ 8,189,946	$ (3,584,397)	$ (4,297)	$ 5,071,168	$ 569,207	$ 5,640,375

For the nine months ended September 30, 2019:

	Common Stock		Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
	Shares	Amount						
December 31, 2018	477,496	$ 477,496	$ 8,398,847	$ (2,927,196)	$ (4,708)	$ 5,944,439	$ 568,152	$ 6,512,591
Impact of adoption of ASU No. 2016-02[(1)]	—	—	—	590	—	590	—	590
January 1, 2019	477,496	$ 477,496	$ 8,398,847	$ (2,926,606)	$ (4,708)	$ 5,945,029	$ 568,152	$ 6,513,181
Net income (loss)	—	—	—	2,010	—	2,010	10,692	12,702
Other comprehensive income (loss)	—	—	—	—	(515)	(515)	—	(515)
Issuance of common stock, net	17,272	17,272	491,970	—	—	509,242	—	509,242
Conversion of DownREIT units to common stock	184	184	3,890	—	—	4,074	(4,074)	—
Repurchase of common stock	(159)	(159)	(4,772)	—	—	(4,931)	—	(4,931)
Exercise of stock options	55	55	1,380	—	—	1,435	—	1,435
Amortization of deferred compensation	—	—	14,529	—	—	14,529	—	14,529
Common dividends ($1.11 per share)	—	—	—	(536,660)	—	(536,660)	—	(536,660)
Distributions to noncontrolling interests	—	—	—	—	—	—	(17,724)	(17,724)
Issuances of noncontrolling interests	—	—	—	—	—	—	33,318	33,318
Purchase of noncontrolling interests	—	—	(1,079)	—	—	(1,079)	(139)	(1,218)
September 30, 2019	494,848	$ 494,848	$ 8,904,765	$ (3,461,256)	$ (5,223)	$ 5,933,134	$ 590,225	$ 6,523,359

For the nine months ended September 30, 2018:

	Common Stock		Additional Paid-In Capital	Cumulative Dividends In Excess Of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Total Noncontrolling Interests	Total Equity
	Shares	Amount						
December 31, 2017	469,436	$ 469,436	$ 8,226,113	$ (3,370,520)	$ (24,024)	$ 5,301,005	$ 293,933	$ 5,594,938
Impact of adoption of ASU No. 2017-05[(2)]	—	—	—	79,144	—	79,144	—	79,144
January 1, 2018	469,436	$ 469,436	$ 8,226,113	$ (3,291,376)	$ (24,024)	$ 5,380,149	$ 293,933	$ 5,674,082
Net income (loss)	—	—	—	229,545	—	229,545	9,546	239,091
Other comprehensive income (loss)	—	—	—	—	19,727	19,727	—	19,727
Issuance of common stock, net	601	601	3,709	—	—	4,310	—	4,310
Repurchase of common stock	(138)	(138)	(3,204)	—	—	(3,342)	—	(3,342)
Exercise of stock options	17	17	359	—	—	376	—	376
Amortization of deferred compensation	—	—	13,098	—	—	13,098	—	13,098
Common dividends ($1.11 per share)	—	—	—	(522,566)	—	(522,566)	—	(522,566)
Distributions to noncontrolling interests	—	—	—	—	—	—	(13,924)	(13,924)
Issuances of noncontrolling interests	—	—	—	—	—	—	298,929	298,929
Purchase of noncontrolling interests	—	—	(50,129)	—	—	(50,129)	(19,277)	(69,406)
September 30, 2018	469,916	$ 469,916	$ 8,189,946	$ (3,584,397)	$ (4,297)	$ 5,071,168	$ 569,207	$ 5,640,375

---

(1) On January 1, 2019, the Company adopted a series of Accounting Standards Updates ("ASUs") related to accounting for leases, and recognized the cumulative-effect of adoption to beginning retained earnings. Refer to Note 2 for a detailed impact of adoption.

(2) On January 1, 2018, the Company adopted ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"), and recognized the cumulative-effect of adoption to beginning retained earnings. Refer to Note 2 for a detailed impact of adoption.

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Healthpeak Properties, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash flows from operating activities:		
Net income (loss)	$ 12,702	$ 239,091
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of real estate, in-place lease and other intangibles	469,191	418,740
Amortization of deferred compensation	14,529	13,098
Amortization of deferred financing costs	8,174	9,760
Straight-line rents	(16,220)	(20,888)
Equity loss (income) from unconsolidated joint ventures	10,012	442
Distributions of earnings from unconsolidated joint ventures	12,001	17,519
Deferred income tax expense (benefit)	(14,468)	(12,831)
Impairments (recoveries), net	115,653	19,180
Loss on extinguishment of debt	36,152	43,899
Loss (gain) on sales of real estate, net	(18,708)	(162,211)
Loss (gain) on consolidation, net	(11,481)	41,017
Casualty-related loss (recoveries), net	(4,406)	—
Other non-cash items	(1,157)	(1,033)
Decrease (increase) in accounts receivable and other assets, net	(31,445)	(4,665)
Increase (decrease) in accounts payable, accrued liabilities and deferred revenue	48,072	31,800
Net cash provided by (used in) operating activities	628,601	632,918
Cash flows from investing activities:		
Acquisitions of real estate	(1,315,168)	(315,392)
Development and redevelopment of real estate	(441,416)	(341,906)
Leasing costs, tenant improvements, and recurring capital expenditures	(62,840)	(70,237)
Proceeds from sales of real estate, net	165,683	686,222
Contributions to unconsolidated joint ventures	(14,067)	(10,815)
Distributions in excess of earnings from unconsolidated joint ventures	16,166	19,631
Proceeds from insurance recovery	9,359	—
Proceeds from the RIDEA II transaction, net	—	335,709
Proceeds from the U.K. JV transaction, net	—	393,997
Proceeds from sales/principal repayments on debt investments and direct financing leases	274,025	147,435
Investments in loans receivable, direct financing leases and other	(73,256)	(27,110)
Net cash provided by (used in) investing activities	(1,441,514)	817,534
Cash flows from financing activities:		
Borrowings under bank line of credit	2,690,000	1,203,000
Repayments under bank line of credit	(2,030,000)	(1,580,668)
Issuance and borrowings of debt, excluding bank line of credit	1,296,607	223,587
Repayments and repurchase of debt, excluding bank line of credit	(1,308,596)	(927,869)
Borrowings under term loan	250,000	—
Payments for debt extinguishment and deferred financing costs	(53,225)	(41,552)
Issuance of common stock and exercise of options	510,677	4,686
Repurchase of common stock	(4,931)	(3,342)
Dividends paid on common stock	(536,660)	(522,566)
Issuance of noncontrolling interests	33,318	298,929
Distributions to and purchase of noncontrolling interests	(18,942)	(78,364)
Net cash provided by (used in) financing activities	828,248	(1,424,159)
Effect of foreign exchanges on cash, cash equivalents and restricted cash	(77)	245
Net increase (decrease) in cash, cash equivalents and restricted cash	15,258	26,538
Cash, cash equivalents and restricted cash, beginning of period	139,846	82,203
Cash, cash equivalents and restricted cash, end of period	$ 155,104	$ 108,741

See accompanying Notes to the Unaudited Consolidated Financial Statements.

Healthpeak Properties, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. Business

Overview

Healthpeak Properties, Inc. (formerly HCP, Inc.), a Standard & Poor's 500 company, is a Maryland corporation that is organized to qualify as a real estate investment trust ("REIT") which, together with its consolidated entities (collectively, "Healthpeak" or the "Company"), invests primarily in real estate serving the healthcare industry in the United States ("U.S."). Healthpeak™ acquires, develops, leases, owns, and manages healthcare real estate. The Company's diverse portfolio is comprised of investments in the following reportable healthcare segments: (i) senior housing triple-net; (ii) senior housing operating portfolio ("SHOP"); (iii) life science; and (iv) medical office.

On October 30, 2019, the Company changed its name from HCP, Inc. to Healthpeak Properties, Inc. Common shares of the Company will begin trading on the New York Stock Exchange under the new name and a new ticker symbol, "PEAK", on November 5, 2019.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Management is required to make estimates and assumptions in the preparation of financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

The consolidated financial statements include the accounts of Healthpeak Properties, Inc., its wholly-owned subsidiaries, joint ventures ("JVs") and variable interest entities ("VIEs") that it controls through voting rights or other means. Intercompany transactions and balances have been eliminated upon consolidation. All adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows have been included. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The accompanying unaudited interim financial information should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC").

Recent Accounting Pronouncements

Adopted

Revenue Recognition. Between May 2014 and February 2017, the Financial Accounting Standards Board ("FASB") issued four ASUs changing the requirements for recognizing and reporting revenue (together, herein referred to as the "Revenue ASUs"): (i) ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), (ii) ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"), (iii) ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), and (iv) ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"). ASU 2014-09 provides guidance for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-08 is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. ASU 2016-12 provides practical expedients and improvements on the previously narrow scope of ASU 2014-09. ASU 2017-05 clarifies the scope of the FASB's guidance on nonfinancial asset derecognition and aligns the accounting for partial sales of nonfinancial assets and in-substance nonfinancial assets with the guidance in ASU 2014-09. The Company adopted the Revenue ASUs effective January 1, 2018 and utilized a modified retrospective adoption approach, resulting in a cumulative-effect adjustment to equity of $79 million as of January 1, 2018. Under the Revenue ASUs, the Company also elected to utilize a practical expedient which allowed the Company to only reassess contracts that were not completed as of the adoption date, rather than all historical contracts.

As the timing and recognition of the majority of the Company's revenue is the same whether accounted for under the Revenue ASUs or lease accounting guidance (see discussion below), the impact of the Revenue ASUs, upon and subsequent to adoption, is generally limited to the following:

- Prior to the adoption of the Revenue ASUs, the Company recognized a gain on sale of real estate using the full accrual method when collectibility of the sales price was reasonably assured, the Company was not obligated to perform additional activities that may be considered significant, the initial investment from the buyer was sufficient and other profit recognition criteria had been satisfied. The Company deferred all or a portion of a gain on sale of real estate if the requirements for gain recognition were not met at the time of sale. Subsequent to adopting the Revenue ASUs on January 1, 2018, the Company began recognizing a gain on sale of real estate upon transferring control of the asset to the purchaser, which is generally satisfied at the time of sale. In conjunction with its adoption of the Revenue ASUs, the Company reassessed its historical partial sale of real estate transactions to determine which transactions, if any, were not completed contracts (i.e., the transaction did not qualify for sale treatment under previous guidance). The Company concluded that it had one such material transaction, its partial sale of RIDEA II in the first quarter of 2017 (which was not a completed sale under historical guidance as of the Company's adoption date due to a minor obligation related to the interest sold). In accordance with the Revenue ASUs, the Company recorded its retained 40% equity investment at fair value as of the sale date. As a result, the Company recorded an adjustment to equity as of January 1, 2018 (under the modified retrospective transition approach) representing a step-up in the fair value of its equity investment in RIDEA II of $107 million (to a carrying value of $121 million as of January 1, 2018) and a $30 million impairment charge to decrease the carrying value to the sales price of the investment (see Note 4). The Company completed the sale of its equity investment in June 2018 and no longer holds an economic interest in RIDEA II.
- The Company generally expects that the Revenue ASUs will result in certain transactions qualifying as sales of real estate at an earlier date than under historical accounting guidance.

Leases. In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 (codified under Accounting Standards Codification ("ASC") 842, *Leases*) amends the previous accounting for leases to: (i) require lessees to put most leases on their balance sheets (not required for short-term leases with lease terms of 12 months or less), but continue recognizing expenses on their income statements in a manner similar to requirements under prior accounting guidance, (ii) eliminate real estate specific lease provisions, and (iii) modify the classification criteria and accounting for sales-type leases for lessors. Additionally, ASU 2016-02 provides a practical expedient, which the Company elected, that allows an entity to not reassess the following upon adoption (must be elected as a group): (i) whether an expired or existing contract contains a lease arrangement, (ii) lease classification related to expired or existing lease arrangements, or (iii) whether costs incurred on expired or existing leases qualify as initial direct costs.

As a result of adopting ASU 2016-02 on January 1, 2019 using the modified retrospective transition approach, the Company recognized a cumulative-effect adjustment to equity of $1 million as of January 1, 2019. Under ASU 2016-02, the Company began capitalizing fewer costs related to the drafting and negotiation of its lease agreements. Additionally, the Company began recognizing all of its significant operating leases for which it is the lessee, including corporate office leases, equipment leases, and ground leases, on its consolidated balance sheets as a lease liability and corresponding right-of-use asset. As such, the Company recognized a lease liability of $153 million and right-of-use asset of $166 million on January 1, 2019. The aggregate lease liability is calculated as the present value of minimum lease payments, discounted using a rate that approximates the Company's secured incremental borrowing rate, adjusted for the noncancelable term of each lease. The right-of-use asset is calculated as the aggregate lease liability, adjusted for the existing accrued straight-line rent liability balance of $20 million and net unamortized above/below market ground lease intangible assets of $33 million.

Under ASU 2016-02, a practical expedient was offered to lessees to make a policy election, which the Company elected, to not separate lease and nonlease components, but rather account for the combined components as a single lease component under ASC 842. In July 2018, the FASB issued ASU No. 2018-11, *Leases - Targeted Improvements* ("ASU 2018-11"), which provides lessors with a similar option to elect a practical expedient allowing them to not separate lease and nonlease components in a contract for the purpose of revenue recognition and disclosure. This practical expedient is limited to circumstances in which: (i) the timing and pattern of transfer are the same for the nonlease component and the related lease component and (ii) the lease component, if accounted for separately, would be classified as an operating lease. This practical expedient causes an entity to assess whether a contract is predominantly lease or service based and recognize the entire contract under the relevant accounting guidance (i.e., predominantly lease-based would be accounted for under ASU 2016-02 and predominantly service-based would be accounted for under the Revenue ASUs). The Company elected this practical expedient as well and, as a result, beginning January 1, 2019, the Company recognizes revenue from its senior housing triple-net, medical office, and life science segments under ASC 842 and revenue from its SHOP segment under the Revenue ASUs (codified under ASC 606, *Revenue from Contracts with Customers*).

In conjunction with reaching the conclusions above, the Company concluded it was appropriate (under ASC 205, *Presentation of Financial Statements*) to reclassify amounts previously classified as revenue from tenant recoveries (within the senior housing triple-net, life science, and medical office segments) and present them combined with rental and related revenues within the consolidated statements of operations. The Company implemented this change during the fourth quarter of 2018. Included within rental and related revenues for the three and nine months ended September 30, 2018 is $41 million and $117 million, respectively, of tenant recoveries.

In December 2018, the FASB issued ASU No. 2018-20, *Narrow Scope Improvements for Lessors* ("ASU 2018-20"), which requires that a lessor: (i) exclude certain lessor costs paid directly by a lessee to third parties on behalf of the lessor from a lessor's measurement of variable lease revenue and associated expense (i.e., no gross up of revenue and expense for these costs) and (ii) include lessor costs that are paid by the lessor and reimbursed by the lessee in the measurement of variable lease revenue and the associated expense (i.e., gross up revenue and expense for these costs). This is consistent with the Company's historical presentation and did not require a material change on January 1, 2019.

*Other. E*ffective January 1, 2019, the Company adopted ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The amendments in ASU 2017-12 expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. For cash flow and net investment hedges existing at the date of adoption, the Company adopted the amendments in ASU 2017-12 using the modified retrospective approach. For amendments impacting presentation and disclosure, the Company adopted ASU 2017-12 using a prospective approach. The adoption of ASU 2017-12 did not have a material impact to the Company's consolidated financial position, results of operations, cash flows, or disclosures.

Not Yet Adopted

Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recognition of credit losses on loans and other financial instruments held by financial institutions and other organizations. The amendments in ASU 2016-13 eliminate the "probable" initial threshold for recognition of credit losses in current accounting guidance and, instead, reflect an entity's current estimate of all expected credit losses over the life of the financial instrument. Previously, when credit losses were measured under current accounting guidance, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in ASU 2016-13 broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss. ASU 2016-13 is effective for fiscal years, and interim periods within, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within, beginning after December 15, 2018. A reporting entity is required to apply the amendments in ASU 2016-13 using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Upon adoption of ASU 2016-13, the Company is required to reassess its financing receivables, including direct financing leases ("DFLs") and loans receivable, and expects that application of ASU 2016-13 may result in the Company recognizing credit losses at an earlier date than would otherwise be recognized under current accounting guidance. The Company is evaluating the impact of the adoption of ASU 2016-13 on January 1, 2020 to its consolidated financial position and results of operations.

Segment Reporting

The Company's reportable segments, based on how it evaluates its business and allocates resources, are as follows: (i) senior housing triple-net, (ii) SHOP, (iii) life science, and (iv) medical office. During the first quarter of 2019, as a result of a change in how operating results are reported to the Company's chief operating decision makers for the purpose of evaluating performance and allocating resources, two facilities were reclassified from other non-reportable segments to the medical office segment. Accordingly, all prior period segment information has been recast to conform to the current period presentation.

NOTE 3. Master Transactions and Cooperation Agreement with Brookdale

2019 Master Transactions and Cooperation Agreement with Brookdale

In October 2019, the Company and Brookdale Senior Living Inc. ("Brookdale") entered into a Master Transactions and Cooperation Agreement (the "2019 MTCA"), which includes a series of transactions related to its jointly owned 15-campus continuing care retirement community ("CCRC") portfolio (the "CCRC JV") and the portfolio of 43 senior housing properties that Brookdale triple-net leases from the Company.

In connection with the 2019 MTCA, the Company and Brookdale, and certain of their respective subsidiaries, agreed to the following related to the CCRC JV:

- The Company, which owns a 49% interest in the CCRC JV, agreed to purchase Brookdale's 51% interest in 13 of the 15 communities in the CCRC JV based on a valuation of $1.06 billion (the "CCRC Acquisition"), inclusive of one community that was added subsequent to executing the MTCA;
- The management agreements related to the CCRC Acquisition communities will be terminated, with management transitioned (under new management agreements) from Brookdale to Life Care Services LLC ("LCS") simultaneous with closing the CCRC Acquisition;
- The Company will pay a $100 million management termination fee to Brookdale upon closing the CCRC Acquisition; and
- The remaining two CCRCs will be jointly marketed for sale to third parties.

In addition, pursuant to the 2019 MTCA, the Company and Brookdale agreed to the following transactions related to properties that Brookdale triple-net leases from the Company:

- Brookdale will acquire 18 of the properties from the Company (the "Brookdale Acquisition Assets") for cash proceeds of $385 million;
- The Company will terminate the triple-net lease related to one property and transition it to a RIDEA structure with LCS as the manager;
- The remaining 24 properties will be restructured into a single master lease with 2.4% annual rent escalators and a maturity date of December 31, 2027 (the "2019 Amended Master Lease");
- A portion of annual rent (amount in excess of 6.5% of sales proceeds) related to 14 of the 18 Brookdale Acquisition Assets will be reallocated to the remaining properties under the 2019 Amended Master Lease;
- Upon closing of the Brookdale Acquisition, Brookdale will pay down $20 million of future rent under the 2019 Amended Master Lease; and
- The Company will provide up to $35 million of capital investment in the 2019 Amended Master Lease properties over a five-year term, which will increase rent by 7% of the amount spent, per annum.

With the exception of the capital investment to be made over the next five years, each of the above transactions, including payment of the $100 million management termination fee, is required to close simultaneous with the other transactions, which the Company expects to occur during the first quarter of 2020.

2017 MTCA with Brookdale

In November 2017, the Company and Brookdale entered into a Master Transactions and Cooperation Agreement (the "2017 MTCA") to provide the Company with the ability to significantly reduce its concentration of assets leased to and/or managed by Brookdale. In connection with the overall transaction pursuant to the 2017 MTCA, the Company and Brookdale, and certain of their respective subsidiaries, agreed to the following:

- The Company, which owned 90% of the interests in its RIDEA I and RIDEA III joint ventures with Brookdale at the time the 2017 MTCA was executed, agreed to purchase Brookdale's 10% noncontrolling interest in each joint venture. At the time the 2017 MTCA was executed, these joint ventures collectively owned and operated 58 independent living, assisted living, memory care, and/or skilled nursing facilities (the "RIDEA Facilities"). The Company completed its acquisitions of the RIDEA III noncontrolling interest for $32 million in December 2017 and the RIDEA I noncontrolling interest for $63 million in March 2018;
- The Company received the right to sell, or transition to other operators, 32 of the 78 total assets under an Amended and Restated Master Lease and Security Agreement (the "2017 Amended Master Lease") with Brookdale and 36 of the RIDEA Facilities (and terminate related management agreements with an affiliate of Brookdale without penalty), certain of which were sold during 2018 and 2019 and are included in the disposition transactions discussed in Note 4;
- The Company provided an aggregate $5 million annual reduction in rent on three assets, effective January 1, 2018; and
- Brookdale agreed to purchase two of the assets under the 2017 Amended Master Lease for $35 million and four of the RIDEA Facilities for $240 million, all of which were sold in 2018 and are included in the 2018 disposition transactions discussed in Note 4.

Additionally, during 2018, the Company terminated the previous management agreements or leases with Brookdale on 37 assets as contemplated under the 2017 MTCA and completed the transition of 20 SHOP assets and 17 senior housing triple-net assets to other managers.

NOTE 4. Real Estate Transactions

2019 Real Estate Investments

Cambridge Acquisition

During the first quarter of 2019, the Company acquired a life science facility for $71 million and development rights at an adjacent undeveloped land parcel for consideration of up to $27 million. The existing facility and land parcel are located in Cambridge, Massachusetts.

Discovery Portfolio Acquisition

In April 2019, the Company acquired a portfolio of nine senior housing properties for $445 million. The properties are located across Florida, Georgia, and Texas and are operated by Discovery Senior Living, LLC.

Oakmont Portfolio Acquisitions

In May 2019, the Company acquired three senior housing communities for $113 million and in July 2019, the Company acquired an additional five senior housing communities for $284 million. Both portfolios were acquired from and continue to be operated by Oakmont Senior Living LLC ("Oakmont"). Each portfolio was contributed to a DownREIT joint venture in which the sellers received non-controlling interests in lieu of cash for a portion of the sales price. The Company, as the managing member, consolidates each DownREIT joint venture.

As part of the May and July 2019 Oakmont transactions, the Company assumed $50 million and $112 million, respectively, of secured mortgage debt, both of which were recorded at their relative fair values through asset acquisition accounting.

Sierra Point Towers Acquisition

In June 2019, the Company acquired two life science buildings in South San Francisco, California adjacent to the Company's The Shore at Sierra Point development, for $245 million.

Senior Housing JV Interest Purchase (Vintage Park JV)

In June 2019, the Company acquired the outstanding equity interests of a senior housing joint venture structure (which owned one senior housing facility), in which the Company previously held an unconsolidated equity investment, for $24 million. Subsequent to acquisition, the Company owned 100% of the equity. As the Company began consolidating the facility upon acquisition, it derecognized the existing investment in the joint venture structure, marked the real estate to fair value (using a relative fair value allocation), and recognized a gain on consolidation of $12 million, net of a tax impact of $1 million. The gain on consolidation is recognized within other income (expense), net and the tax impact is recognized within income tax benefit (expense).

Hartwell Innovation Campus Acquisition

In July 2019, the Company acquired a life science campus in the suburban Boston submarket of Lexington, Massachusetts, for $228 million. The campus is comprised of four buildings.

Other

During the nine months ended September 30, 2019, the Company acquired one medical office building ("MOB") in Kansas for $15 million and one life science building in the Sorrento Mesa submarket of San Diego, California for $16 million.

West Cambridge Acquisition

In August 2019, the Company entered into definitive agreements to acquire one life science building, adjacent to the Company's existing properties in Cambridge, Massachusetts, for $333 million. The Company made two nonrefundable deposits totaling $33 million upon execution of the purchase and sale agreement, which are recorded in other assets, net on the consolidated balance sheet as of September 30, 2019. The Company expects to close the transaction during the fourth quarter of 2019.

SHOP Joint Venture

In October 2019, the Company entered into a definitive agreement with a sovereign wealth fund to form a new joint venture that will own 19 SHOP assets operated by Brookdale. The Company will own 53.5% of the joint venture and will contribute all 19 assets with an estimated fair value of $790 million. The joint venture partner will own the other 46.5% and will contribute cash of $367 million, which will be immediately distributed to the Company. The transaction is expected to close during the fourth quarter of 2019.

2018 Real Estate Investments

MSREI MOB JV

In August 2018, the Company and Morgan Stanley Real Estate Investment ("MSREI") formed a joint venture (the "MSREI JV") to own a portfolio of MOBs for which the Company is a 51% owner and consolidates. To form the joint venture, MSREI contributed cash of $298 million and the Company contributed nine wholly-owned MOBs (the "Contributed Assets"). The Contributed Assets are primarily located in Texas and Florida and were valued at approximately $320 million at the time of contribution. The MSREI JV used substantially all of the cash contributed by MSREI to acquire an additional portfolio of 16 MOBs in Greenville, South Carolina (the "Greenville Portfolio") for $285 million. Concurrent with acquiring the additional MOBs, the MSREI JV entered into 10-year leases with the anchor tenants in the Greenville Portfolio.

The Contributed Assets are accounted for at historical depreciated cost by the Company, as the assets continue to be consolidated. The Greenville Portfolio was accounted for as an asset acquisition, which required the Company to record the individual components of the acquisition at their relative fair values. As a result, the Company recorded net real estate of $276 million and net intangible assets of $20 million during the three months ended September 30, 2018 related to the Greenville Portfolio. Additionally, during the three months ended September 30, 2018, the Company recognized a noncontrolling interest of $298 million related to the interest owned by MSREI. Refer to Note 15 for a discussion of the Company's consolidation of the MSREI JV.

Life Science JV Interest Purchase

In November 2018, the Company acquired the outstanding equity interests in three life science joint ventures (which owned four buildings) for $92 million, bringing the Company's equity ownership to 100% for all three joint ventures. As the Company began consolidating the assets upon acquisition, it derecognized the existing investment in the joint ventures, marked the real estate to fair value (using a relative fair value allocation), and recognized a gain on consolidation of $50 million within other income (expense), net.

Other

During the nine months ended September 30, 2018, the Company acquired development rights on a land parcel in the Boston suburb of Lexington, Massachusetts for $21 million. The Company commenced a life science development on the land in 2018.

Development Activities

As part of the development program with HCA Healthcare, during the nine months ended September 30, 2019, the Company commenced development on four MOBs, three of which will be on-campus.

The Company's commitments related to development and redevelopment projects increased by $56 million, to $355 million at September 30, 2019, when compared to December 31, 2018, primarily as a result of additional development and redevelopment projects.

In October 2019, as part of the development program with HCA Healthcare, the Company executed development agreements for two additional on-campus MOBs.

Held for Sale

At September 30, 2019, 20 senior housing triple-net facilities (inclusive of 18 facilities being sold to Brookdale under the 2019 MTCA - see Note 3), 6 MOBs, 20 SHOP facilities, and 2 facilities from the other non-reportable segment were classified as held for sale, with an aggregate carrying value of $403 million, primarily comprised of real estate assets of $375 million, net of accumulated depreciation of $192 million. Liabilities of assets held for sale was primarily comprised of mortgage debt and other liabilities at September 30, 2019.

At December 31, 2018, nine SHOP facilities and one undeveloped life science land parcel were classified as held for sale, with an aggregate carrying value of $108 million, primarily comprised of real estate assets of $101 million, net of accumulated depreciation of $30 million. Liabilities of assets held for sale was primarily comprised of intangible liabilities and other liabilities at December 31, 2018.

2019 Dispositions of Real Estate

During the quarter ended March 31, 2019, the Company sold nine SHOP assets for $68 million, two senior housing triple-net assets for $26 million, and one undeveloped life science land parcel for $35 million, resulting in total gain on sales of $8 million.

During the quarter ended June 30, 2019, the Company sold one SHOP asset for $14 million, five MOBs for $15 million, and one life science asset for $7 million, resulting in total gain on sales of $11 million.

During the quarter ended September 30, 2019, the Company sold one MOB for $3 million and one SHOP asset for $7 million, resulting in no material gain or loss on sales.

In October 2019, the Company sold one facility from the other non-reportable segment for $15 million.

2018 Dispositions of Real Estate

Shoreline Technology Center

In November 2018, the Company sold its Shoreline Technology Center life science campus located in Mountain View, California for $1.0 billion and recognized a gain on sale of $726 million.

RIDEA II Sale Transaction

In January 2017, the Company completed the contribution of its ownership interest in RIDEA II to an unconsolidated joint venture owned by Healthpeak and an investor group led by Columbia Pacific Advisors, LLC ("CPA") (the "Healthpeak/CPA JV"). Also in January 2017, RIDEA II was recapitalized with $602 million of debt, of which $360 million was provided by a third-party and $242 million was provided by the Company. In return for both transaction elements, the Company received combined proceeds of $480 million from the Healthpeak/CPA JV and $242 million in loans receivable and retained an approximately 40% ownership interest in RIDEA II. This transaction resulted in the Company deconsolidating the net assets of RIDEA II and recognizing a net gain on sale of $99 million. Refer to Note 2 for the impact of adopting the Revenue ASUs on January 1, 2018 to the Company's partial sale of RIDEA II in the first quarter of 2017.

In June 2018, the Company sold its remaining 40% ownership interest in RIDEA II to an investor group led by CPA for $91 million. Additionally, CPA refinanced the Company's $242 million of loans receivable from RIDEA II, resulting in total proceeds of $332 million. The Company no longer holds an economic interest in RIDEA II.

U.K. Portfolio

In June 2018, the Company entered into a joint venture with an institutional investor (the "U.K. JV") through which the Company sold a 51% interest in substantially all United Kingdom ("U.K.") assets previously owned by the Company (the "U.K. Portfolio") based on a total value of £382 million ($507 million). The Company retained a 49% noncontrolling interest in the joint venture and received gross proceeds of $402 million, including proceeds from the refinancing of the Company's previously held intercompany loans. Upon closing the U.K. JV, the Company deconsolidated the U.K. Portfolio, recognized its retained noncontrolling interest investment at fair value ($105 million) and recognized a gain on sale of $11 million, net of $17 million of cumulative foreign currency translation reclassified from other comprehensive income. The U.K. JV provides numerous mechanisms by which the joint venture partner can acquire the Company's remaining interest in the U.K. JV. The fair value of the Company's retained noncontrolling interest investment was based on Level 2 measurements within the fair value hierarchy. Additionally, in August 2018, the Company sold its remaining £11 million U.K. development loan at par.

In October 2019, the Company entered into a definitive agreement to sell its remaining 49% interest in the U.K. JV (see Note 7).

Other

During the quarter ended March 31, 2018, the Company sold two SHOP assets for $35 million, resulting in total gain on sales of $21 million.

During the quarter ended June 30, 2018, the Company sold eight SHOP assets for $268 million and two senior housing triple-net assets for $35 million, resulting in total gain on sales of $25 million.

During the quarter ended September 30, 2018, the Company sold 4 life science assets for $269 million, 11 SHOP assets for $76 million and 2 MOBs for $21 million, resulting in total gain on sales of $95 million.

During the quarter ended December 31, 2018, the Company sold two SHOP facilities for $15 million, two MOBs for $4 million, and one undeveloped land parcel for $3 million, resulting in no material gain or loss on sales.

Additionally, during 2018, the Company sold 19 senior housing assets to a third-party buyer for $377 million, resulting in a gain on sale of $40 million.

Impairments of Real Estate

2019

During the three months ended September 30, 2019, the Company recognized an aggregate impairment charge of $34 million related to seven SHOP assets, four senior housing triple-net assets, two MOBs, and one other non-reportable asset that are classified as held for sale. The impaired assets were written down from their aggregate carrying value of $124 million to their aggregate fair value less estimated costs to sell of $90 million. Additionally, during the three months ended September 30, 2019, the Company recognized an impairment charge of $4 million related to one MOB that it intends to demolish. The Company expects to re-purpose the land for development.

During the nine months ended September 30, 2019, the Company recognized an aggregate impairment charge of $93 million in conjunction with classifying 4 senior housing triple-net assets, 15 SHOP assets, 2 MOBs, and 1 other non-reportable asset as held for sale and writing their aggregate carrying value of $288 million down to their aggregate fair value less estimated costs to sell of $195 million. During the nine months ended September 30, 2019, the Company also recognized an impairment charge of $4 million related to one MOB that it intends to demolish.

Additionally, during the nine months ended September 30, 2019, the Company recognized a $5 million casualty-related gain, net of deferred tax impacts, as a result of insurance proceeds received for property damage and other associated costs related to hurricanes in 2017. The gain is recorded in other income (expense), net.

Lastly, during the nine months ended September 30, 2019, the Company determined the carrying value of two MOBs that were candidates for potential future sale was no longer recoverable due to the Company's shortened intended hold period under the held-for-use impairment model. Accordingly, the Company wrote-down the carrying amount of these two assets to their respective fair value, which resulted in an aggregate impairment charge of $9 million.

The fair value of the impaired assets was based on forecasted sales prices, which are considered to be Level 3 measurements within the fair value hierarchy. Forecasted sales prices were determined using a direct capitalization model or a market approach (comparable sales model), which rely on certain assumptions by management, including: (i) property hold periods, (ii) market capitalization rates, (iii) market prices per unit, and (iv) forecasted cash flow streams (lease revenue rates, expense rates, growth rates, etc.). There are inherent uncertainties in making these assumptions. For the Company's impairment calculations during the nine months ended September 30, 2019, the Company used a range of (i) market capitalization rates ranging from 4.97% to 8.27%, with a weighted average rate of 6.09%, and (ii) prices per unit ranging from $46,000 to $125,000, with a weighted average price of $71,000.

2018

During the three months ended September 30, 2018, in conjunction with classifying three underperforming SHOP assets as held for sale, the Company concluded that the assets were impaired and wrote-down the carrying value of the assets to their fair value less estimated costs to sell. Accordingly, the Company recognized a $5 million impairment charge during the third quarter of 2018.

During the nine months ended September 30, 2018, in conjunction with classifying 16 underperforming SHOP assets and an undeveloped life science land parcel as held for sale, the Company concluded the assets were impaired and wrote-down the carrying value of the assets to their fair value less estimated costs to sell. Accordingly, the Company recognized a $19 million impairment charge during the nine months ended September 30, 2018.

The fair value of the assets impaired in 2018 was based on contractual sales prices, which are considered to be Level 2 measurements within the fair value hierarchy.

NOTE 5. Leases

Lease Income

The following table summarizes the Company's lease income (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Fixed income from operating leases	$ 255,447	$ 246,148	$ 730,277	$ 772,388
Variable income from operating leases	57,153	57,706	177,742	166,058
Interest income from direct financing leases	9,590	13,573	33,304	40,329

Direct Financing Leases

Net investment in DFLs consists of the following (dollars in thousands):

	September 30, 2019
Present value of minimum lease payments receivable	$ 23,316
Present value of estimated residual value	84,604
Less deferred selling profits	(23,316)
Net investment in direct financing leases before allowance	84,604
Allowance for direct financing lease losses	—
Net investment in direct financing leases	$ 84,604
Properties subject to direct financing leases	2

	December 31, 2018
Minimum lease payments receivable	$ 1,013,976
Estimated residual value	507,484
Less unearned income	(807,642)
Net investment in direct financing leases	$ 713,818
Properties subject to direct financing leases	29

Direct Financing Lease Internal Ratings

The following table summarizes the Company's internal ratings for DFLs at September 30, 2019 (dollars in thousands):

			Internal Ratings		
Segment	Carrying Amount	Percentage of DFL Portfolio	Performing DFLs	Watch List DFLs	Workout DFLs
Other non-reportable segments	$ 84,604	100	$ 84,604	—	—
	$ 84,604	100	$ 84,604	$ —	$ —

Direct Financing Lease Conversion

During the first quarter of 2019, the Company converted a DFL portfolio of 14 senior housing triple-net properties, previously on "Watch List" status, to a RIDEA structure, requiring the Company to recognize net assets equal to the lower of the net assets' fair value or the carrying value of the net investment in the DFL. As a result, the Company derecognized the $351 million carrying value of the net investment in DFL related to the 14 properties and recognized a combination of net real estate ($331 million) and net intangibles assets ($20 million) for the same aggregate amount, with no gain or loss recognized. As a result of the transaction, the 14 properties were transitioned from the senior housing triple-net segment to the SHOP segment during the first quarter of 2019.

Direct Financing Lease Sale

During the second quarter of 2019, the Company entered into agreements to sell 13 senior housing facilities under DFLs (the "DFL Sale Portfolio") for $274 million. Upon entering into the agreements, the Company recognized an allowance for DFL losses and related impairment charge of $10 million to write-down the carrying value of the DFL Sale Portfolio to its fair value. The fair value of the DFL Sale Portfolio was based upon the agreed upon sale price, less estimated costs to sell, which is considered to be a Level 2 measurement within the fair value hierarchy. In conjunction with the entering into agreements to sell the DFL Sale Portfolio, the Company placed the portfolio on nonaccrual status and began recognizing income equal to the amount of cash received.

The Company completed the sale of the DFL Sale Portfolio in September 2019.

The following table summarizes the activity of the DFL Sale Portfolio during the periods presented (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Income from DFLs	$ 5,412	$ 5,868	$ 17,287	$ 17,420
Cash payments received	5,412	5,634	16,005	15,118

Direct Financing Lease Receivable Maturities

The following table summarizes future minimum lease payments contractually due under DFLs at September 30, 2019 (in thousands):

Year	Amount
2019 (three months)	$ 4,177
2020	9,554
2021	8,409
2022	1,176
2023	—
2024	—
Thereafter	—
Undiscounted minimum lease payments receivable	23,316
Less: imputed interest	—
Present value of minimum lease payments receivable	$ 23,316

The following table summarizes future minimum lease payments contractually due under DFLs at December 31, 2018 (in thousands):

Year	Amount
2019	$ 114,970
2020	63,308
2021	63,687
2022	58,135
2023	58,570
Thereafter	655,306
	$ 1,013,976

Residual Value Risk

Quarterly, the Company reviews the estimated unguaranteed residual value of assets under DFLs to determine if there have been any material changes compared to the prior quarter. As needed, the Company and/or the related tenants will invest necessary funds to maintain the residual value of each asset.

Operating Leases

Future Minimum Rents

The following table summarizes future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under non-cancelable operating leases as of September 30, 2019 (in thousands):

Year	Amount
2019 (three months)	$ 247,606
2020	996,835
2021	958,669
2022	860,278
2023	782,443
2024	683,528
Thereafter	2,353,307
	$ 6,882,666

The following table summarizes future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under non-cancelable operating leases as of December 31, 2018 (in thousands):

Year	Amount
2019	$ 971,417
2020	928,102
2021	853,451
2022	751,972
2023	675,537
Thereafter	2,320,847
	$ 6,501,326

Lease Costs

The following tables provide information regarding the Company's leases to which it is the lessee, such as corporate offices and ground leases (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Expense Information:	**2019**	**2018**	**2019**	**2018**
Total lease expense[(1)]	$ 4,343	$ 3,947	$ 12,764	$ 11,351

(1) Lease expense related to corporate assets is included in general and administrative expenses and lease expense related to ground leases is included within operating expenses in the Company's consolidated statements of operations.

	Nine Months Ended September 30,	
Supplemental Cash Flow Information:	**2019**	**2018**
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows for operating leases	$ 10,134	$ 9,132
ROU asset obtained in exchange for new lease liability:		
Operating leases	$ 4,084	$ —

Weighted Average Lease Term and Discount Rate:	**September 30, 2019**
Weighted average remaining lease term (years):	
Operating leases	51
Weighted average discount rate:	
Operating leases	4.36%

The following table summarizes future minimum lease payments under non-cancelable ground and other operating leases included in the Company's lease liability as of September 30, 2019 (in thousands):

Year	Amount
2019 (three months)	$ 2,391
2020	9,322
2021	8,958
2022	8,770
2023	8,542
2024	6,798
Thereafter	451,675
Undiscounted minimum lease payments included in the lease liability	496,456
Less: imputed interest	(340,159)
Present value of lease liability	$ 156,297

The following table summarizes future minimum lease obligations under non-cancelable ground and other operating leases as of December 31, 2018 (in thousands):

Year	Amount
2019	$ 5,597
2020	5,687
2021	5,776
2022	5,862
2023	5,983
Thereafter	466,130
	$ 495,035

Depreciation Expense

While the Company leases the majority of its property, plant, and equipment to various tenants under operating leases and DFLs, in certain situations, the Company owns and operates certain property, plant, and equipment for general corporate purposes. Corporate assets are recorded within other assets, net within the Company's consolidated balance sheets and depreciation expense for those assets is recorded in general and administrative expenses in the Company's consolidated statements of operations. Included within other assets, net as of September 30, 2019 and December 31, 2018 is $3 million and $2 million, respectively, of accumulated depreciation related to corporate assets. Included within general and administrative expenses for the three months ended September 30, 2019 and 2018 is $0.4 million and $0.3 million, respectively, of depreciation expense related to corporate assets. Included within general and administrative expenses for the nine months ended September 30, 2019 and 2018 is $1.3 million and $0.7 million, respectively, of depreciation expense related to corporate assets.

NOTE 6. Loans Receivable

The following table summarizes the Company's loans receivable (in thousands):

	September 30, 2019			December 31, 2018		
	Real Estate Secured	Other Secured	Total	Real Estate Secured	Other Secured	Total
Mezzanine	$ —	$ 25,702	$ 25,702	$ —	$ 21,013	$ 21,013
Participating development loans and other(1)	111,942	—	111,942	42,037	—	42,037
Unamortized discounts, fees and costs	—	(25)	(25)	—	(52)	(52)
	$ 111,942	$ 25,677	$ 137,619	$ 42,037	$ 20,961	$ 62,998

(1) At September 30, 2019, the Company had $17 million remaining of commitments to fund a $115 million senior living development project.

Loans Receivable Internal Ratings

The following table summarizes the Company's internal ratings for loans receivable at September 30, 2019 (dollars in thousands):

			Internal Ratings		
Investment Type	Carrying Amount	Percentage of Loan Portfolio	Performing Loans	Watch List Loans	Workout Loans
Real estate secured	$ 111,942	81	$ 111,942	$ —	$ —
Other secured	25,677	19	25,677	—	—
	$ 137,619	100	$ 137,619	$ —	$ —

U.K. Bridge Loan

In 2016, the Company provided a £105 million ($131 million at closing) bridge loan (the "U.K. Bridge Loan") to Maria Mallaband Care Group Ltd. ("MMCG") to fund the acquisition of a portfolio of seven care homes in the U.K. Under the U.K. Bridge Loan, the Company retained a three year call option to acquire those seven care homes at a future date for £105 million, subject to certain conditions precedent being met. In March 2018, upon resolution of all conditions precedent, the Company began the process of exercising its call option to acquire the seven care homes and concluded that it should consolidate the real estate. As a result, the Company derecognized the outstanding loan receivable of £105 million and recognized a £29 million ($41 million) loss on consolidation. Refer to Note 15 for the complete impact of consolidating the seven care homes during the first quarter of 2018.

In June 2018, the Company completed the process of exercising the above-mentioned call option. The seven care homes acquired through the call option were included in the U.K. JV transaction (see Note 4).

NOTE 7. Investments in and Advances to Unconsolidated Joint Ventures

The Company owns interests in the following entities that are accounted for under the equity method (dollars in thousands):

			Carrying Amount	
Entity[(1)]	**Property Count**	**Ownership %**	**September 30, 2019**	**December 31, 2018**
CCRC JV[(2)]	15	49	$ 334,546	$ 365,764
U.K. JV[(3)]	68	49	98,692	101,735
MBK JV	5	50	33,814	35,435
Other SHOP JVs[(4)]	4	41- 90	26,733	25,493
Medical Office JVs[(5)]	3	20 - 67	9,890	10,160
K&Y JVs[(6)]	3	80	1,545	1,430
Advances to unconsolidated joint ventures, net			25	71
			$ 505,245	$ 540,088

(1) These entities are not consolidated because the Company does not control, through voting rights or other means, the joint ventures.
(2) See Note 3 for discussion of the 2019 MTCA with Brookdale, including the pending acquisition of Brookdale's interest in the CCRC JV.
(3) See Note 4 for discussion of the formation of the U.K. JV and the Company's equity method investment.
(4) In June 2019, the Company acquired the outstanding equity interests in, and began consolidating, the Vintage Park JV (see Note 4). Remaining unconsolidated SHOP joint ventures (and the Company's ownership percentage) include: (i) Waldwick JV (85%); (ii) Otay Ranch JV (90%); (iii) MBK Development JV (50%); (iv) Discovery Naples JV (41%); and (v) Discovery Sarasota JV (47%). The Company's investments in the Discovery Naples JV and the Discovery Sarasota JV are preferred equity investments earning a 10% per annum fixed-rate return.
(5) Includes three unconsolidated medical office joint ventures (and the Company's ownership percentage): Ventures IV (20%); Ventures III (30%); and Suburban Properties, LLC (67%).
(6) At September 30, 2019, includes two unconsolidated joint ventures. At December 31, 2018, includes three unconsolidated joint ventures. In October 2019, the Company sold its interest in one of the unconsolidated joint ventures for $4 million.

CCRC JV. During the third quarter of 2019, the CCRC JV classified one property that Brookdale and the Company committed to sell to a third-party as held for sale in the joint venture's stand-alone financial statements. In conjunction with classifying the property as held for sale, the CCRC JV recognized an impairment charge of $12 million to reflect the write-down of the property's previous carrying value to the estimated selling price, less costs to sell. The Company recognized its 49% share of the impairment charge ($6 million) through equity income (loss) from unconsolidated joint ventures during the three months ended September 30, 2019. The second property that Brookdale and the Company intend to sell to a third-party has not been classified as held for sale as an active program to locate a buyer had not been initiated as of September 30, 2019.

Additionally, in October 2019, the Company agreed to acquire Brookdale's 51% interest in 13 of the 15 communities held by the CCRC JV. Refer to Note 3 for a detailed discussion of the 2019 MTCA with Brookdale.

U.K. JV. In October 2019, the Company entered into a definitive agreement to sell its remaining 49% interest in the U.K. JV for net proceeds of approximately $90 million. Upon sale, which is expected to close during the fourth quarter of 2019, the Company expects to recognize a loss on sale of approximately $8 million (based on exchange rates at the time the agreement was executed). The transaction will complete the Company's strategic exit from the U.K.

NOTE 8. Intangibles

Intangible assets primarily consist of lease-up intangibles and above market tenant lease intangibles. Intangible liabilities primarily consist of below market lease intangibles. The following tables summarize the Company's intangible lease assets and liabilities (in thousands):

Intangible lease assets	September 30, 2019	December 31, 2018
Gross intangible lease assets	$ 569,059	$ 556,114
Accumulated depreciation and amortization	(265,337)	(251,035)
Intangible assets, net	$ 303,722	$ 305,079

Intangible lease liabilities	September 30, 2019	December 31, 2018
Gross intangible lease liabilities	$ 91,896	$ 94,444
Accumulated depreciation and amortization	(36,983)	(39,781)
Intangible liabilities, net	$ 54,913	$ 54,663

During the nine months ended September 30, 2019, in conjunction with the Company's acquisitions of real estate (see Note 4), the Company acquired intangible assets of $120 million and intangible liabilities of $12 million. The intangible assets and intangible liabilities acquired have a weighted average amortization period of 2 years and 6 years, respectively.

On January 1, 2019, in conjunction with the adoption of ASU 2016-12 (see Note 2), the Company reclassified $39 million of intangible assets, net and $6 million of intangible liabilities, net related to above and below market ground leases to right-of-use asset, net.

NOTE 9. Debt

Bank Line of Credit and Term Loans

On May 23, 2019, the Company executed a $2.5 billion unsecured revolving line of credit facility (the "Revolving Facility"), which matures on May 23, 2023 and contains two, six month extension options, subject to certain customary conditions. Borrowings under the Revolving Facility accrue interest at LIBOR plus a margin that depends on the Company's credit ratings. The Company pays a facility fee on the entire revolving commitment that depends on its credit ratings. Based on the Company's credit ratings at September 30, 2019, the margin on the Revolving Facility was 0.825% and the facility fee was 0.15%. At September 30, 2019, the Company had $738 million, including £55 million ($68 million), outstanding under the Revolving Facility, with a weighted average effective interest rate of 3.04%.

In May 2019, the Company also entered into a new $250 million unsecured term loan facility, which the Company fully drew down on June 20, 2019 (the "2019 Term Loan" and, together with the Revolving Facility, the "Facilities"). The 2019 Term Loan matures on May 23, 2024. Based on the Company's credit ratings at September 30, 2019, the 2019 Term Loan accrues interest at a rate of LIBOR plus 0.90%, with a weighted average effective interest rate of 3.04%.

The Facilities include a feature that allows the Company to increase the borrowing capacity by an aggregate amount of up to $750 million, subject to securing additional commitments. The Facilities also contain certain financial restrictions and other customary requirements, including cross-default provisions to other indebtedness. Among other things, these covenants, using terms defined in the agreements: (i) limit the ratio of Enterprise Total Indebtedness to Enterprise Gross Asset Value to 60%; (ii) limit the ratio of Enterprise Secured Debt to Enterprise Gross Asset Value to 40%; (iii) limit the ratio of Enterprise Unsecured Debt to Enterprise Unencumbered Asset Value to 60%; (iv) require a minimum Fixed Charge Coverage ratio of 1.5 times; and (v) require a minimum Consolidated Tangible Net Worth of $7.0 billion. At September 30, 2019, the Company believes it was in compliance with each of these restrictions and requirements of the Facilities.

On July 3, 2018, the Company exercised its one-time right under a previously-drawn term loan to repay the outstanding British pound sterling ("GBP") balance and re-borrow in U.S. Dollars ("USD") with all other key terms unchanged, which resulted in repayment of a £169 million balance and re-borrowing of $224 million. In November 2018, the Company repaid the $224 million unsecured term loan, bringing the total term loan balance to zero at December 31, 2018.

Commercial Paper Program

In September 2019, the Company established an unsecured commercial paper program (the “Commercial Paper Program”). Under the terms of the Commercial Paper Program, the Company may issue, from time to time, unsecured short-term debt securities with varying maturities not in excess of 397 days from the date of issue. Amounts available under the Commercial Paper Program may be borrowed, repaid, and re-borrowed from time to time, with the maximum aggregate face or principal amount outstanding at any one time not exceeding $1.0 billion. Amounts borrowed under the Commercial Paper Program will be sold on terms that are customary for the U.S. commercial paper market and will be at least equal in right of payment with all of the Company’s other unsecured and unsubordinated indebtedness. The Company intends to use its Revolving Facility as a liquidity backstop for the repayment of unsecured short-term debt securities issued under the Commercial Paper Program. As of September 30, 2019, the Company had no borrowings outstanding under the Commercial Paper Program.

As of October 29, 2019, there was a balance of $650 million outstanding under the Commercial Paper Program, with original maturities ranging from three weeks to one month and a weighted average interest rate of 2.15%. The Company primarily utilized amounts borrowed under the Commercial Paper Program to repay amounts previously borrowed under the Revolving Facility.

Senior Unsecured Notes

At September 30, 2019, the Company had senior unsecured notes outstanding with an aggregate principal balance of $5.3 billion. The senior unsecured notes contain certain covenants including limitations on debt, maintenance of unencumbered assets, cross-acceleration provisions and other customary terms. The Company believes it was in compliance with these covenants at September 30, 2019.

The following table summarizes the Company’s senior unsecured notes issuances during the nine months ended September 30, 2019 (dollars in thousands):

Date		Amount	Coupon Rate	Maturity Date
July 5, 2019	$	650,000	3.250%	2026
July 5, 2019	$	650,000	3.500%	2029

The following table summarizes the Company’s senior unsecured notes payoffs during the nine months ended September 30, 2019 (dollars in thousands):

Date		Amount	Coupon Rate	Maturity Date
July 22, 2019 (1)	$	800,000	2.625%	2020
July 8, 2019 (1)	$	250,000	4.000%	2022
July 8, 2019 (1)	$	250,000	4.250%	2023

(1) Upon completing the redemption of the 2.625% senior unsecured notes due February 2020 and repurchasing a portion of the 4.250% senior unsecured notes due 2023 and the 4.000% senior unsecured notes due 2022, the Company recognized a $35 million loss on debt extinguishment.

There were no senior unsecured notes issuances during the year ended December 31, 2018.

The following table summarizes the Company’s senior unsecured notes payoffs during the year ended December 31, 2018 (dollars in thousands):

Date		Amount	Coupon Rate	Maturity Date
July 16, 2018(1)	$	700,000	5.375%	2021
November 8, 2018	$	450,000	3.750%	2019

(1) The Company recorded a $44 million loss on debt extinguishment related to the repurchase of senior notes.

Mortgage Debt

At September 30, 2019, the Company had $262 million in aggregate principal of mortgage debt outstanding (excluding mortgage debt on assets held for sale), which is secured by 17 healthcare facilities with an aggregate carrying value of $523 million.

Mortgage debt generally requires monthly principal and interest payments, is collateralized by real estate assets, and is generally non-recourse. Mortgage debt typically restricts transfer of the encumbered assets, prohibits additional liens, restricts prepayment, requires payment of real estate taxes, requires maintenance of the assets in good condition, requires insurance on the assets, and includes conditions to obtain lender consent to enter into or terminate material leases. Some of the mortgage debt may require tenants or operators to maintain compliance with the applicable leases or operating agreements of such real estate assets.

In May 2019, upon acquiring three senior housing assets from Oakmont, the Company assumed $50 million of secured mortgage debt maturing in 2028 and having a weighted average interest rate of 4.83%. In July 2019, upon acquiring five senior housing assets from Oakmont, the Company assumed an additional $112 million of secured mortgage debt with maturity dates ranging from 2027 to 2033 and a weighted average interest rate of 4.89% (see Note 4).

Debt Maturities

The following table summarizes the Company's stated debt maturities and scheduled principal repayments at September 30, 2019 (in thousands):

Year	Bank Line of Credit(1)	Term Loan	Senior Unsecured Notes(2)	Mortgage Debt(3)	Total(4)
2019 (three months)	$ —	$ —	$ —	$ 1,001	$ 1,001
2020	—	—	—	4,132	4,132
2021	—	—	—	11,821	11,821
2022	—	—	650,000	3,886	653,886
2023	737,793	—	550,000	4,069	1,291,862
Thereafter	—	250,000	4,100,000	237,175	4,587,175
	737,793	250,000	5,300,000	262,084	6,549,877
(Discounts), premium and debt costs, net	—	(1,118)	(46,361)	12,965	(34,514)
	737,793	248,882	5,253,639	275,049	6,515,363
Debt on assets held for sale(5)	—	—	—	32,594	32,594
	$ 737,793	$ 248,882	$ 5,253,639	$ 307,643	$ 6,547,957

(1) Includes £55 million translated into USD.
(2) Effective interest rates on the senior notes ranged from 3.37% to 6.87% with a weighted average effective interest rate of 4.07% and a weighted average maturity of seven years.
(3) Excluding mortgage debt on assets held for sale, effective interest rates on the mortgage debt ranged from 2.58% to 5.91% with a weighted average effective interest rate of 4.13% and a weighted average maturity of 13 years.
(4) Excludes $85 million of other debt that have no scheduled maturities.
(5) Represents mortgage debt on assets held for sale with interest rates that ranged from 3.45% to 6.80% and mature between 2026 and 2044.

NOTE 10. Commitments and Contingencies

Legal Proceedings

From time to time, the Company is a party to, or has a significant relationship to, legal proceedings, lawsuits and other claims. Except as described below, the Company is not aware of any legal proceedings or claims that it believes may have, individually or taken together, a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's policy is to expense legal costs as they are incurred.

Class Action. On May 9, 2016, a purported stockholder of the Company filed a putative class action complaint, *Boynton Beach Firefighters' Pension Fund v. HCP, Inc., et al.*, Case No. 3:16-cv-01106-JJH, in the U.S. District Court for the Northern District of Ohio against the Company, certain of its officers, HCR ManorCare, Inc. ("HCRMC"), and certain of its officers, asserting violations of the federal securities laws. The suit asserts claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and alleges that the Company made certain false or misleading statements relating to the value of and risks concerning its investment in HCRMC by allegedly failing to disclose that HCRMC had engaged in billing fraud, as alleged by the U.S. Department of Justice ("DoJ") in a suit against HCRMC arising from the False Claims Act that the DoJ voluntarily dismissed with prejudice. The plaintiff in the class action suit demands compensatory damages (in an unspecified amount), costs and expenses (including attorneys' fees and expert fees), and equitable, injunctive, or other relief as the Court deems just and proper. On November 28, 2017, the Court appointed Societe Generale Securities GmbH (SGSS Germany) and the City of Birmingham Retirement and Relief Systems (Birmingham) as Co-Lead Plaintiffs in the class action. The motion to dismiss was fully briefed on May 21, 2018 and oral arguments were held on October 23, 2018. Subsequently, on December 6, 2018, HCRMC and its officers were voluntarily dismissed from the class action lawsuit without prejudice to such claims being refiled. The Company believes the suit to be without merit and intends to vigorously defend against it.

Derivative Actions. On June 16, 2016 and July 5, 2016, purported stockholders of the Company filed two derivative actions, *Subodh v. HCR ManorCare Inc., et al.*, Case No. 30-2016-00858497-CU-PT-CXC and *Stearns v. HCR ManorCare, Inc., et al.*, Case No. 30-2016-00861646-CU-MC-CJC, in the Superior Court of California, County of Orange, against certain of the Company's current and former directors and officers and HCRMC. The Company is named as a nominal defendant. As both derivative actions contained substantially the same allegations, they have been consolidated into a single action (the "California derivative action"). The consolidated action alleges that the defendants engaged in various acts of wrongdoing, including, among other things, breaching fiduciary duties by publicly making false or misleading statements of fact regarding HCRMC's finances and prospects and failing to maintain adequate internal controls. On April 18, 2017, the Court approved the parties' stipulation to stay the case pending disposition of the motion to dismiss the class action litigation.

On April 10, 2017, a purported stockholder of the Company filed a derivative action, *Weldon v. Martin et al.*, Case No. 3:17-cv-755, in federal court in the Northern District of Ohio, Western Division, against certain of the Company's current and former directors and officers and HCRMC. The Company is named as a nominal defendant. The *Weldon* complaint asserts similar claims to those asserted in the California derivative action. In addition, the complaint asserts a claim under Section 14(a) of the Exchange Act, alleging that the Company made false statements in its 2016 proxy statement by not disclosing that the Company's performance issues in 2015 were the direct result of alleged billing fraud at HCRMC. On April 18, 2017, the Court re-assigned and transferred this action to the judge presiding over the related federal securities class action. On July 11, 2017, the Court approved a stipulation by the parties to stay the case pending disposition of the motion to dismiss the class action.

On July 21, 2017, a purported stockholder of the Company filed another derivative action, *Kelley v. HCR ManorCare, Inc., et al.*, Case No. 8:17-cv-01259, in federal court in the Central District of California, against certain of the Company's current and former directors and officers and HCRMC. The Company is named as a nominal defendant. The *Kelley* complaint asserts similar claims to those asserted in *Weldon* and in the California derivative action. Like *Weldon*, the *Kelley* complaint also additionally alleges that the Company made false statements in its 2016 proxy statement, and asserts a claim for a violation of Section 14(a) of the Exchange Act. On November 28, 2017, the federal court in the Central District of California granted Defendants' motion to transfer the action to the Northern District of Ohio (i.e., the court where the class action and other federal derivative action are pending). The Court in the Northern District of Ohio is currently considering whether to consolidate the *Weldon* and *Kelley* actions, appointment of lead plaintiffs and counsel, and whether the stay in *Weldon* should continue as to either or both actions.

The Company's Board of Directors received letters dated August 17, 2016, April 19, 2017, and April 20, 2017 from private law firms acting on behalf of clients who are purported stockholders of the Company, each asserting allegations similar to those made in the California derivative action matters discussed above. Each letter demands that the Board of Directors take action to assert the Company's rights. The Board of Directors completed its evaluation and rejected the demand letters in December of 2017. One of the law firms has more recently requested that the Board of Directors reconsider its determination after a ruling on the motion to dismiss in the class action litigation.

The Company believes that the plaintiffs lack standing or the lawsuits and demands are without merit, but cannot predict the outcome of these proceedings or reasonably estimate any potential loss at this time. Accordingly, no loss contingency has been recorded for these matters as of September 30, 2019, as the likelihood of loss is not considered probable or estimable.

NOTE 11. Equity

At-The-Market Equity Offering Program

In June 2015, the Company established an at-the-market equity offering program ("ATM Program") to sell shares of its common stock from time to time through a consortium of banks acting as sales agents or directly to the banks acting as principals. In May 2018, the Company renewed its ATM Program (the "2018 ATM Program"). During the year ended December 31, 2018, the Company issued 5.4 million shares of common stock at a weighted average net price of $28.27 per share, resulting in net proceeds of $154 million.

In February 2019, the Company terminated the 2018 ATM Program and established a new ATM Program (the "2019 ATM Program") pursuant to which shares of common stock having an aggregate gross sales price of up to $1.0 billion may be sold (i) by the Company through a consortium of banks acting as sales agents or directly to the banks acting as principals or (ii) by a consortium of banks acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement. The use of a forward sale agreement allows the Company to lock in a share price on the sale of shares at the time the agreement is effective, but defer receiving the proceeds from the sale of shares until a later date.

ATM Direct Issuances

During the nine months ended September 30, 2019, the Company issued 5.9 million shares of common stock at a weighted average net price of $31.84 per share, after commissions, resulting in net proceeds of $189 million. The Company did not issue any shares of its common stock under the 2019 ATM Program during the three months ended September 30, 2019.

ATM Forward Contracts

During the three and nine months ended September 30, 2019, the Company utilized the forward provisions under the 2019 ATM Program to allow for the sale of up to an aggregate of 1.2 million and 14.8 million shares of its common stock, respectively, at an initial weighted average net price of $31.10 and $31.23 per share, after commissions, respectively.

During the nine months ended September 30, 2019, the Company settled 5.5 million shares at a weighted average net price of $30.91 per share, after commissions, resulting in net proceeds of $171 million. At September 30, 2019, 9.3 million shares remained outstanding under forward contracts, with a weighted average net price of $31.06 per share, after commissions.

At September 30, 2019, approximately $341 million of the Company's common stock remained available for sale under the 2019 ATM Program.

Each forward sale has a one year term. At any time during the term, the Company may settle the forward sale by delivery of physical shares of common stock to the forward seller or, at the Company's election, in cash or net shares. The forward sale price that the Company expects to receive upon settlement of outstanding forward contracts will be the initial forward price established upon the effective date, subject to adjustments for: (i) accrued interest, (ii) the forward purchasers' stock borrowing costs, and (iii) certain fixed price reductions during the term of the agreement.

2018 Forward Equity Offering

In December 2018, the Company entered into a forward sales agreement to sell up to an aggregate of 15.25 million shares of its common stock (including shares issued through the exercise of underwriters' options) at an initial net price of $28.60 per share, after underwriting discounts and commissions. The agreement has a one year term that expires on December 13, 2019 during which time the Company may settle the forward sales agreement by delivery of physical shares of common stock to the forward seller or, at the Company's election, by settling in cash or net shares. The forward sale price that the Company expects to receive upon settlement of the agreement will be the initial net price of $28.60 per share, subject to adjustments for: (i) accrued interest, (ii) the forward purchasers' stock borrowing costs, and (iii) certain fixed price reductions during the term of the agreement. During the three and nine months ended September 30, 2019, the Company settled 3.6 million and 5.1 million shares, respectively, under the forward sales agreement at a weighted average net price of $27.85 and $27.93 per share, respectively, resulting in net proceeds of $100 million and $142 million, respectively. At September 30, 2019, 10.15 million shares remained outstanding under the forward sales agreement.

In December 2018, contemporaneous with the forward equity offering discussed above, the Company completed an offering of 2 million shares of common stock at a net price of $28.60 per share, resulting in net proceeds of $57 million.

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the Company’s accumulated other comprehensive income (loss) (in thousands):

	September 30, 2019	December 31, 2018
Cumulative foreign currency translation adjustment[1]	$ (2,887)	$ (1,683)
Unrealized gains (losses) on derivatives, net	16	(467)
Supplemental Executive Retirement plan minimum liability and other	(2,352)	(2,558)
Total accumulated other comprehensive income (loss)	$ (5,223)	$ (4,708)

(1) See Note 4 for a discussion of the U.K. JV transaction.

NOTE 12. Segment Disclosures

The Company evaluates its business and allocates resources based on its reportable business segments: (i) senior housing triple-net, (ii) SHOP, (iii) life science, and (iv) medical office. The Company has non-reportable segments that are comprised primarily of the Company’s unconsolidated joint ventures, hospital properties, and debt investments. The accounting policies of the segments are the same as those in Note 2 to the Consolidated Financial Statements in the Company’s 2018 Annual Report on Form 10-K filed with the SEC, as updated by Note 2 herein.

During the first quarter of 2019, as a result of a change in how operating results are reported to the chief operating decision makers for the purpose of evaluating performance and allocating resources, the Company reclassified operating results related to two facilities from its other non-reportable segment to its medical office segment. Accordingly, all prior period segment information has been recast to conform to current period presentation.

During the nine months ended September 30, 2019, 39 senior housing triple-net facilities were transferred to the Company’s SHOP segment as a result of terminating the triple-net leases and transitioning the assets to a RIDEA structure. There were no transfers of senior housing triple-net facilities to the Company’s SHOP segment during the three months ended September 30, 2019. During each of the three and nine months ended September 30, 2018, 6 and 16 senior housing triple-net facilities, respectively, were transferred to the Company’s SHOP segment. When an asset is transferred from one segment to another, the results associated with that asset are included in the original segment until the date of transfer. Results generated after the transfer date are included in the new segment.

The Company evaluates performance based upon property NOI and Adjusted NOI. NOI is defined as real estate revenues (inclusive of rental and related revenues, resident fees and services, and income from direct financing leases), less property level operating expenses (which exclude transition costs); NOI excludes all other financial statement amounts included in net income (loss). Adjusted NOI is calculated as NOI after eliminating the effects of straight-line rents, DFL non-cash interest, amortization of market lease intangibles, termination fees, actuarial reserves for insurance claims that have been incurred but not reported, and the impact of deferred community fee income and expense.

NOI and Adjusted NOI exclude the Company’s share of income (loss) from unconsolidated joint ventures, which is recognized as equity income (loss) from unconsolidated joint ventures in the consolidated statements of operations.

Non-segment assets consist of assets in the Company's other non-reportable segments and corporate non-segment assets. Corporate non-segment assets consist primarily of corporate assets, including cash and cash equivalents, restricted cash, accounts receivable, net, marketable equity securities, and real estate assets and liabilities held for sale. See Note 16 for other information regarding concentrations of credit risk.

The following tables summarize information for the reportable segments (in thousands):

For the three months ended September 30, 2019:

	Senior Housing Triple-Net	SHOP	Life Science	Medical Office	Other Non-reportable	Corporate Non-segment	Total
Real estate revenues(1)	$ 48,018	$ 212,275	$ 118,561	$ 143,639	$ 12,737	$ —	$ 535,230
Operating expenses	(865)	(166,201)	(29,520)	(51,472)	(11)	—	(248,069)
NOI	47,153	46,074	89,041	92,167	12,726	—	287,161
Adjustments to NOI(2)	(1,537)	740	(7,067)	(1,568)	469	—	(8,963)
Adjusted NOI	45,616	46,814	81,974	90,599	13,195	—	278,198
Addback adjustments	1,537	(740)	7,067	1,568	(469)	—	8,963
Interest income	—	—	—	—	2,741	—	2,741
Interest expense	(106)	(2,637)	(68)	(108)	—	(58,311)	(61,230)
Depreciation and amortization	(12,778)	(58,152)	(45,028)	(54,152)	(1,834)	—	(171,944)
General and administrative	—	—	—	—	—	(22,970)	(22,970)
Transaction costs	—	—	—	—	—	(1,319)	(1,319)
Recoveries (impairments), net	(7,430)	(24,721)	—	(5,729)	(377)	—	(38,257)
Gain (loss) on sales of real estate, net	—	(734)	(87)	(7)	44	—	(784)
Loss on debt extinguishments	—	—	—	—	—	(35,017)	(35,017)
Other income (expense), net	—	—	—	—	980	(287)	693
Income tax benefit (expense)	—	—	—	—	—	6,261	6,261
Equity income (loss) from unconsolidated joint ventures	—	—	—	—	(7,643)	—	(7,643)
Net income (loss)	$ 26,839	$ (40,170)	$ 43,858	$ 32,171	$ 6,637	$ (111,643)	$ (42,308)

(1) Represents rental and related revenues, resident fees and services, and income from DFLs.

(2) Represents straight-line rents, DFL non-cash interest, amortization of market lease intangibles, net, actuarial reserves for insurance claims that have been incurred but not reported, deferral of community fees, net, and termination fees.

For the three months ended September 30, 2018:

	Senior Housing Triple-Net	SHOP	Life Science	Medical Office	Other Non-reportable	Corporate Non-segment	Total
Real estate revenues[1]	$ 67,487	$ 137,044	$ 98,040	$ 139,566	$ 12,649	$ —	$ 454,786
Operating expenses	(840)	(106,182)	(23,668)	(50,478)	(39)	—	(181,207)
NOI	66,647	30,862	74,372	89,088	12,610	—	273,579
Adjustments to NOI[2]	534	1,378	(1,439)	(1,364)	188	—	(703)
Adjusted NOI	67,181	32,240	72,933	87,724	12,798	—	272,876
Addback adjustments	(534)	(1,378)	1,439	1,364	(188)	—	703
Interest income	—	—	—	—	1,236	—	1,236
Interest expense	(599)	(688)	(78)	(117)	—	(62,004)	(63,486)
Depreciation and amortization	(18,884)	(25,166)	(34,432)	(51,977)	(1,739)	—	(132,198)
General and administrative	—	—	—	—	—	(23,503)	(23,503)
Transaction costs	—	—	—	—	—	(4,489)	(4,489)
Recoveries (impairments), net	—	(5,268)	—	—	—	—	(5,268)
Gain (loss) on sales of real estate, net	463	10,163	80,580	3,903	223	—	95,332
Loss on debt extinguishments	—	—	—	—	—	(43,899)	(43,899)
Other income (expense), net	—	—	—	—	—	1,604	1,604
Income tax benefit (expense)	—	—	—	—	—	4,929	4,929
Equity income (loss) from unconsolidated joint ventures	—	—	—	—	(911)	—	(911)
Net income (loss)	$ 47,627	$ 9,903	$ 120,442	$ 40,897	$ 11,419	$ (127,362)	$ 102,926

(1) Represents rental and related revenues, resident fees and services, and income from DFLs.

(2) Represents straight-line rents, DFL non-cash interest, amortization of market lease intangibles, net, actuarial reserves for insurance claims that have been incurred but not reported, deferral of community fees, net, and termination fees.

For the nine months ended September 30, 2019:

	Senior Housing Triple-Net	SHOP	Life Science	Medical Office	Other Non-reportable	Corporate Non-segment	Total
Real estate revenues[1]	$ 156,776	$ 515,457	$ 320,630	$ 427,761	$ 38,200	$ —	$ 1,458,824
Operating expenses	(2,723)	(400,608)	(76,992)	(150,635)	(31)	—	(630,989)
NOI	154,053	114,849	243,638	277,126	38,169	—	827,835
Adjustments to NOI[2]	3,833	2,732	(17,159)	(4,542)	884	—	(14,252)
Adjusted NOI	157,886	117,581	226,479	272,584	39,053	—	813,583
Addback adjustments	(3,833)	(2,732)	17,159	4,542	(884)	—	14,252
Interest income	—	—	—	—	6,868	—	6,868
Interest expense	(901)	(4,626)	(211)	(328)	—	(161,433)	(167,499)
Depreciation and amortization	(45,154)	(134,481)	(122,705)	(161,350)	(5,501)	—	(469,191)
General and administrative	—	—	—	—	—	(71,445)	(71,445)
Transaction costs	—	—	—	—	—	(7,174)	(7,174)
Recoveries (impairments), net	(22,914)	(77,685)	—	(14,677)	(377)	—	(115,653)
Gain (loss) on sales of real estate, net	3,557	8,844	3,651	2,876	(220)	—	18,708
Loss on debt extinguishments	—	—	—	—	—	(36,152)	(36,152)
Other income (expense), net	—	—	—	—	13,797	11,037	24,834
Income tax benefit (expense)	—	—	—	—	—	11,583	11,583
Equity income (loss) from unconsolidated joint ventures	—	—	—	—	(10,012)	—	(10,012)
Net income (loss)	$ 88,641	$ (93,099)	$ 124,373	$ 103,647	$ 42,724	$ (253,584)	$ 12,702

(1) Represents rental and related revenues, resident fees and services, and income from DFLs.

(2) Represents straight-line rents, DFL non-cash interest, amortization of market lease intangibles, net, actuarial reserves for insurance claims that have been incurred but not reported, deferral of community fees, net, and termination fees.

For the nine months ended September 30, 2018:

	Senior Housing Triple-Net	SHOP	Life Science	Medical Office	Other Non-reportable	Corporate Non-segment	Total
Real estate revenues[1]	$ 212,489	$ 420,067	$ 298,692	$ 407,361	$ 57,113	$ —	$ 1,395,722
Operating expenses	(2,677)	(309,694)	(68,208)	(146,881)	(165)	—	(527,625)
NOI	209,812	110,373	230,484	260,480	56,948	—	868,097
Adjustments to NOI[2]	(323)	(356)	(7,423)	(5,129)	(820)	—	(14,051)
Adjusted NOI	209,489	110,017	223,061	255,351	56,128	—	854,046
Addback adjustments	323	356	7,423	5,129	820	—	14,051
Interest income	—	—	—	—	9,048	—	9,048
Interest expense	(1,806)	(2,067)	(240)	(356)	(1,469)	(205,688)	(211,626)
Depreciation and amortization	(62,041)	(80,797)	(105,782)	(147,270)	(22,850)	—	(418,740)
General and administrative	—	—	—	—	—	(75,192)	(75,192)
Transaction costs	—	—	—	—	—	(9,088)	(9,088)
Recoveries (impairments), net	(6,273)	(5,268)	(7,639)	—	—	—	(19,180)
Gain (loss) on sales of real estate, net	(22,687)	79,340	80,581	3,903	21,074	—	162,211
Loss on debt extinguishments	—	—	—	—	—	(43,899)	(43,899)
Other income (expense), net	—	—	—	—	(40,567)	3,550	(37,017)
Income tax benefit (expense)	—	—	—	—	—	14,919	14,919
Equity income (loss) from unconsolidated joint ventures	—	—	—	—	(442)	—	(442)
Net income (loss)	$ 117,005	$ 101,581	$ 197,404	$ 116,757	$ 21,742	$ (315,398)	$ 239,091

(1) Represents rental and related revenues, resident fees and services, and income from DFLs.
(2) Represents straight-line rents, DFL non-cash interest, amortization of market lease intangibles, net, actuarial reserves for insurance claims that have been incurred but not reported, deferral of community fees, net, and termination fees.

The following table summarizes the Company’s revenues by segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Segment	2019	2018	2019	2018
Senior housing triple-net	$ 48,018	$ 67,487	$ 156,776	$ 212,489
SHOP	212,275	137,044	515,457	420,067
Life science	118,561	98,040	320,630	298,692
Medical office	143,639	139,566	427,761	407,361
Other non-reportable segments	15,478	13,885	45,068	66,161
Total revenues	$ 537,971	$ 456,022	$ 1,465,692	$ 1,404,770

See Notes 3 and 4 for significant transactions impacting the Company’s segment assets during the periods presented.

NOTE 13. Earnings Per Common Share

Basic income (loss) per common share ("EPS") is computed based upon the weighted average number of common shares outstanding. Diluted income (loss) per common share is computed based upon the weighted average number of common shares outstanding plus the impact of forward equity sales agreements using the treasury stock method and common shares issuable from the assumed conversion of DownREIT units, stock options, certain performance restricted stock units, and unvested restricted stock units. Only those instruments having a dilutive impact on the Company's basic income (loss) per share are included in diluted income (loss) per share during the periods presented.

Restricted stock and certain performance restricted stock units are considered participating securities, because dividend payments are not forfeited even if the underlying award does not vest, and require use of the two-class method when computing basic and diluted earnings per share.

During the three and nine months ended September 30, 2019, the Company utilized the forward sale provisions under the 2019 ATM Program to sell up to an aggregate of 1.2 million and 14.8 million shares of common stock, respectively, with a one year term. During the nine months ended September 30, 2019, the Company settled 5.5 million shares under ATM forward contracts, leaving 9.3 million shares outstanding thereunder.

Additionally, in December 2018, the Company entered into a forward equity sales agreement to sell up to an aggregate of 15.25 million shares of its common stock by December 13, 2019. During the three and nine months ended September 30, 2019, the Company settled 3.6 million and 5.1 million shares, respectively, under the December 2018 forward sales agreement. At September 30, 2019, 10.15 million shares remained outstanding thereunder. The Company expects to settle the remaining forward sales with shares of common stock prior to their respective expiration dates. See Note 11 for further details.

The Company considered the potential dilution resulting from the forward agreements to the calculation of earnings per share. At inception, the agreements do not have an effect on the computation of basic EPS as no shares are delivered until settlement. However, the Company uses the treasury stock method to determine the dilution, if any, resulting from the forward sales agreements during the period of time prior to settlement. The aggregate effect on the Company's diluted weighted-average common shares for the nine months ended September 30, 2019, was 1.9 million weighted-average incremental shares from the forward equity sales agreements, respectively.

The following table illustrates the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator				
Net income (loss)	$ (42,308)	$ 102,926	$ 12,702	$ 239,091
Noncontrolling interests' share in earnings	(3,555)	(3,555)	(10,692)	(9,546)
Net income (loss) attributable to Healthpeak Properties, Inc.	(45,863)	99,371	2,010	229,545
Less: Participating securities' share in earnings	(386)	(425)	(1,223)	(1,278)
Net income (loss) applicable to common shares	$ (46,249)	$ 98,946	$ 787	$ 228,267
Denominator				
Basic weighted average shares outstanding	491,203	469,867	482,595	469,732
Dilutive potential common shares - equity awards	—	251	296	144
Dilutive potential common shares - forward equity agreements[1]	—	—	1,901	—
Diluted weighted average common shares	491,203	470,118	484,792	469,876
Basic earnings per common share				
Basic	$ (0.09)	$ 0.21	$ 0.00	$ 0.49
Diluted	$ (0.09)	$ 0.21	$ 0.00	$ 0.49

(1) Represents the current dilutive impact of 19 million shares of common stock under forward sales agreements that have not been settled as of September 30, 2019. Based on the forward price of each agreement as of September 30, 2019, issuance of all 19 million shares would result in approximately $572 million of net proceeds.

For all periods presented in the above table, 7 million shares issuable upon conversion of DownREIT units were not included because they are anti-dilutive. Additionally, for the three and nine months ended September 30, 2019, 19 million and 18 million shares of common stock, respectively, issuable pursuant to the settlement of forward equity sales agreements were not included because they are anti-dilutive (see discussion above). For the three months ended September 30, 2019, diluted loss per share is calculated using the weighted-average common shares outstanding during the period. For all other periods presented in the above table, approximately 1 million shares of common stock subject to outstanding equity awards (restricted stock units and stock options) were not included because they are anti-dilutive.

NOTE 14. Supplemental Cash Flow Information

The following table provides supplemental cash flow information (in thousands):

	Nine Months Ended September 30,	
	2019	**2018**
Supplemental cash flow information:		
Interest paid, net of capitalized interest	$ 164,761	$ 226,907
Income taxes paid (refunded)	1,314	2,040
Capitalized interest	22,768	13,769
Supplemental schedule of non-cash investing and financing activities:		
Accrued construction costs	113,936	78,557
Retained equity method investment from U.K. JV transaction	—	104,922
Derecognition of U.K. Bridge Loan receivable	—	147,474
Consolidation of net assets related to U.K. Bridge Loan	—	106,457
Vesting of restricted stock units and conversion of non-managing member units into common stock	4,534	389
Liabilities assumed with real estate acquisitions	172,565	2,093
Conversion of DFLs to real estate	350,540	—
Net noncash impact from the consolidation of previously unconsolidated joint ventures (see Note 3)	17,850	—

See discussions related to: (i) the U.K. JV transaction in Note 4, (ii) the U.K. Bridge Loan in Notes 6 and 15, (iii) the conversion of DFLs to real estate in Note 5, and (iv) the consolidation of previously unconsolidated joint ventures in Note 3.

The following table summarizes cash, cash equivalents and restricted cash (in thousands):

	September 30,	
	2019	**2018**
Cash and cash equivalents	$ 124,990	$ 78,864
Restricted cash	30,114	29,877
Cash, cash equivalents and restricted cash	$ 155,104	$ 108,741

NOTE 15. Variable Interest Entities

Unconsolidated Variable Interest Entities

At September 30, 2019, the Company had investments in: (i) four properties leased to VIE tenants, (ii) five unconsolidated VIE joint ventures, (iii) marketable debt securities of one VIE, and (iv) one loan to a VIE borrower. The Company determined it is not the primary beneficiary of and therefore does not consolidate these VIEs because it does not have the ability to control the activities that most significantly impact their economic performance. Except for the Company's equity interest in the unconsolidated joint ventures (CCRC OpCo, the development investment, Waldwick JV and the LLC investment discussed below), it has no formal involvement in these VIEs beyond its investments.

VIE Tenants. The Company leases four properties to a total of two tenants that have also been identified as VIEs ("VIE tenants"). These VIE tenants are "thinly capitalized" entities that rely on the operating cash flows generated from the senior housing facilities to pay operating expenses, including the rent obligations under their leases.

CCRC OpCo. The Company holds a 49% ownership interest in CCRC OpCo, a joint venture entity formed in August 2014 that operates senior housing properties in a RIDEA structure and has been identified as a VIE. The equity members of CCRC OpCo “lack power” because they share certain operating rights with Brookdale, as manager of the CCRCs. The assets of CCRC OpCo primarily consist of the CCRCs that it owns and leases, resident fees receivable, notes receivable, and cash and cash equivalents; its obligations primarily consist of operating lease obligations to CCRC PropCo, debt service payments, capital expenditures, accounts payable, and expense accruals. Assets generated by the CCRC operations (primarily rents from CCRC residents) of CCRC OpCo may only be used to settle its contractual obligations (primarily from debt service payments, capital expenditures, and rental costs and operating expenses incurred to manage such facilities).

Waldwick Development JV. The Company holds an 85% ownership interest in a development joint venture (the “Waldwick JV”), which has been identified as a VIE as power is shared with a member that does not have a substantive equity investment at risk. The assets of the joint venture primarily consist of an in-progress senior housing facility development project that it owns and cash and cash equivalents; its obligations primarily consist of accounts payable and expense accruals associated with the cost of its development obligations. Any assets generated by the joint venture may only be used to settle its contractual obligations (primarily development expenses and debt service payments).

LLC Investment. The Company holds a limited partner ownership interest in an unconsolidated LLC that has been identified as a VIE. The Company’s involvement in the entity is limited to its equity investment as a limited partner and it does not have any substantive participating rights or kick-out rights over the general partner. The assets and liabilities of the entity primarily consist of those associated with its senior housing real estate and development activities. Any assets generated by the entity may only be used to settle its contractual obligations (primarily development expenses and debt service payments).

Development Investments. The Company holds investments (consisting of mezzanine debt and/or preferred equity) in two senior housing development joint ventures. The joint ventures are also capitalized by senior loans from a third party and equity from the third party managing-member, but are considered to be “thinly capitalized” as there is insufficient equity investment at risk.

Debt Securities Investment. The Company holds commercial mortgage-backed securities (“CMBS”) issued by Federal Home Loan Mortgage Corporation (commonly referred to as Freddie MAC) through a special purpose entity that has been identified as a VIE because it is “thinly capitalized.” The CMBS issued by the VIE are backed by mortgage debt obligations on real estate assets.

Seller Financing Loan. The Company provided seller financing of $10 million related to its sale of seven senior housing triple-net facilities. The financing was provided in the form of a secured five year mezzanine loan to a “thinly capitalized” borrower created to acquire the facilities.

The classification of the related assets and liabilities and the maximum loss exposure as a result of the Company’s involvement with these VIEs at September 30, 2019 was as follows (in thousands):

VIE Type	Asset/Liability Type	Maximum Loss Exposure and Carrying Amount[(1)]
VIE tenants - operating leases[(2)]	Lease intangibles, net and straight-line rent receivables	7,984
CCRC OpCo	Investments in unconsolidated joint ventures	167,612
Unconsolidated development joint ventures	Loans receivable, net and Investments in unconsolidated joint ventures	24,015
Loan - seller financing	Loans receivable, net	10,000
CMBS and LLC investment	Marketable debt and LLC investment	34,677

(1) The Company’s maximum loss exposure represents the aggregate carrying amount of such investments (including accrued interest).
(2) The Company’s maximum loss exposure may be mitigated by re-leasing the underlying properties to new tenants upon an event of default.

At September 30, 2019, the Company had not provided, and is not required to provide, financial support through a liquidity arrangement or otherwise, to its unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash shortfalls).

See Notes 5, 6, and 7 for additional descriptions of the nature, purpose, and operating activities of the Company’s unconsolidated VIEs and interests therein.

Consolidated Variable Interest Entities

The Company's consolidated total assets and total liabilities at September 30, 2019 and December 31, 2018 include certain assets of VIEs that can only be used to settle the liabilities of the related VIE. The VIE creditors do not have recourse to the Company. Total assets and total liabilities include VIE assets and liabilities as follows (in thousands):

	September 30, 2019	December 31, 2018
Assets		
Buildings and improvements	$ 2,799,041	$ 1,949,582
Development costs and construction in progress	54,154	39,584
Land	426,027	151,746
Accumulated depreciation and amortization	(474,996)	(398,143)
Net real estate	2,804,226	1,742,769
Investments in and advances to unconsolidated joint ventures	—	1,550
Accounts receivable, net	6,151	7,904
Cash and cash equivalents	53,745	23,772
Restricted cash	8,976	3,399
Intangible assets, net	146,319	111,333
Right-of-use asset, net	92,933	—
Other assets, net	47,597	43,149
Total assets	$ 3,159,947	$ 1,933,876
Liabilities		
Mortgage debt	216,340	44,598
Intangible liabilities, net	18,212	19,128
Lease liability	90,487	—
Accounts payable and accrued liabilities	78,815	66,736
Deferred revenue	28,084	24,215
Total liabilities	$ 431,938	$ 154,677

Ventures V, LLC. The Company holds a 51% ownership interest in and is the managing member of a joint venture entity formed in October 2015 that owns and leases MOBs ("Ventures V"). The Company classifies Ventures V as a VIE due to the non-managing member lacking substantive participation rights in the management of Ventures V or kick-out rights over the managing member. The Company consolidates Ventures V as the primary beneficiary because it has the ability to control the activities that most significantly impact the VIE's economic performance. The assets of Ventures V primarily consist of leased properties (net real estate), rents receivable, and cash and cash equivalents; its obligations primarily consist of capital expenditures for the properties. Assets generated by Ventures V may only be used to settle its contractual obligations (primarily from capital expenditures).

Watertown JV. The Company holds a 95% ownership interest in and is the managing member of joint venture entities formed in November 2017 that own and operate a senior housing property in a RIDEA structure ("Watertown JV"). Watertown PropCo is a VIE as the Company and the non-managing member share in control of the entity, but substantially all of the entity's activities are performed on behalf of the Company. Watertown OpCo is a VIE as the non-managing member, through its equity interest, lacks substantive participation rights in the management of Watertown OpCo or kick-out rights over the managing member. The Company consolidates Watertown PropCo and Watertown OpCo as the primary beneficiary because it has the ability to control the activities that most significantly impact these VIEs' economic performance. The assets of Watertown PropCo primarily consist of a leased property (net real estate), rents receivable, and cash and cash equivalents; its obligations primarily consist of notes payable to a non-VIE consolidated subsidiary of the Company. The assets of Watertown OpCo primarily consist of leasehold interests in a senior housing facility (operating lease), resident fees receivable, and cash and cash equivalents; its obligations primarily consist of lease payments to Watertown PropCo and operating expenses of its senior housing facilities (accounts payable and accrued expenses). Assets generated by the senior housing operations (primarily from senior housing resident rents) of the Watertown structure may only be used to settle its contractual obligations (primarily from the rental costs, operating expenses incurred to manage such facilities, and debt costs).

Life Science JVs. The Company holds a 99% ownership interest in multiple joint venture entities that own and lease life science assets (the “Life Science JVs”). The Life Science JVs are VIEs as the members share in control of the entities, but substantially all of the activities are performed on behalf of the Company. The Company consolidates the Life Science JVs as the primary beneficiary because it has the ability to control the activities that most significantly impact these VIEs’ economic performance. The assets of the Life Science JVs primarily consist of leased properties (net real estate), rents receivable, and cash and cash equivalents; their obligations primarily consist of debt service payments and capital expenditures for the properties. Assets generated by the Life Science JVs may only be used to settle their contractual obligations (primarily from capital expenditures).

MSREI MOB JV. The Company holds a 51% ownership interest in, and is the managing member of, a joint venture entity formed in August 2018 that owns and leases MOBs (the “MSREI JV” - see Note 4). The MSREI JV is a VIE due to the non-managing member lacking substantive participation rights in the management of the joint venture or kick-out rights over the managing member. The Company consolidates the MSREI JV as the primary beneficiary because it has the ability to control the activities that most significantly impact the VIE’s economic performance. The assets of the MSREI JV primarily consist of leased properties (net real estate), rents receivable, and cash and cash equivalents; its obligations primarily consist of capital expenditures for the properties. Assets generated by the MSREI JV may only be used to settle its contractual obligations (primarily from capital expenditures).

Consolidated Lessee. The Company leases two senior housing properties to a lessee entity under a cash flow lease through which the Company receives monthly rent equal to the residual cash flows of the property. The lessee entity is classified as a VIE as it is a "thinly capitalized" entity. The Company consolidates the lessee entity as it has the ability to control the activities that most significantly impact the economic performance of the lessee entity. The lessee entity’s assets primarily consist of leasehold interests in a senior housing facility (operating leases), resident fees receivable, and cash and cash equivalents; its obligations primarily consist of lease payments to the Company and operating expenses of the senior housing facility (accounts payable and accrued expenses). Assets generated by the senior housing operations (primarily from senior housing resident rents) may only be used to settle its contractual obligations (primarily from the rental costs, operating expenses incurred to manage such facilities, and debt costs).

DownREITs. The Company holds a controlling ownership interest in and is the managing member of seven limited liability companies (“DownREITs”). The Company classifies the DownREITs as VIEs due to the non-managing members lacking substantive participation rights in the management of the DownREITs or kick-out rights over the managing member. The Company consolidates the DownREITs as the primary beneficiary because it has the ability to control the activities that most significantly impact these VIEs’ economic performance. The assets of the DownREITs primarily consist of leased properties (net real estate), rents receivable, and cash and cash equivalents; their obligations primarily consist of debt service payments and capital expenditures for the properties. Assets generated by the DownREITs (primarily from resident rents) may only be used to settle their contractual obligations (primarily from debt service and capital expenditures).

Other Consolidated Real Estate Partnerships. The Company holds a controlling ownership interest in and is the general partner (or managing member) of multiple partnerships that own and lease real estate assets (the “Partnerships”). The Company classifies the Partnerships as VIEs due to the limited partners (non-managing members) lacking substantive participation rights in the management of the Partnerships or kick-out rights over the general partner (managing member). The Company consolidates the Partnerships as the primary beneficiary because it has the ability to control the activities that most significantly impact these VIEs’ economic performance. The assets of the Partnerships primarily consist of leased properties (net real estate), rents receivable, and cash and cash equivalents; their obligations primarily consist of debt service payments and capital expenditures for the properties. Assets generated by the Partnerships (primarily from resident rents) may only be used to settle their contractual obligations (primarily from debt service and capital expenditures).

Other consolidated VIEs. The Company made a loan to an entity that entered into a tax credit structure (“Tax Credit Subsidiary”) and a loan to an entity that made an investment in a development joint venture (“Development JV”) both of which are considered VIEs. The Company consolidates the Tax Credit Subsidiary and Development JV as the primary beneficiary because it has the ability to control the activities that most significantly impact the VIEs’ economic performance. The assets and liabilities of the Tax Credit Subsidiary and Development JV substantially consist of a development in progress, notes receivable, prepaid expenses, notes payable, and accounts payable and accrued liabilities generated from their operating activities. Any assets generated by the operating activities of the Tax Credit Subsidiary and Development JV may only be used to settle their contractual obligations.

U.K. Bridge Loan. In 2016, the Company provided a £105 million ($131 million at closing) bridge loan to MMCG to fund the acquisition of a portfolio of seven care homes in the U.K. MMCG created a special purpose entity to acquire the portfolio and funded it entirely using the Company's bridge loan. As such, the special purpose entity had historically been identified as a VIE because it was "thinly capitalized." The Company retained a three year call option to acquire all the shares of the special purpose entity, which it could only exercise upon the occurrence of certain events. During the quarter ended March 31, 2018, the Company concluded that the conditions required to exercise the call option had been met and initiated the call option process to acquire the special purpose entity. In conjunction with initiating the process to legally exercise its call option and the satisfaction of required contingencies, the Company concluded that it was the primary beneficiary of the special purpose entity and therefore, should consolidate the entity. As such, during the quarter ended March 31, 2018, the Company derecognized the previously outstanding loan receivable, recognized the special purpose entity's assets and liabilities at their respective fair values, and recognized a £29 million ($41 million) loss on consolidation, net of a tax benefit of £2 million ($3 million), to account for the difference between the carrying value of the loan receivable and the fair value of net assets and liabilities assumed. The loss on consolidation was recognized within other income (expense), net and the tax benefit was recognized within income tax benefit (expense). The fair value of net assets and liabilities consolidated during the first quarter of 2018 consisted of £81 million ($114 million) of net real estate, £4 million ($5 million) of intangible assets, and £9 million ($13 million) of net deferred tax liabilities.

In June 2018, the Company completed the exercise of the above-mentioned call option and formally acquired full ownership of the special purpose entity. As such, the Company reconsidered whether the special purpose entity was a VIE and concluded that it was no longer "thinly capitalized" as the previously outstanding bridge loan converted to equity at risk and, therefore, was no longer a VIE. The real estate assets held by the special purpose entity were contributed to the U.K. JV formed by the Company in June 2018 (see Note 4).

NOTE 16. Concentration of Credit Risk

Concentrations of credit risk arise when one or more tenants, operators, or obligors related to the Company's investments are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company regularly monitors various segments of its portfolio to assess potential concentrations of credit risks.

The following tables provide information regarding the Company's concentrations of credit risk with respect to certain tenants:

	Percentage of Total Assets			
	Total Company		Senior Housing Triple-Net	
Tenant	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Brookdale[(1)]	6	6	46	27

	Percentage of Revenues							
	Total Company				Senior Housing Triple-Net			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
Tenant	2019	2018	2019	2018	2019	2018	2019	2018
Brookdale[(1)]	3	5	4	6	39	37	36	40

(1) Excludes senior housing facilities operated by Brookdale in the Company's SHOP segment as discussed below. Percentages of segment and total company revenues include partial-year revenue earned from senior housing triple-net facilities that were sold during 2018.

At September 30, 2019 and December 31, 2018, Brookdale managed or operated, in the Company's SHOP segment, approximately 6% and 7%, respectively, of the Company's real estate investments (based on total assets). Because an operator manages the Company's facilities in exchange for the receipt of a management fee, the Company is not directly exposed to the credit risk of its operators in the same manner or to the same extent as its triple-net tenants. At September 30, 2019, Brookdale provided comprehensive facility management and accounting services with respect to 25 of the Company's consolidated SHOP facilities and 15 SHOP facilities owned by its unconsolidated joint ventures, for which the Company or joint venture pay annual management fees pursuant to long-term management agreements. Most of the management agreements have terms ranging from 10 to 15 years, with three to four 5-year renewal periods. The base management fees are 4.5% to 5.0% of gross revenues (as defined) generated by the RIDEA properties. In addition, there are incentive management fees payable to Brookdale if operating results of the RIDEA properties exceed pre-established EBITDAR (as defined) thresholds.

To mitigate the credit risk of leasing properties to certain senior housing and post-acute/skilled nursing operators, leases with operators are often combined into portfolios that contain cross-default terms, so that if a tenant of any of the properties in a portfolio defaults on its obligations under its lease, the Company may pursue its remedies under the lease with respect to any of the properties in the portfolio. Certain portfolios also contain terms whereby the net operating profits of the properties are combined for the purpose of securing the funding of rental payments due under each lease.

NOTE 17. Fair Value Measurements

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets are immaterial at September 30, 2019.

The table below summarizes the carrying amounts and fair values of the Company's financial instruments (in thousands):

	September 30, 2019[3]		December 31, 2018[3]	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans receivable, net[2]	$ 137,619	$ 137,619	$ 62,998	$ 62,998
Marketable debt securities[2]	19,614	19,614	19,202	19,202
Bank line of credit[2]	737,793	737,793	80,103	80,103
Term loan[2]	248,882	248,882	—	—
Senior unsecured notes[1]	5,253,639	5,681,330	5,258,550	5,302,485
Mortgage debt[2]	275,049	277,553	138,470	136,161
Other debt[2]	85,069	85,069	90,785	90,785
Interest-rate swap liabilities[2]	827	827	1,310	1,310

(1) Level 1: Fair value calculated based on quoted prices in active markets.
(2) Level 2: Fair value based on (i) for marketable debt securities, quoted prices for similar or identical instruments in active or inactive markets, respectively, or (ii) for loans receivable, net, mortgage debt and swaps, calculated utilizing standardized pricing models in which significant inputs or value drivers are observable in active markets. For bank line of credit, term loan and other debt, the carrying values are a reasonable estimate of fair value because the borrowings are primarily based on market interest rates and the Company's credit rating.
(3) During the nine months ended September 30, 2019 and year ended December 31, 2018, there were no material transfers of financial assets or liabilities within the fair value hierarchy.

NOTE 18. Derivative Financial Instruments

The following table summarizes the Company's outstanding swap contracts at September 30, 2019 (dollars in thousands):

Date Entered	Maturity Date	Hedge Designation	Notional	Pay Rate	Receive Rate	Fair Value[1]
Interest rate:						
July 2005[2]	July 2020	Cash Flow	$ 42,000	3.82%	BMA Swap Index	$ (827)

(1) Derivative liabilities are recorded in accounts payable and accrued liabilities on the consolidated balance sheets.
(2) Represents three interest-rate swap contracts, which hedge fluctuations in interest payments on variable-rate secured debt due to overall changes in hedged cash flows.

The Company uses derivative instruments to mitigate the effects of interest rate fluctuations on specific forecasted transactions as well as recognized financial obligations or assets. Utilizing derivative instruments allows the Company to manage the risk of fluctuations in interest rates related to the potential impact these changes could have on future earnings and forecasted cash flows. The Company does not use derivative instruments for speculative or trading purposes. Assuming a one percentage point shift in the underlying interest rate curve, the estimated change in fair value of each of the underlying derivative instruments would not exceed $1 million.

At September 30, 2019, £55 million of the Company's GBP-denominated borrowings under the Revolving Facility are designated as a hedge of a portion of the Company's net investments in GBP-functional currency unconsolidated subsidiaries to mitigate its exposure to fluctuations in the GBP to USD exchange rate. For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to USD exchange rate of the instrument is recorded as part of the cumulative translation adjustment component of accumulated other comprehensive income (loss). Accordingly, the remeasurement value of the designated £55 million GBP-denominated borrowings due primarily to fluctuations in the GBP to USD exchange rate are reported in accumulated other comprehensive income (loss) as the hedging relationship is considered to be effective. The balance in accumulated other comprehensive income (loss) will be reclassified to earnings when the Company sells its remaining investment in the U.K.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All references in this report to "Healthpeak," "Company," "we," "us" or "our" mean Healthpeak Properties, Inc., together with its consolidated subsidiaries. Unless the context suggests otherwise, references to "Healthpeak Properties, Inc." mean the parent company without its subsidiaries.

Cautionary Language Regarding Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q 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 (the "Exchange Act"). Forward-looking statements include, among other things, statements regarding our and our officers' intent, belief or expectation as identified by the use of words such as "may," "will," "project," "expect," "believe," "intend," "anticipate," "seek," "target," "forecast," "plan," "potential," "estimate," "could," "would," "should" and other comparable and derivative terms or the negatives thereof. Forward-looking statements reflect our current expectations and views about future events and are subject to risks and uncertainties that could significantly affect our future financial condition and results of operations. While forward-looking statements reflect our good faith belief and assumptions we believe to be reasonable based upon current information, we can give no assurance that our expectations or forecasts will be attained. As more fully set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, risks and uncertainties that may cause our actual results to differ materially from the expectations contained in the forward-looking statements include, among other things:

- our reliance on a concentration of a small number of tenants and operators for a significant percentage of our revenues and net operating income;
- the financial condition of our existing and future tenants, operators and borrowers, including potential bankruptcies and downturns in their businesses, and their legal and regulatory proceedings, which results in uncertainties regarding our ability to continue to realize the full benefit of such tenants' and operators' leases and borrowers' loans;
- the ability of our existing and future tenants, operators and borrowers to conduct their respective businesses in a manner sufficient to maintain or increase their revenues and manage their expenses in order to generate sufficient income to make rent and loan payments to us and our ability to recover investments made, if applicable, in their operations;
- our concentration in the healthcare property sector, particularly in senior housing, life sciences and medical office buildings, which makes our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple industries;
- operational risks associated with third party management contracts, including the additional regulation and liabilities of our RIDEA lease structures;
- the effect on us and our tenants and operators of legislation, executive orders and other legal requirements, including compliance with the Americans with Disabilities Act, fire, safety and health regulations, environmental laws, the Affordable Care Act, licensure, certification and inspection requirements, and laws addressing entitlement programs and related services, including Medicare and Medicaid, which may result in future reductions in reimbursements or fines for noncompliance;
- our ability to identify replacement tenants and operators and the potential renovation costs and regulatory approvals associated therewith;
- the risks associated with property development and redevelopment, including costs above original estimates, project delays and lower occupancy rates and rents than expected;
- the potential impact of uninsured or underinsured losses;
- the risks associated with our investments in joint ventures and unconsolidated entities, including our lack of sole decision making authority and our reliance on our partners' financial condition and continued cooperation;
- competition for the acquisition and financing of suitable healthcare properties as well as competition for tenants and operators, including with respect to new leases and mortgages and the renewal or rollover of existing leases;
- our or our counterparties' ability to fulfill obligations, such as financing conditions and/or regulatory approval requirements, required to successfully consummate acquisitions, dispositions, transitions, developments, redevelopments, joint venture transactions or other transactions;
- our ability to achieve the benefits of acquisitions or other investments within expected time frames or at all, or within expected cost projections;

- the potential impact on us and our tenants, operators and borrowers from current and future litigation matters, including the possibility of larger than expected litigation costs, adverse results and related developments;
- changes in federal, state or local laws and regulations, including those affecting the healthcare industry that affect our costs of compliance or increase the costs, or otherwise affect the operations, of our tenants and operators;
- our ability to foreclose on collateral securing our real estate-related loans;
- volatility or uncertainty in the capital markets, the availability and cost of capital as impacted by interest rates, changes in our credit ratings, and the value of our common stock, and other conditions that may adversely impact our ability to fund our obligations or consummate transactions, or reduce the earnings from potential transactions;
- changes in global, national and local economic and other conditions, including currency exchange rates;
- our ability to manage our indebtedness level and changes in the terms of such indebtedness;
- competition for skilled management and other key personnel;
- our reliance on information technology systems and the potential impact of system failures, disruptions or breaches; and
- our ability to maintain our qualification as a real estate investment trust ("REIT").

Except as required by law, we do not undertake, and hereby disclaim, any obligation to update any forward-looking statements, which speak only as of the date on which they are made.

The information set forth in this Item 2 is intended to provide readers with an understanding of our financial condition, changes in financial condition and results of operations. We will discuss and provide our analysis in the following order:

- Executive Summary
- 2019 Transaction Overview
- Dividends
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Off-Balance Sheet Arrangements
- Non-GAAP Financial Measures Reconciliations
- Critical Accounting Policies
- Recent Accounting Pronouncements

Executive Summary

Healthpeak Properties, Inc. is a Standard & Poor's ("S&P") 500 company that acquires, develops, owns, leases and manages healthcare real estate across the United States. We are a Maryland corporation and qualify as a self-administered REIT. We are headquartered in Irvine, California, with offices in Nashville and San Francisco.

On October 30, 2019, we changed our name from HCP, Inc. to Healthpeak Properties, Inc. Our common shares will begin trading on the New York Stock Exchange under the new name and a new ticker symbol, "PEAK", on November 5, 2019.

We invest in a diversified portfolio of high-quality healthcare properties across our three core asset classes of senior housing, life science and medical office real estate. Our senior housing properties are either operated under triple-net leases in our senior housing triple-net segment or through RIDEA structures in our senior housing operating portfolio ("SHOP") segment. Under the life science and medical office segments, we invest through the acquisition, development and management of life science buildings and medical office buildings. We have other non-reportable segments that are comprised primarily of our unconsolidated joint ventures, hospital properties, and debt investments.

At September 30, 2019, our consolidated portfolio of investments consisted of interests in 642 properties. We also owned interests in 98 properties owned by our unconsolidated joint ventures at September 30, 2019. The following table summarizes information for our reportable segments for the three months ended September 30, 2019 (dollars in thousands):

Segment	Total Portfolio Adjusted NOI[(1)]	Percentage of Total Portfolio Adjusted NOI[(1)]	Number of Properties
Senior housing triple-net	$ 45,616	16%	92
SHOP	46,814	17%	139
Life science	81,974	29%	131
Medical office	90,599	33%	267
Other non-reportable[(2)]	13,195	5%	13
Totals	$ 278,198	100%	642

(1) Total Portfolio metrics include results of operations from disposed properties and properties that transitioned segments through the disposition or transition date. Adjusted NOI excludes our share of income (loss) from unconsolidated joint ventures. See Non-GAAP Financial Measures for additional information regarding Adjusted NOI and see Note 12 to the Consolidated Financial Statements for a reconciliation of Adjusted NOI by segment to net income (loss).
(2) Adjusted NOI for Other non-reportable segments excludes our share of earnings from unconsolidated joint ventures, which is recorded in equity income (loss) from unconsolidated joint ventures in our consolidated statements of operations.

We invest in and manage our real estate portfolio for the long-term to maximize benefit to our stockholders and support the growth of our dividends. Our strategy consists of four core elements:

(i) Our *real estate*: Our portfolio is grounded in high-quality properties in desirable locations. We focus on three purposely selected private pay asset classes, senior housing, life science and medical office, to provide stability through the inevitable market cycles.

(ii) Our *financials*: We maintain a strong investment-grade balance sheet with ample liquidity as well as long-term fixed-rate debt financing with staggered maturities to reduce our exposure to interest-rate volatility and refinancing risk.

(iii) Our *partnerships*: We work with leading healthcare companies, operators and service providers and are responsive to their space and capital needs. We provide high-quality management services to encourage tenants to renew, expand and relocate into our properties, which drives increased occupancy, rental rates, and property values.

(iv) Our *platform*: We have a people-first culture that we believe attracts, develops and retains top talent. We continually strive to create and maintain an industry-leading platform, with systems and tools that allow us to effectively and efficiently manage our assets and investment activity.

2019 Transaction Overview

Master Transaction and Cooperation Agreement with Brookdale

In October 2019, Healthpeak and Brookdale Senior Living Inc. (“Brookdale”) entered into a Master Transactions and Cooperation Agreement (the “2019 MTCA”), which includes a series of transactions related to its jointly owned 15-campus continuing care retirement community (“CCRC”) portfolio (the “CCRC JV”) and the portfolio of 43 senior housing properties that Brookdale triple-net leases from us.

In connection with the 2019 MTCA, Healthpeak and Brookdale, and certain of their respective subsidiaries, agreed to the following related to the CCRC JV:

- Healthpeak, which owns a 49% interest in the CCRC JV, agreed to purchase Brookdale’s 51% interest in 13 of the 15 communities in the CCRC JV based on a valuation of $1.06 billion (the “CCRC Acquisition”), inclusive of one community that was added subsequent to executing the MTCA;
- The management agreements related to the CCRC Acquisition communities will be terminated, with management transitioned (under new management agreements) from Brookdale to Life Care Services LLC (“LCS”) simultaneous with closing the CCRC Acquisition;
- We will pay a $100 million management termination fee to Brookdale upon closing the CCRC Acquisition; and
- The remaining two CCRCs will be jointly marketed for sale to third parties.

In addition, pursuant to the 2019 MTCA, Healthpeak and Brookdale agreed to the following transactions related to properties that Brookdale triple-net leases from us:

- Brookdale will acquire 18 of the properties (the "Brookdale Acquisition Assets") from us for cash proceeds of $385 million;
- We will terminate the triple-net lease related to one property and transition it to a RIDEA structure with LCS as the manager;
- The remaining 24 properties will be restructured into a single master lease with 2.4% annual rent escalators and a maturity date of December 31, 2027 (the "2019 Amended Master Lease");
- A portion of annual rent (amount in excess of 6.5% of sales proceeds) related to 14 of the 18 Brookdale Acquisition Assets will be reallocated to the remaining properties under the 2019 Amended Master Lease;
- Upon closing of the Brookdale Acquisition, Brookdale will pay down $20 million of future rent under the 2019 Amended Master Lease; and
- We will provide up to $35 million of capital investment in the 2019 Amended Master Lease properties over a five-year term, which will increase rent by 7% of the amount spent, per annum.

With the exception of the capital investment to be made over the next five years, each of the above transactions, including payment of the $100 million management termination fee, is required to close simultaneous with the other transactions, which we expect to occur during the first quarter of 2020.

Discovery Portfolio Acquisition

- In April 2019, we acquired a portfolio of nine senior housing properties, with a total of 1,242 units, for $445 million. The properties are located across Florida, Georgia, and Texas and are operated by Discovery Senior Living, LLC.

Oakmont Portfolio Acquisitions

- In May 2019, we acquired three newly-built, senior housing communities in California for $113 million. The portfolio is operated by Oakmont Senior Living LLC ("Oakmont") and includes 132 assisted living units and 68 memory care units with an average occupancy of 96% at closing.
- In July 2019, we acquired five additional senior housing communities in California for $284 million. The portfolio is operated by Oakmont and includes 430 units. The properties are located in the Los Angeles, San Jose, and San Francisco markets.

Sierra Point Towers Acquisition

- In June 2019, we completed the previously announced acquisition of two life science buildings in South San Francisco, California adjacent to our The Shore at Sierra Point development, for $245 million.

Hartwell Innovation Campus Acquisition

- In July 2019, we acquired a life science campus in the suburban Boston submarket of Lexington, Massachusetts, for $228 million. The 277,000 square feet campus, comprised of four buildings, is 100% leased to seven biopharmaceutical and medical diagnostics tenants.

West Cambridge Acquisition

- In August 2019, we entered into definitive agreements to acquire one life science building, adjacent to our existing properties in Cambridge, Massachusetts, for $333 million. We made two nonrefundable deposits totaling $33 million upon execution of the purchase and sale agreement and expect to close the transaction during the fourth quarter of 2019.

SHOP Joint Venture

- In October 2019, we entered into a definitive agreement with a sovereign wealth fund to form a new joint venture that will own 19 SHOP assets operated by Brookdale. We will own 53.5% of the joint venture and will contribute all 19 assets with an estimated fair value of $790 million. The joint venture partner will own the other 46.5% and will contribute cash of $367 million, which will be immediately distributed to us. The transaction is expected to close during the fourth quarter of 2019.

United Kingdom Joint Venture

- In October 2019, we entered into a definitive agreement to sell our remaining 49% interest in our United Kingdom investments (the "U.K. JV") for net proceeds of approximately $90 million. The transaction is expected to close during the fourth quarter of 2019 and will complete our strategic exit from the U.K.

Other Real Estate Transactions

- During the first quarter of 2019, we acquired a life science facility for $71 million and development rights at an adjacent undeveloped land parcel for consideration of up to $27 million. The existing facility and land parcel are located in Cambridge, Massachusetts.
- In May 2019, we acquired one medical office building ("MOB") in Kansas for $15 million.
- In June 2019, we acquired the outstanding equity interests of, and began consolidating, a senior housing joint venture structure (which owned one senior housing facility), in which we previously held an unconsolidated equity investment, for $24 million.
- In July 2019, we acquired a $16 million, Class A two-story building in the Sorrento Mesa submarket of San Diego. The 56,000 square foot property is located on our Directors Place life science campus and is adjacent to our future development site.
- During the nine months ended September 30, 2019, we transitioned 33 senior housing triple-net assets, including a 14-property direct financing lease ("DFL") portfolio, to a RIDEA structure, with Sunrise Senior Living, LLC ("Sunrise") as the operator. We expect to transition two additional senior housing triple-net assets to a RIDEA structure with Sunrise later in 2019.
- During the third quarter of 2019, we sold 13 senior housing facilities under DFLs for $274 million.
- During the nine months ended September 30, 2019, we sold 11 SHOP assets for $89 million, 2 senior housing triple-net assets for $26 million, 6 MOBs for $18 million, 1 life science asset for $7 million, and 1 undeveloped life science land parcel for $35 million.

Financing Activities

- In February 2019, we terminated our previous at-the-market equity program established in February 2018 (the "2018 ATM Program") and established a new ATM Program (the "2019 ATM Program") pursuant to which shares of common stock having an aggregate gross sales price of up to $1.0 billion may be sold (i) by Healthpeak through a consortium of banks acting as sales agents or directly to the banks acting as principals or (ii) by a consortium of banks acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement.

  During the nine months ended September 30, 2019, we issued 5.9 million shares of common stock under the 2019 ATM program at a weighted average net price of $31.84 per share, after commissions, resulting in net proceeds of $189 million.

  During the nine months ended September 30, 2019, we utilized the forward provisions under the 2019 ATM Program to allow for the sale of up to an aggregate of 14.8 million shares of our common stock at an initial weighted average net price of $31.23 per share, after commissions. During the nine months ended September 30, 2019, we settled 5.5 million shares previously available for sale under forward contracts at a weighted average net price of $30.91 per share, after commissions, resulting in net proceeds of $171 million.

  During the nine months ended September 30, 2019, we settled 5.1 million shares under the 2018 forward sales agreement at a weighted average net price of $27.93 per share resulting in net proceeds of $142 million.
- In May 2019, we entered into a new $2.5 billion unsecured revolving line of credit facility (the "Revolving Facility") maturing on May 23, 2023. The Revolving Facility contains two, six-month extension options, subject to certain customary conditions. Borrowings under the Revolving Facility accrue interest at LIBOR plus a margin that depends on our credit ratings (0.825% as of September 30, 2019). We pay a facility fee on the entire revolving commitment that depends on our credit ratings (0.15% as of September 30, 2019).
- In May 2019, we entered into a new $250 million unsecured term loan facility (the "2019 Term Loan" and, together with the Revolving Facility, the "Facilities"), which we borrowed the full $250 million capacity of in June 2019. The 2019 Term Loan matures on May 23, 2024 and accrues interest at LIBOR plus a margin that depends on our credit ratings (0.90% as of September 30, 2019). The Facilities include a feature that allows us to increase the borrowing capacity by an aggregate amount of up to $750 million, subject to securing additional commitments.

- In July 2019, we completed a public offering of $650 million aggregate principal amount of 3.25% senior unsecured notes due 2026 (the "2026 Notes") and $650 million aggregate principal amount of 3.50% senior unsecured notes due 2029 (the "2029 Notes" and, together with the 2026 Notes, the "Notes").

  In July 2019, using the net proceeds from the Notes offering, we: (i) redeemed all of our $800 million, 2.625% senior unsecured notes due February 2020 (the "2020 Notes"), (ii) repurchased $250 million aggregate principal amount of our 4.250% senior notes due 2023 (the "2023 Notes"), and (iii) repurchased $250 million aggregate principal amount of our 4.000% senior notes due 2022 (the "2022 Notes"). Upon completing the redemption of the 2020 Notes and repurchase of a portion of the 2022 Notes and 2023 Notes, we incurred a loss on debt extinguishment of approximately $35 million.

- In September 2019, we established an unsecured commercial paper program (the "Commercial Paper Program") under which we may issue, from time to time, unsecured short-term debt securities with a maximum aggregate face or principal amount outstanding at any one time not exceeding $1.0 billion.

Development Activities

- As part of the previously-announced development program with HCA Healthcare, during the nine months ended September 30, 2019, we commenced the development of four MOBs, three of which will be on-campus, with an aggregate estimated cost of approximately $84 million.

Dividends

The following table summarizes our common stock cash dividends declared in 2019:

Declaration Date	Record Date	Amount Per Share	Dividend Payment Date
January 30	February 19	$ 0.37	February 28
April 25	May 6	0.37	May 21
July 25	August 5	0.37	August 20
October 23	November 4	0.37	November 19

Results of Operations

We evaluate our business and allocate resources among our reportable business segments: (i) senior housing triple-net, (ii) SHOP, (iii) life science, and (iv) medical office. Under the life science and medical office segments, we invest through the acquisition and development of life science facilities and medical office buildings, which generally require a greater level of property management. Our senior housing facilities are managed utilizing triple-net leases and RIDEA structures. We have other non-reportable segments that are comprised primarily of our debt investments, hospital properties, unconsolidated joint ventures, and United Kingdom ("U.K.") investments. We evaluate performance based upon: (i) property net operating income from continuing operations ("NOI") and (ii) Adjusted NOI (cash NOI) in each segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the United States ("U.S.") Securities and Exchange Commission ("SEC"), as updated by Note 2 to the Consolidated Financial Statements herein.

Non-GAAP Financial Measures

Net Operating Income

NOI and Adjusted NOI are non-U.S. generally accepted accounting principles (“GAAP”) supplemental financial measures used to evaluate the operating performance of real estate. NOI is defined as real estate revenues (inclusive of rental and related revenues, resident fees and services, and income from direct financing leases), less property level operating expenses (which exclude transition costs); NOI excludes all other financial statement amounts included in net income (loss) as presented in Note 12 to the Consolidated Financial Statements. Management believes NOI provides relevant and useful information because it reflects only income and operating expense items that are incurred at the property level and presents them on an unlevered basis. Adjusted NOI is calculated as NOI after eliminating the effects of straight-line rents, DFL non-cash interest, amortization of market lease intangibles, termination fees, actuarial reserves for insurance claims that have been incurred but not reported, and the impact of deferred community fee income and expense. Adjusted NOI is oftentimes referred to as “Cash NOI.” NOI and Adjusted NOI exclude our share of income (loss) generated by unconsolidated joint ventures, which is recognized in equity income (loss) from unconsolidated joint ventures in the consolidated statements of operations. We use NOI and Adjusted NOI to make decisions about resource allocations, to assess and compare property level performance, and to evaluate our same property portfolio (“SPP”), as described below. We believe that net income (loss) is the most directly comparable GAAP measure to NOI and Adjusted NOI. NOI and Adjusted NOI should not be viewed as alternative measures of operating performance to net income (loss) as defined by GAAP since they do not reflect various excluded items. Further, our definitions of NOI and Adjusted NOI may not be comparable to the definitions used by other REITs or real estate companies, as they may use different methodologies for calculating NOI and Adjusted NOI. For a reconciliation of NOI and Adjusted NOI to net income (loss) by segment, refer to Note 12 to the Consolidated Financial Statements.

Operating expenses generally relate to leased medical office and life science properties and SHOP facilities. We generally recover all or a portion of our leased medical office and life science property expenses through tenant recoveries. We present expenses as operating or general and administrative based on the underlying nature of the expense.

Same Property Portfolio

SPP NOI and Adjusted (Cash) NOI information allows us to evaluate the performance of our property portfolio under a consistent population by eliminating changes in the composition of our consolidated portfolio of properties. SPP NOI excludes certain non-property specific operating expenses that are allocated to each operating segment on a consolidated basis.

Properties are included in SPP once they are stabilized for the full period in both comparison periods. Newly acquired operating assets are generally considered stabilized at the earlier of lease-up (typically when the tenant(s) control(s) the physical use of at least 80% of the space) or 12 months from the acquisition date. Newly completed developments and redevelopments are considered stabilized at the earlier of lease-up or 24 months from the date the property is placed in service. Properties that experience a change in reporting structure, such as a transition from a triple-net lease to a RIDEA reporting structure, are considered stabilized after 12 months in operations under a consistent reporting structure. A property is removed from SPP when it is classified as held for sale, sold, placed into redevelopment, experiences a casualty event that significantly impacts operations or changes its reporting structure (such as triple-net to SHOP). For a reconciliation of SPP to total portfolio Adjusted NOI and other relevant disclosures by segment, refer to our Segment Analysis below.

Funds From Operations (“FFO”)

FFO encompasses NAREIT FFO and FFO as adjusted, each of which is described in detail below. We believe FFO applicable to common shares, diluted FFO applicable to common shares, and diluted FFO per common share are important supplemental non-GAAP measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets utilizes straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen and fallen with market conditions, presentations of operating results for a REIT that use historical cost accounting for depreciation could be less informative. The term FFO was designed by the REIT industry to address this issue.

NAREIT FFO. FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is net income (loss) applicable to common shares (computed in accordance with GAAP), excluding gains or losses from sales of depreciable property, including any current and deferred taxes directly associated with sales of depreciable property, impairments of, or related to, depreciable real estate, plus real estate and other real estate-related depreciation and amortization, and adjustments to compute our share of NAREIT FFO and FFO as adjusted (see below) from joint ventures. Adjustments for joint ventures are calculated to reflect our pro-rata share of both our consolidated and unconsolidated joint ventures. We reflect our share of NAREIT FFO for unconsolidated joint ventures by applying our actual ownership percentage for the period to the applicable reconciling items on an entity by entity basis. For consolidated joint ventures in which we do not own 100%, we reflect our share of the equity by adjusting our NAREIT FFO to remove the third party ownership share of the applicable reconciling items based on actual ownership percentage for the applicable periods. Our pro-rata share information is prepared on a basis consistent with the comparable consolidated amounts, is intended to reflect our proportionate economic interest in the operating results of properties in our portfolio and is calculated by applying our actual ownership percentage for the period. We do not control the unconsolidated joint ventures, and the pro-rata presentations of reconciling items included in NAREIT FFO do not represent our legal claim to such items. The joint venture members or partners are entitled to profit or loss allocations and distributions of cash flows according to the joint venture agreements, which provide for such allocations generally according to their invested capital.

The presentation of pro-rata information has limitations, which include, but are not limited to, the following: (i) the amounts shown on the individual line items were derived by applying our overall economic ownership interest percentage determined when applying the equity method of accounting and do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses and (ii) other companies in our industry may calculate their pro-rata interest differently, limiting the usefulness as a comparative measure. Because of these limitations, the pro-rata financial information should not be considered independently or as a substitute for our financial statements as reported under GAAP. We compensate for these limitations by relying primarily on our GAAP financial statements, using the pro-rata financial information as a supplement.

NAREIT FFO does not represent cash generated from operating activities in accordance with GAAP, is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to net income (loss). We compute NAREIT FFO in accordance with the current NAREIT definition; however, other REITs may report NAREIT FFO differently or have a different interpretation of the current NAREIT definition from ours.

FFO as adjusted. In addition, we present NAREIT FFO on an adjusted basis before the impact of non-comparable items including, but not limited to, transaction-related items, impairments (recoveries) of non-depreciable assets, losses (gains) from the sale of non-depreciable assets, severance and related charges, prepayment costs (benefits) associated with early retirement or payment of debt, litigation costs (recoveries), casualty-related charges (recoveries), foreign currency remeasurement losses (gains), and changes in tax legislation ("FFO as adjusted"). Transaction-related items include transaction expenses and gains/charges incurred as a result of mergers and acquisitions and lease amendment or termination activities. Prepayment costs (benefits) associated with early retirement of debt include the write-off of unamortized deferred financing fees, or additional costs, expenses, discounts, make-whole payments, penalties or premiums incurred as a result of early retirement or payment of debt. Management believes that FFO as adjusted provides a meaningful supplemental measurement of our FFO run-rate and is frequently used by analysts, investors, and other interested parties in the evaluation of our performance as a REIT. At the same time that NAREIT created and defined its FFO measure for the REIT industry, it also recognized that "management of each of its member companies has the responsibility and authority to publish financial information that it regards as useful to the financial community." We believe stockholders, potential investors, and financial analysts who review our operating performance are best served by an FFO run-rate earnings measure that includes certain other adjustments to net income (loss), in addition to adjustments made to arrive at the NAREIT defined measure of FFO. FFO as adjusted is used by management in analyzing our business and the performance of our properties and we believe it is important that stockholders, potential investors, and financial analysts understand this measure used by management. We use FFO as adjusted to: (i) evaluate our performance in comparison with expected results and results of previous periods, relative to resource allocation decisions, (ii) evaluate the performance of our management, (iii) budget and forecast future results to assist in the allocation of resources, (iv) assess our performance as compared with similar real estate companies and the industry in general, and (v) evaluate how a specific potential investment will impact our future results. Other REITs or real estate companies may use different methodologies for calculating an adjusted FFO measure, and accordingly, our FFO as adjusted may not be comparable to those reported by other REITs. For a reconciliation of net income (loss) to NAREIT FFO and FFO as adjusted and other relevant disclosure, refer to "Non-GAAP Financial Measures Reconciliations" below.

Funds Available for Distribution (“FAD”)

FAD is defined as FFO as adjusted after excluding the impact of the following: (i) amortization of deferred compensation expense, (ii) amortization of deferred financing costs, net, (iii) straight-line rents, (iv) deferred income taxes, (v) amortization of acquired market lease intangibles, net, (vi) non-cash interest related to DFLs and lease incentive amortization (reduction of straight-line rents), (vii) actuarial reserves for insurance claims that have been incurred but not reported, and (viii) deferred revenues, excluding amounts amortized into rental income that are associated with tenant funded improvements owned/recognized by us and up-front cash payments made by tenants to reduce their contractual rents. Also, FAD: (i) is computed after deducting recurring capital expenditures, including second generation leasing costs and second generation tenant and capital improvements and (ii) includes lease restructure payments and adjustments to compute our share of FAD from our unconsolidated joint ventures and those related to CCRC non-refundable entrance fees. Certain prior period amounts in the “Non-GAAP Financial Measures Reconciliation” below for FAD have been reclassified to conform to the current period presentation. More specifically, recurring capital expenditures, including second generation leasing costs and second generation tenant and capital improvements ("FAD capital expenditures") excludes our share from unconsolidated joint ventures (reported in “other FAD adjustments”). Adjustments for joint ventures are calculated to reflect our pro-rata share of both our consolidated and unconsolidated joint ventures. We reflect our share of FAD for unconsolidated joint ventures by applying our actual ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated joint ventures in which we do not own 100% of the equity by adjusting our FAD to remove the third party ownership share of the applicable reconciling items based on actual ownership percentage for the applicable periods (reported in “other FAD adjustments”). See FFO for further disclosure regarding our use of pro-rata share information and its limitations. Other REITs or real estate companies may use different methodologies for calculating FAD, and accordingly, our FAD may not be comparable to those reported by other REITs. Although our FAD computation may not be comparable to that of other REITs, management believes FAD provides a meaningful supplemental measure of our performance and is frequently used by analysts, investors, and other interested parties in the evaluation of our performance as a REIT. We believe FAD is an alternative run-rate earnings measure that improves the understanding of our operating results among investors and makes comparisons with: (i) expected results, (ii) results of previous periods, and (iii) results among REITs more meaningful. FAD does not represent cash generated from operating activities determined in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs as it excludes the following items which generally flow through our cash flows from operating activities: (i) adjustments for changes in working capital or the actual timing of the payment of income or expense items that are accrued in the period, (ii) transaction-related costs, (iii) litigation settlement expenses, (iv) severance-related expenses, and (v) actual cash receipts from interest income recognized on loans receivable (in contrast to our FAD adjustment to exclude non-cash interest and depreciation related to our investments in direct financing leases). Furthermore, FAD is adjusted for recurring capital expenditures, which are generally not considered when determining cash flows from operations or liquidity. FAD is a non-GAAP supplemental financial measure and should not be considered as an alternative to net income (loss) determined in accordance with GAAP. For a reconciliation of net income (loss) to FAD and other relevant disclosure, refer to “Non-GAAP Financial Measures Reconciliations” below.

Comparison of the Three and Nine Months Ended September 30, 2019 to the Three and Nine Months Ended September 30, 2018

Overview

Three Months Ended September 30, 2019 and 2018

The following table summarizes results for the three months ended September 30, 2019 and 2018 (dollars in thousands):

	Three Months Ended September 30,		
	2019	2018	Change
Net income (loss) applicable to common shares	$ (46,249)	$ 98,946	$ (145,195)
NAREIT FFO	181,591	155,632	25,959
FFO as adjusted	220,572	208,196	12,376
FAD	190,247	186,545	3,702

Net income (loss) applicable to common shares decreased primarily as a result of the following:

- an increase in impairment charges related to real estate during the third quarter of 2019;
- a reduction in net gain on sales of real estate during the third quarter of 2019;
- increased depreciation and amortization expense as a result of (i) assets acquired during 2018 and 2019 and (ii) development and redevelopment projects placed into service during 2018 and 2019, partially offset by dispositions of real estate throughout 2018 and 2019; and
- a reduction in income primarily as a result of asset sales during 2018 and 2019.

The decrease in net income (loss) applicable to common shares was partially offset by:

- a reduction in loss on debt extinguishments during the third quarter of 2019; and
- increased NOI from: (i) 2018 and 2019 acquisitions, (ii) development and redevelopment projects placed in service during 2018 and 2019, and (iii) new leasing activity during 2018 and 2019.

NAREIT FFO increased primarily as a result of the aforementioned events impacting net income (loss) applicable to common shares, except for the following, which are excluded from NAREIT FFO:

- impairments of real estate;
- net gain on sales of real estate; and
- depreciation and amortization expense.

FFO as adjusted increased primarily as a result of the aforementioned events impacting NAREIT FFO, except for loss on debt extinguishments, which is excluded from FFO as adjusted.

FAD increased primarily as a result of the aforementioned events impacting FFO as adjusted, except for the impact of straight-line rents, which is excluded from FAD.

Nine Months Ended September 30, 2019 and 2018

The following table summarizes results for the nine months ended September 30, 2019 and 2018 (dollars in thousands):

	Nine Months Ended September 30,		
	2019	**2018**	**Change**
Net income (loss) applicable to common shares	$ 787	$ 228,267	$ (227,480)
NAREIT FFO	586,052	585,001	1,051
FFO as adjusted	645,538	655,099	(9,561)
FAD	576,784	578,377	(1,593)

Net income (loss) applicable to common shares decreased primarily as a result of the following:

- an increase in impairment charges related to real estate and DFLs;
- a reduction in net gain on sales of real estate;
- increased depreciation and amortization expense as a result of (i) assets acquired during 2018 and 2019 and (ii) development and redevelopment projects placed into service during 2018 and 2019, partially offset by dispositions of real estate throughout 2018 and 2019; and
- a reduction in income as a result of: (i) asset sales during 2018 and 2019 and (ii) selling interests into the U.K. JV and MSREI JV during 2018 (see Note 4 to the Consolidated Financial Statements).

The decrease in net income (loss) applicable to common shares was partially offset by:

- a one-time loss on consolidation of seven care homes in the U.K. during the first quarter of 2018 and a one-time gain on consolidation related to the acquisition of the outstanding equity interests in a senior housing joint venture in June 2019;
- a reduction in interest expense as a result of debt repayments and a lower average balance under our revolving credit facility;
- a reduction in loss on debt extinguishments;
- increased NOI from: (i) 2018 and 2019 acquisitions, (ii) development and redevelopment projects placed in service during 2018 and 2019, and (iii) new leasing activity during 2018 and 2019;
- a casualty-related gain recognized in the second quarter of 2019 as a result of insurance proceeds received related to hurricanes in 2017; and
- a reduction in severance and related charges.

NAREIT FFO increased primarily as a result of the aforementioned events impacting net income (loss) applicable to common shares, except for the following, which are excluded from NAREIT FFO:

- impairments of real estate;
- net gain on sales of real estate;
- gains and losses on consolidation of real estate; and
- depreciation and amortization expense.

FFO as adjusted decreased primarily as a result of the aforementioned events impacting NAREIT FFO; except for the following, which are excluded from FFO as adjusted:

- casualty-related gains;
- severance and related charges; and
- loss on debt extinguishments

FAD decreased primarily as a result of the aforementioned events impacting FFO as adjusted, except for the impact of straight-line rents, which is excluded from FAD. The decrease in FAD was partially offset by lower FAD capital expenditures in 2019.

Segment Analysis

The following tables provide selected operating information for our SPP and total property portfolio for each of our business segments. Our SPP for the three months ended September 30, 2019 consists of 463 properties representing properties acquired or placed in service and stabilized on or prior to July 1, 2018 and that remained in operation under a consistent reporting structure through September 30, 2019. Our SPP for the six months ended September 30, 2019 consists of 441 properties representing properties acquired or placed in service and stabilized on or prior to January 1, 2018 and that remained in operation under a consistent reporting structure through September 30, 2019. Our total property portfolio consists of 642 and 672 properties at September 30, 2019 and 2018, respectively.

Senior Housing Triple-Net

The following table summarizes results at and for the three months ended September 30, 2019 and 2018 (dollars in thousands, except per unit data):

	SPP			Total Portfolio(1)		
	Three Months Ended September 30,			Three Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Real estate revenues(2)	$ 34,797	$ 32,695	$ 2,102	$ 48,018	$ 67,487	$ (19,469)
Operating expenses	(53)	(44)	(9)	(865)	(840)	(25)
NOI	34,744	32,651	2,093	47,153	66,647	(19,494)
Adjustments to NOI	(1,779)	(293)	(1,486)	(1,537)	534	(2,071)
Adjusted NOI	$ 32,965	$ 32,358	$ 607	45,616	67,181	(21,565)
Less: non-SPP adjusted NOI				(12,651)	(34,823)	22,172
SPP adjusted NOI				$ 32,965	$ 32,358	$ 607
Adjusted NOI % change			1.9 %			
Property count(3)	72	72		92	163	
Average capacity (units)(4)	7,559	7,565		11,161	16,635	
Average annual rent per unit	$ 17,472	$ 17,133		$ 16,658	$ 16,356	

(1) Total Portfolio includes results of operations from disposed properties and properties that transitioned segments through the disposition or transition date.
(2) Represents rental and related revenues and income from DFLs.
(3) From our 2018 presentation of SPP, we removed 15 senior housing triple-net properties that were sold, 20 senior housing triple-net properties that were classified as held for sale, and 45 senior housing triple-net properties that were transitioned to SHOP.
(4) Represents average capacity as reported by the respective tenants or operators for the three-month period.

SPP NOI and Adjusted NOI increased primarily as a result of annual rent escalations.

Total Portfolio NOI and Adjusted NOI decreased primarily as a result of the following Non-SPP impacts:

- the transfer of 6 and 39 senior housing triple-net facilities to our SHOP segment during 2018 and 2019, respectively, and
- senior housing triple-net facilities sold during 2019.

The decrease in Total Portfolio NOI and Adjusted NOI is partially offset by the aforementioned increases to SPP.

The following table summarizes results at and for the nine months ended September 30, 2019 and 2018 (dollars in thousands, except per unit data):

	SPP			Total Portfolio[1]		
	Nine Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Real estate revenues[2]	$ 100,661	$ 97,929	$ 2,732	$ 156,776	$ 212,489	$ (55,713)
Operating expenses	(157)	(140)	(17)	(2,723)	(2,677)	(46)
NOI	100,504	97,789	2,715	154,053	209,812	(55,759)
Adjustments to NOI	(3,527)	(2,926)	(601)	3,833	(323)	4,156
Adjusted NOI	$ 96,977	$ 94,863	$ 2,114	157,886	209,489	(51,603)
Less: non-SPP adjusted NOI				(60,909)	(114,626)	53,717
SPP adjusted NOI				$ 96,977	$ 94,863	$ 2,114
Adjusted NOI % change			2.2%			
Property count[3]	72	72		92	163	
Average capacity (units)[4]	7,555	7,563		12,736	17,494	
Average annual rent per unit	$ 17,142	$ 16,749		$ 16,814	$ 16,171	

(1) Total Portfolio includes results of operations from disposed properties and properties that transitioned segments through the disposition or transition date.
(2) Represents rental and related revenues and income from DFLs.
(3) From our 2018 presentation of SPP, we removed 15 senior housing triple-net properties that were sold, 20 senior housing triple-net properties that were classified as held for sale, and 45 senior housing triple-net properties that were transitioned to SHOP.
(4) Represents average capacity as reported by the respective tenants or operators for the three-month period.

SPP NOI and Adjusted NOI increased primarily as a result of annual rent escalations.

Total Portfolio NOI and Adjusted NOI decreased primarily as a result of the following Non-SPP impacts:

- the transfer of 22 and 39 senior housing triple-net facilities to our SHOP segment during 2018 and 2019, respectively, and
- senior housing triple-net facilities sold during 2019.

The decrease in Total Portfolio NOI and Adjusted NOI is partially offset by the aforementioned increases to SPP.

Senior Housing Operating Portfolio

The following table summarizes results at and for the three months ended September 30, 2019 and 2018 (dollars in thousands, except per unit data):

	SPP			Total Portfolio[1]		
	Three Months Ended September 30,			Three Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Resident fees and services	$ 73,132	$ 72,187	$ 945	$ 212,275	$ 137,044	$ 75,231
Operating expenses	(52,211)	(50,378)	(1,833)	(166,201)	(106,182)	(60,019)
NOI	20,921	21,809	(888)	46,074	30,862	15,212
Adjustments to NOI	(106)	340	(446)	740	1,378	(638)
Adjusted NOI	$ 20,815	$ 22,149	$ (1,334)	46,814	32,240	14,574
Less: non-SPP adjusted NOI				(25,999)	(10,091)	(15,908)
SPP adjusted NOI				$ 20,815	$ 22,149	$ (1,334)
Adjusted NOI % change			(6.0)%			
Property count[2]	48	48		139	97	
Average capacity (units)[3]	6,541	6,544		16,215	13,365	
Average annual rent per unit	$ 44,803	$ 44,395		$ 52,601	$ 41,247	

(1) Total Portfolio includes results of operations from disposed properties and properties that transitioned segments through the disposition or transition date.
(2) From our 2018 presentation of SPP, we removed two SHOP properties that were sold, nine SHOP properties that were classified as held for sale, and three SHOP properties that were placed in redevelopment.
(3) Represents average capacity as reported by the respective tenants or operators for the three-month period.

SPP NOI and Adjusted NOI decreased primarily as a result of the following:

- occupancy declines and higher labor costs; partially offset by
- increased rates for resident fees.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the following Non-SPP impacts:

- increased NOI from (i) 2019 acquisitions and (ii) the transfer of 6 and 39 senior housing triple-net assets to our SHOP segment during 2018 and 2019, respectively; partially offset by
- decreased NOI from assets sold in 2018 and 2019.

Additionally, the increase in Total Portfolio NOI and Adjusted NOI is partially offset by the aforementioned decreases to SPP.

The following table summarizes results at and for the nine months ended September 30, 2019 and 2018 (dollars in thousands, except per unit data):

	SPP			Total Portfolio[1]		
	Nine Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Resident fees and services	$ 178,683	$ 177,653	$ 1,030	$ 515,457	$ 420,067	$ 95,390
Operating expenses	(120,856)	(117,620)	(3,236)	(400,608)	(309,694)	(90,914)
NOI	57,827	60,033	(2,206)	114,849	110,373	4,476
Adjustments to NOI	206	879	(673)	2,732	(356)	3,088
Adjusted NOI	$ 58,033	$ 60,912	$ (2,879)	117,581	110,017	7,564
Less: non-SPP adjusted NOI				(59,548)	(49,105)	(10,443)
SPP adjusted NOI				$ 58,033	$ 60,912	$ (2,879)
Adjusted NOI % change			(4.7)%			
Property count[2]	38	38		139	97	
Average capacity (units)[3]	5,257	5,257		14,420	12,688	
Average annual rent per unit	$ 45,499	$ 44,980		$ 47,944	$ 43,803	

(1) Total Portfolio includes results of operations from disposed properties and properties that transitioned segments through the disposition or transition date.
(2) From our 2018 presentation of SPP, we removed two SHOP properties that were sold, nine SHOP properties that were classified as held for sale, and three SHOP properties that were placed in redevelopment.
(3) Represents average capacity as reported by the respective tenants or operators for the nine-month period.

SPP NOI and Adjusted NOI decreased primarily as a result of the following:

- occupancy declines and higher labor costs; partially offset by
- increased rates for resident fees.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the following Non-SPP impacts:

- increased NOI from (i) 2019 acquisitions and (ii) the transfer of 22 and 39 senior housing triple-net assets to our SHOP segment during 2018 and 2019, respectively; partially offset by
- decreased NOI from assets sold in 2018 and 2019.

Additionally, the increase in Total Portfolio NOI and Adjusted NOI is partially offset by the aforementioned decreases to SPP.

Life Science

The following table summarizes results at and for the three months ended September 30, 2019 and 2018 (dollars and square feet in thousands, except per square foot data):

	SPP			Total Portfolio		
	Three Months Ended September 30,			Three Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental and related revenues	$ 83,215	$ 78,629	$ 4,586	$ 118,561	$ 98,040	$ 20,521
Operating expenses	(19,872)	(18,642)	(1,230)	(29,520)	(23,668)	(5,852)
NOI	63,343	59,987	3,356	89,041	74,372	14,669
Adjustments to NOI	(1,371)	(1,386)	15	(7,067)	(1,439)	(5,628)
Adjusted NOI	$ 61,972	$ 58,601	$ 3,371	81,974	72,933	9,041
Less: non-SPP adjusted NOI				(20,002)	(14,332)	(5,670)
SPP adjusted NOI				$ 61,972	$ 58,601	$ 3,371
Adjusted NOI % change			5.8%			
Property count[(1)]	96	96		131	129	
Average occupancy	96.8%	96.1%		97.2%	95.9%	
Average occupied square feet	5,801	5,759		7,690	7,065	
Average annual total revenues per occupied square foot	$ 56	$ 54		$ 58	$ 55	
Average annual base rent per occupied square foot[(2)]	$ 45	$ 43		$ 45	$ 44	

(1) From our 2018 presentation of SPP, we removed 13 life science facilities that were sold, 3 life science facilities that were placed in redevelopment, and 1 life science facility related to a casualty event.

(2) Base rent does not include tenant recoveries, additional rents in excess of floors and non-cash revenue adjustments (i.e., straight-line rents, amortization of market lease intangibles, DFL non-cash interest, and deferred revenues).

SPP NOI and Adjusted NOI increased primarily as a result of the following:

- new leasing activity;
- mark-to-market lease renewals;
- increased occupancy; and
- specific to adjusted NOI, annual rent escalations.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the aforementioned impacts to SPP and the following Non-SPP impacts:

- increased NOI from (i) increased occupancy in developments and redevelopments placed into service in 2018 and 2019 and (ii) acquisitions in 2019, partially offset by
- decreased NOI from (i) facilities sales in 2018 and 2019 and (ii) the placement of facilities into redevelopment in 2019.

The following table summarizes results at and for the nine months ended September 30, 2019 and 2018 (dollars and square feet in thousands, except per square foot data):

	SPP			Total Portfolio		
	Nine Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental and related revenues	$ 219,718	$ 205,902	$ 13,816	$ 320,630	$ 298,692	$ 21,938
Operating expenses	(51,471)	(48,013)	(3,458)	(76,992)	(68,208)	(8,784)
NOI	168,247	157,889	10,358	243,638	230,484	13,154
Adjustments to NOI	(2,583)	(2,115)	(468)	(17,159)	(7,423)	(9,736)
Adjusted NOI	$ 165,664	$ 155,774	$ 9,890	226,479	223,061	3,418
Less: non-SPP adjusted NOI				(60,815)	(67,287)	6,472
SPP adjusted NOI				$ 165,664	$ 155,774	$ 9,890
Adjusted NOI % change			6.3%			
Property count(1)	93	93		131	129	
Average occupancy	95.9%	94.5%		96.7%	94.6%	
Average occupied square feet	5,402	5,324		7,118	7,229	
Average annual total revenues per occupied square foot	$ 54	$ 51		$ 57	$ 54	
Average annual base rent per occupied square foot(2)	$ 43	$ 41		$ 45	$ 44	

(1) From our 2018 presentation of SPP, we removed 13 life science facilities that were sold, 3 life science facilities that were placed in redevelopment, and 1 life science facility related to a casualty event.

(2) Base rent does not include tenant recoveries, additional rents in excess of floors, and non-cash revenue adjustments (i.e., straight-line rents, amortization of market lease intangibles, DFL non-cash interest, and deferred revenues).

SPP NOI and Adjusted NOI increased primarily as a result of the following:

- new leasing activity;
- mark-to-market lease renewals;
- increased occupancy; and
- specific to adjusted NOI, annual rent escalations.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the aforementioned impacts to SPP and the following Non-SPP impacts:

- increased NOI from: (i) increased occupancy in developments and redevelopments placed into service in 2018 and 2019, and (ii) acquisitions in 2019 and
- decreased NOI from: (i) facilities sales in 2018 and 2019 and (ii) the placement of facilities into redevelopment in 2019.

Medical Office

The following table summarizes results at and for the three months ended September 30, 2019 and 2018 (dollars and square feet in thousands, except per square foot data):

	SPP			Total Portfolio		
	Three Months Ended September 30,			Three Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental and related revenues	$ 128,612	$ 125,887	$ 2,725	$ 143,639	$ 139,566	$ 4,073
Operating expenses	(45,602)	(44,832)	(770)	(51,472)	(50,478)	(994)
NOI	83,010	81,055	1,955	92,167	89,088	3,079
Adjustments to NOI	(1,246)	(1,258)	12	(1,568)	(1,364)	(204)
Adjusted NOI	$ 81,764	$ 79,797	$ 1,967	90,599	87,724	2,875
Less: non-SPP adjusted NOI				(8,835)	(7,927)	(908)
SPP adjusted NOI				$ 81,764	$ 79,797	$ 1,967
Adjusted NOI % change			2.5%			
Property count[(1)]	236	236		267	270	
Average occupancy	92.1%	91.9%		92.1%	92.5%	
Average occupied square feet	17,341	17,258		19,040	18,829	
Average annual total revenues per occupied square foot	$ 29	$ 29		$ 30	$ 29	
Average annual base rent per occupied square foot[(2)]	$ 25	$ 24		$ 25	$ 24	

(1) From our 2018 presentation of SPP, we removed seven MOBs that were sold, four MOBs that were classified as held for sale, two MOBs that were placed into redevelopment, and one MOB that we intend to demolish.

(2) Base rent does not include tenant recoveries, additional rents in excess of floors and non-cash revenue adjustments (i.e., straight-line rents, amortization of market lease intangibles, DFL non-cash interest, and deferred revenues).

SPP NOI and Adjusted NOI increased primarily as a result:

- mark-to-market lease renewals;
- new leasing activity; and
- specific to adjusted NOI, annual rent escalations.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the aforementioned increases to SPP and the following Non-SPP impacts:

- increased NOI from 2018 and 2019 acquisitions; and
- increased occupancy in former redevelopment and development properties that have been placed into service; partially offset by
- decreased NOI from MOB sales during 2018 and 2019.

The following table summarizes results at and for the nine months ended September 30, 2019 and 2018 (dollars and square feet in thousands, except per square foot data):

	SPP			Total Portfolio		
	Nine Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Rental and related revenues	$ 358,198	$ 350,409	$ 7,789	$ 427,761	$ 407,361	$ 20,400
Operating expenses	(122,032)	(120,593)	(1,439)	(150,635)	(146,881)	(3,754)
NOI	236,166	229,816	6,350	277,126	260,480	16,646
Adjustments to NOI	(3,393)	(4,548)	1,155	(4,542)	(5,129)	587
Adjusted NOI	$ 232,773	$ 225,268	$ 7,505	272,584	255,351	17,233
Less: non-SPP adjusted NOI				(39,811)	(30,083)	(9,728)
SPP adjusted NOI				$ 232,773	$ 225,268	$ 7,505
Adjusted NOI % change			3.3%			
Property count[(1)]	227	227		267	270	
Average occupancy	92.9%	93.0%		92.1%	92.5%	
Average occupied square feet	16,371	16,360		19,074	18,503	
Average annual total revenues per occupied square foot	$ 29	$ 28		$ 29	$ 29	
Average annual base rent per occupied square foot[(2)]	$ 24	$ 24		$ 25	$ 24	

(1) From our 2018 presentation of SPP, we removed seven MOBs that were sold, four MOBs that were classified as held for sale, two MOBs that were placed into redevelopment, and one MOB that we plan to demolish.

(2) Base rent does not include tenant recoveries, additional rents in excess of floors and non-cash revenue adjustments (i.e., straight-line rents, amortization of market lease intangibles, DFL non-cash interest, and deferred revenues).

SPP NOI and Adjusted NOI increased primarily as a result:

- mark-to-market lease renewals;
- new leasing activity;
- an increase in percentage-based rents; and
- specific to adjusted NOI, annual rent escalations.

Total Portfolio NOI and Adjusted NOI increased primarily as a result of the aforementioned increases to SPP and the following Non-SPP impacts:

- increased NOI from 2018 and 2019 acquisitions; and
- increased occupancy in former redevelopment and development properties that have been placed into service; partially offset by
- decreased NOI from MOB sales during 2018 and 2019.

Other Income and Expense Items

The following table summarizes the results of our other income and expense items for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Interest income	$ 2,741	$ 1,236	$ 1,505	$ 6,868	$ 9,048	$ (2,180)
Interest expense	61,230	63,486	(2,256)	167,499	211,626	(44,127)
Depreciation and amortization	171,944	132,198	39,746	469,191	418,740	50,451
General and administrative	22,970	23,503	(533)	71,445	75,192	(3,747)
Transaction costs	1,319	4,489	(3,170)	7,174	9,088	(1,914)
Impairments (recoveries), net	38,257	5,268	32,989	115,653	19,180	96,473
Gain (loss) on sales of real estate, net	(784)	95,332	(96,116)	18,708	162,211	(143,503)
Loss on debt extinguishments	(35,017)	(43,899)	8,882	(36,152)	(43,899)	7,747
Other income (expense), net	693	1,604	(911)	24,834	(37,017)	61,851
Income tax benefit (expense)	6,261	4,929	1,332	11,583	14,919	(3,336)
Equity income (loss) from unconsolidated joint ventures	(7,643)	(911)	(6,732)	(10,012)	(442)	(9,570)
Noncontrolling interests' share in earnings	(3,555)	(3,555)	—	(10,692)	(9,546)	(1,146)

Interest income

Interest income decreased for the nine months ended September 30, 2019 primarily as a result of: (i) the conversion of a bridge loan into real estate during the first quarter of 2018 and (ii) the paydown of a participating development loan during the first quarter of 2018, partially offset by increased funding of a new participating development loan during the second half of 2018 and first half of 2019.

Interest expense

Interest expense decreased for the three and nine months ended September 30, 2019 as a result of senior unsecured notes and term loan redemptions, repurchases, and repayments during 2018 and 2019 and increased capitalized interest in 2019 as a result of additional development activity.

Depreciation and amortization expense

Depreciation and amortization expense increased for the three and nine months ended September 30, 2019 primarily as a result of: (i) assets acquired during 2018 and 2019, (ii) the conversion of 14 senior housing triple-net assets from a DFL to a RIDEA structure in 2019, and (iii) development and redevelopment projects placed into service during 2018 and 2019, partially offset by dispositions of real estate throughout 2018 and 2019.

General and administrative expenses

General and administrative expenses decreased for the nine months ended September 30, 2019 primarily as a result of a reduction in severance and related charges (the nine months ended September 30, 2018 included charges related to the departure of our former Executive Chairman in March 2018), partially offset by increased employee compensation costs.

Transaction Costs

Transaction costs decreased for the three months ended September 30, 2019 primarily as a result of a decreased number of assets transitioned to new operators during 2019 and, therefore, decreased associated transition costs.

Impairments (recoveries), net

Impairments (recoveries), net increased for the three and nine months ended September 30, 2019 as a result of committing to a formal plan to sell certain assets and therefore, classifying those assets as held for sale. While some properties that are classified as held for sale are expected to result in a gain recognized upon disposition, others had a carrying value that exceeded the expected sale proceeds less costs to sell, resulting in an impairment charge during the respective period. The impairment charges recognized in each period vary depending on facts and circumstances related to each asset and are impacted by negotiations with potential buyers, current operations of the assets, and other factors.

Gain (loss) on sales of real estate, net

During the three months ended September 30, 2019, we sold one MOB for $3 million and one SHOP asset for $7 million, resulting in no material gain or loss on sales. During the nine months ended September 30, 2019, we sold: (i) 11 SHOP assets for $89 million, (ii) 2 senior housing triple-net assets for $26 million, (iii) 6 MOBs for $18 million, (iv) 1 life science facility for $7 million, and (v) 1 undeveloped life science land parcel for $35 million, resulting in total net gain on sales of $19 million.

During the three months ended September 30, 2018, we sold 11 SHOP assets, 4 life science facilities, and 2 MOBs, resulting in total net gain on sales of real estate of $95 million. During the nine months ended September 30, 2018, we sold 21 SHOP assets, 2 senior housing triple-net assets, 4 life science facilities, 2 MOBs, our remaining interest in RIDEA II, and a 51% interest in our U.K Portfolio, resulting in total net gain on sales of $162 million.

Loss on debt extinguishment

Loss on debt extinguishment decreased for the three and nine months ended September 30, 2019 as a result of larger prepayment premiums related to senior unsecured note repayments during the third quarter of 2018 compared to repayments during the third quarter of 2019.

Other income (expense), net

Other income (expense), net, increased for the nine months ended September 30, 2019 primarily as a result of: (i) a gain on consolidation related to the acquisition of the outstanding equity interests in a senior housing joint venture in June 2019, (ii) a casualty-related gain recognized in the second quarter of 2019 related to hurricanes in 2017, and (iii) a loss on consolidation of seven U.K. care homes in March 2018 (see Note 15 to the Consolidated Financial Statements for additional information).

Income tax benefit (expense)

Income tax benefit decreased for the nine months ended September 30, 2019 primarily as a result of the tax benefit from the loss on consolidation of seven U.K. care homes in March 2018 and the tax expense from the gain on consolidation related to the acquisition of the outstanding equity interests in a senior housing joint venture in June 2019.

Equity income (loss) from unconsolidated joint ventures

Equity income (loss) from unconsolidated joint ventures decreased for the three months ended September 30, 2019 as a result of an impairment charge recognized related to one asset classified as held-for-sale in the CCRC JV (see Note 7 to the Consolidated Financial Statements for more information). Equity income (loss) from unconsolidated joint ventures further decreased for the nine months ended September 30, 2019 as a resulting of disposing of our equity investment in RIDEA II during the second quarter of 2018.

Liquidity and Capital Resources

We anticipate that our cash flow from operations, available cash balances and cash from our various financing activities will be adequate for at least the next 12 months for purposes of: (i) funding recurring operating expenses; (ii) meeting debt service requirements; and (iii) satisfying our distributions to our stockholders and non-controlling interest members. Distributions were made using a combination of cash flows from operations, funds available under revolving line of credit, proceeds from the sale of properties, and other sources of cash available to us.

Our principal investing needs for the next 12 months are to:

- fund capital expenditures, including tenant improvements and leasing costs and
- fund future acquisition, transactional and development activities.

We anticipate satisfying these future investing needs using one or more of the following:

- cash flow from operations;
- sale or exchange of ownership interests in properties;
- borrowings under our Facilities and Commercial Paper Program;
- issuance of additional debt, including unsecured notes and mortgage debt; and/or
- issuance of common or preferred stock.

Access to capital markets impacts our cost of capital and ability to refinance maturing indebtedness, as well as our ability to fund future acquisitions and development through the issuance of additional securities or secured debt. Credit ratings impact our ability to access capital and directly impact our cost of capital as well. For example, our Revolving Facility and 2019 Term Loan accrue interest at a rate per annum equal to LIBOR plus a margin that depends upon our credit ratings. We also pay a facility fee on the entire revolving commitment that depends upon our credit ratings. At October 29, 2019, we had long-term credit ratings of Baa1 from Moody's and BBB+ from S&P Global and Fitch, and short-term credit ratings of P-2, A-2, and F2 from Moody's, S&P Global, and Fitch, respectively.

Cash Flow Summary

The following summary discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

The following table sets forth changes in cash flows (in thousands):

	Nine Months Ended September 30,		
	2019	2018	Change
Net cash provided by (used in) operating activities	$ 628,601	$ 632,918	$ (4,317)
Net cash provided by (used in) investing activities	(1,441,514)	817,534	(2,259,048)
Net cash provided by (used in) financing activities	828,248	(1,424,159)	2,252,407

Operating Cash Flows

The decrease in operating cash flow is primarily the result of a reduction in income related to (i) dispositions during 2018 and 2019 and (ii) occupancy declines and higher labor costs within our SHOP segment. The decrease in operating cash flow is partially offset by: (i) 2018 and 2019 acquisitions, (ii) annual rent increases, (iii) new leasing activity, (iv) developments and redevelopments placed in service during 2018 and 2019, and (v) decreased interest paid as a result of debt repayments during 2018 and 2019. Our cash flow from operations is dependent upon the occupancy levels of our buildings, rental rates on leases, our tenants' performance on their lease obligations, the level of operating expenses, and other factors.

Investing Cash Flows

The following are significant investing activities for the nine months ended September 30, 2019:

- made investments of $1.9 billion primarily related to the acquisition, development, and redevelopment of real estate and funding of a participating development loan and
- received net proceeds of $465 million primarily from sales of real estate assets.

The following are significant investing activities for the nine months ended September 30, 2018:

- received net proceeds of $1.6 billion primarily from sales of: (i) RIDEA II, (ii) other real estate assets, and (iii) a mezzanine loan, and the U.K. JV transaction and
- made investments of $765 million primarily related to the acquisition, development, and redevelopment of real estate.

Financing Cash Flows

The following are significant financing activities for the nine months ended September 30, 2019:

- made net borrowings of $845 million under our bank line of credit, term loan, senior unsecured notes (including debt extinguishment costs), and mortgage debt;
- issued common stock of $511 million; and
- paid cash dividends on common stock of $537 million.

The following are significant financing activities for the nine months ended September 30, 2018:

- made net repayments of $1.1 billion under our bank line of credit, term loan, senior unsecured notes (including debt extinguishment costs) and mortgage debt;
- paid cash dividends on common stock of $523 million;
- paid $78 million for distributions to and purchases of noncontrolling interests (primarily related to our acquisition of Brookdale's noncontrolling interest in RIDEA I); and
- received proceeds of $299 million for issuances of noncontrolling interests (primarily related to the MSREI MOB JV; see Note 4 for discussion of the formation of the MSREI MOB JV).

Debt

Bank Line of Credit, Term Loans and Commercial Paper Program

In May 2019, we entered into the Revolving Facility, a new $2.5 billion unsecured revolving line of credit facility maturing on May 23, 2023. The Revolving Facility contains two, six-month extension options, subject to certain customary conditions. Additionally, in May 2019, we entered into the 2019 Term Loan, a new $250 million unsecured term loan facility, which we borrowed the full $250 million capacity of in June 2019. The 2019 Term Loan matures on May 23, 2024. The Facilities include a feature that allows us to increase the borrowing capacity by an aggregate amount of up to $750 million, subject to securing additional commitments.

In September 2019, we established the Commercial Paper Program. Under the terms of the Commercial Paper Program, we may issue, from time to time, unsecured short-term debt securities with varying maturities not in excess of 397 days from the date of issue. Amounts available under the Commercial Paper Program may be borrowed, repaid and re-borrowed from time to time, with the maximum aggregate face or principal amount outstanding at any one time not exceeding $1.0 billion. Amounts borrowed under the Commercial Paper Program will be sold on terms that are customary for the U.S. commercial paper market and will be at least equal in right of payment with all of our other unsecured and unsubordinated indebtedness. We intend to use the Revolving Facility as a liquidity backstop for the repayment of unsecured short-term debt securities issued under the Commercial Paper Program. As of September 30, 2019, we had no borrowings outstanding under the Commercial Paper Program. As of October 29, 2019, there was a balance of $650 million outstanding under the Commercial Paper Program, with original maturities ranging from three weeks to one month and a weighted average interest rate of 2.15%. We primarily utilized amounts borrowed under the Commercial Paper Program to repay amounts previously borrowed under the Revolving Facility.

Senior Unsecured Notes

On July 5, 2019, we completed a public offering of $650 million aggregate principal amount of 3.25% senior unsecured notes due 2026 and $650 million aggregate principal amount of 3.50% senior unsecured notes due 2029 (the "Notes").

Using the net proceeds from the Notes offering, we: (i) redeemed all of our $800 million 2020 Notes, (ii) repurchased $250 million aggregate principal amount of our 2023 Notes, and (iii) repurchased $250 million aggregate principal amount of our 2022 Notes.

See Note 9 to the Consolidated Financial Statements for additional information about our outstanding debt.

Approximately 85% and 87% of our consolidated debt, inclusive of $42 million and $43 million of variable rate debt swapped to fixed through interest rate swaps, was fixed rate debt as of September 30, 2019 and 2018, respectively. At September 30, 2019, our fixed rate debt and variable rate debt had weighted average interest rates of 4.07% and 3.04%, respectively. At September 30, 2018, our fixed rate debt and variable rate debt had weighted average interest rates of 4.03% and 3.35%, respectively. For a more detailed discussion of our interest rate risk, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 3 below.

Equity

At September 30, 2019, we had 495 million shares of common stock outstanding, equity totaled $6.5 billion, and our equity securities had a market value of $17.9 billion.

At September 30, 2019, non-managing members held an aggregate of 5 million units in seven limited liability companies ("DownREITs") for which we are the managing member. The DownREIT units are exchangeable for an amount of cash approximating the then-current market value of shares of our common stock or, at our option, shares of our common stock (subject to certain adjustments, such as stock splits and reclassifications). At September 30, 2019, the DownREIT units were convertible into 7 million shares of our common stock.

At-The-Market Program

In February 2019, we terminated our 2018 ATM Program and concurrently established our 2019 ATM Program. In addition to the issuance and sale of shares of our common stock, we may also enter into one or more forward sales agreements with sales agents for the sale of our shares of common stock under our 2019 ATM Program.

At September 30, 2019, we had 9.3 million shares outstanding under forward contracts under the 2019 ATM Program, with a weighted average net price of $31.06 per share, after commissions. At September 30, 2019, approximately $341 million of our common stock remained available for sale under the 2019 ATM Program, after giving effect to equity issued directly and pursuant to forward sale contracts as described in Note 11 to the Consolidated Financial Statements. Actual future sales will depend upon a variety of factors, including but not limited to market conditions, the trading price of our common stock, and our capital needs. We have no obligation to sell any of the remaining shares under our 2019 ATM Program.

During the three months ended September 30, 2019, we utilized the forward provisions under the 2019 ATM Program to allow for the sale of up to an additional 1.2 million shares of our common stock at an initial weighted average net price of $31.10 per share, after commissions.

See Note 11 to the Consolidated Financial Statements for additional information about our 2019 ATM Program, including with respect to equity sales during the three and nine months ended September 30, 2019.

2018 Forward Equity Offering

In December 2018, we entered into a forward sales agreement to sell up to an aggregate of 15.25 million shares of our common stock (including shares issued through the exercise of underwriters' options) at an initial net price of $28.60 per share, after underwriting discounts and commissions. The agreement has a one year term and expires on December 13, 2019 during which time we may settle the forward sales agreement by delivery of physical shares of common stock to the forward seller or, at the our election, by settling in cash or net shares. The forward sale price that we expect to receive upon settlement of the agreement will be the initial net price of $28.60 per share, subject to adjustments for: (i) accrued interest, (ii) the forward purchasers' stock borrowing costs, and (iii) certain fixed price reductions during the term of the agreement. At September 30, 2019, 10.15 million shares remain outstanding under the forward sales agreement.

Shelf Registration

In May 2018, we filed a prospectus with the SEC as part of a registration statement on Form S-3, using an automatic shelf registration process. This shelf registration statement expires in May 2021 and at or prior to such time, we expect to file a new shelf registration statement. Under the "shelf" process, we may sell any combination of the securities described in the prospectus through one or more offerings. The securities described in the prospectus include common stock, preferred stock, depositary shares, debt securities, and warrants.

Contractual Obligations and Off-Balance Sheet Arrangements

Our commitments related to development and redevelopment projects increased by $56 million, to $355 million at September 30, 2019 when compared to December 31, 2018, primarily as a result of additional development and redevelopment projects. There have been no other material changes, outside of the ordinary course of business, to these contractual obligations during the nine months ended September 30, 2019.

In October 2019, as part of the development program with HCA Healthcare, we executed development agreements for two additional on campus MOBs with aggregate estimated costs of approximately $34 million.

Our commitments related to debt have materially changed since December 31, 2018 as a result of entering into the Revolving Facility in May 2019 and the issuance, redemption, and repurchase of senior unsecured notes in July 2019. See Note 9 to the Consolidated Financial Statements for additional information about our debt commitments.

We own interests in certain unconsolidated joint ventures as described in Note 7 to the Consolidated Financial Statements. Except in limited circumstances, our risk of loss is limited to our investment in the joint ventures and any outstanding loans receivable. In addition, we have certain properties which serve as collateral for debt that is owed by a previous owner of certain of our facilities. Our risk of loss for these certain properties is limited to the outstanding debt balance plus penalties, if any. We have no other material off-balance sheet arrangements that we expect would materially affect our liquidity and capital resources except for commitments and operating leases included in our Annual Report on Form 10-K for the year ended December 31, 2018 in "Contractual Obligations" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Non-GAAP Financial Measures Reconciliations

The following is a reconciliation from net income (loss) applicable to common shares, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NAREIT FFO, FFO as adjusted and FAD (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss) applicable to common shares	$ (46,249)	$ 98,946	$ 787	$ 228,267
Real estate related depreciation and amortization	171,944	132,198	469,191	418,740
Real estate related depreciation and amortization on unconsolidated joint ventures	14,952	15,180	45,153	48,730
Real estate related depreciation and amortization on noncontrolling interests and other	(4,999)	(2,971)	(14,927)	(7,136)
Other real estate-related depreciation and amortization	1,357	2,343	4,798	4,906
Loss (gain) on sales of real estate, net	784	(95,332)	(18,708)	(162,211)
Loss (gain) on sales of real estate, net on noncontrolling interests	(2)	—	206	—
Loss (gain) upon consolidation of real estate, net[1]	20	—	(11,481)	41,017
Taxes associated with real estate dispositions	—	—	—	1,147
Impairments (recoveries) of depreciable real estate, net[2]	43,784	5,268	111,033	11,541
NAREIT FFO applicable to common shares	181,591	155,632	586,052	585,001
Distributions on dilutive convertible units and other	1,675	—	4,954	—
Diluted NAREIT FFO applicable to common shares	$ 183,266	$ 155,632	$ 591,006	$ 585,001
Weighted average shares outstanding - diluted NAREIT FFO	499,450	470,118	489,609	469,876
Impact of adjustments to NAREIT FFO:				
Transaction-related items	$ 1,335	$ 4,678	$ 13,659	$ 8,612
Other impairments (recoveries) and losses (gains), net[3]	—	—	10,147	4,341
Severance and related charges[4]	1,334	4,573	5,063	13,311
Loss on debt extinguishments[5]	35,017	43,899	36,152	43,899
Litigation costs (recoveries)	(150)	(545)	(549)	41
Casualty-related charges (recoveries), net[6]	1,607	—	(4,636)	—
Foreign currency remeasurement losses (gains)	(162)	(41)	(350)	(106)
Total adjustments	$ 38,981	$ 52,564	$ 59,486	$ 70,098
FFO as adjusted applicable to common shares	$ 220,572	$ 208,196	$ 645,538	$ 655,099
Distributions on dilutive convertible units and other	1,588	(90)	4,809	(180)
Diluted FFO as adjusted applicable to common shares	$ 222,160	$ 208,106	$ 650,347	$ 654,919
Weighted average shares outstanding - diluted FFO as adjusted	499,450	470,118	489,609	469,876

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
FFO as adjusted applicable to common shares	$ 220,572	$ 208,196	$ 645,538	$ 655,099
Amortization of deferred compensation(7)	3,715	3,530	11,613	11,249
Amortization of deferred financing costs	2,735	3,070	8,174	9,760
Straight-line rents	(10,252)	(4,409)	(22,192)	(20,888)
FAD capital expenditures	(24,107)	(24,646)	(62,840)	(70,237)
Lease restructure payments	289	300	870	901
CCRC entrance fees(8)	5,731	6,524	14,071	13,203
Deferred income taxes	(6,434)	(4,880)	(14,063)	(12,751)
Other FAD adjustments(9)	(2,002)	(1,140)	(4,387)	(7,959)
FAD applicable to common shares	190,247	186,545	576,784	578,377
Distributions on dilutive convertible units and other	1,675	—	4,953	—
Diluted FAD applicable to common shares	$ 191,922	$ 186,545	$ 581,737	$ 578,377
Weighted average shares outstanding - diluted FAD	499,450	470,118	489,609	469,876

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Diluted earnings per common share	$ (0.09)	$ 0.21	$ 0.00	$ 0.49
Depreciation and amortization	0.37	0.31	1.03	0.99
Loss (gain) on sales of real estate, net	0.00	(0.20)	(0.03)	(0.34)
Loss (gain) upon consolidation of real estate, net(1)	0.00	—	(0.02)	0.09
Impairments (recoveries) of depreciable real estate, net(2)	0.09	0.01	0.23	0.02
Diluted NAREIT FFO per common share	$ 0.37	$ 0.33	$ 1.21	$ 1.25
Transaction-related items	0.00	0.01	0.03	0.01
Other impairments (recoveries) and losses (gains), net(3)	—	—	0.02	0.01
Severance and related charges(4)	0.00	0.01	0.01	0.03
Loss on debt extinguishment(5)	0.07	0.09	0.07	0.09
Casualty-related charges (recoveries), net(6)	0.00	—	(0.01)	—
Diluted FFO as adjusted per common share	$ 0.44	$ 0.44	$ 1.33	$ 1.39

(1) For the nine months ended September 30, 2019, represents the gain related to the acquisition of the outstanding equity interests in a previously unconsolidated senior housing joint venture. For the nine months ended September 30, 2018, represents the loss on consolidation of seven U.K. care homes.
(2) For the three and nine months ended September 30, 2019, includes a $6 million impairment charge related to depreciable real estate held by the CCRC JV, which we recognized in equity income (loss) from unconsolidated joint ventures in the consolidated statement of operations.
(3) For the nine months ended September 30, 2019, represents the impairment of 13 senior housing triple-net facilities under direct financing leases recognized as a result of entering into sales agreements. For the nine months ended September 30, 2018, represents the impairment of an undeveloped life science land parcel classified as held for sale, partially offset by an impairment recovery upon the sale of a mezzanine loan investment in March 2018.
(4) For the nine months ended September 30, 2018, primarily relates to the departure of our former Executive Chairman, which consisted of $6 million of cash severance and $3 million of equity award vestings.
(5) For all periods presented, represents the premium associated with the prepayment of senior unsecured notes.
(6) For the three months ended September 30, 2019, represents evacuation costs related to hurricanes. For the nine months ended September 30, 2019, represents incremental insurance proceeds received for property damage and other associated costs related to hurricanes in 2017, net of evacuation costs related to hurricanes in 2019.
(7) Excludes amounts related to the acceleration of deferred compensation for restricted stock units that vested upon the departure of certain former employees, which have already been excluded from FFO as adjusted in severance and related charges.
(8) Represents our 49% share of our CCRC JV's non-refundable entrance fees collected in excess of amortization.
(9) Primarily includes our share of FAD capital expenditures from unconsolidated joint ventures, partially offset by noncontrolling interests' share of FAD capital expenditures from consolidated joint ventures.

For a reconciliation of NOI and Adjusted NOI to net income (loss), refer to Note 12 to the Consolidated Financial Statements. For a reconciliation of SPP NOI and Adjusted NOI to total portfolio NOI and Adjusted NOI by segment, refer to the analysis of each segment in “Results of Operations” above.

Critical Accounting Policies and Recent Accounting Pronouncements

The preparation of financial statements in conformity with U.S. GAAP requires our management to use judgment in the application of accounting policies, including making estimates and assumptions. We base estimates on the best information available to us at the time, our experience and on various other assumptions believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our consolidated financial statements. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2018 in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the Consolidated Financial Statements. There have been no significant changes to our critical accounting policies during 2019 other than those resulting from new accounting standards (see Note 2 to the Consolidated Financial Statements).

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates, specifically the British pound sterling ("GBP"). We use derivative financial instruments in the normal course of business to mitigate interest rate and foreign currency risk. We do not use derivative financial instruments for speculative or trading purposes. Derivatives are recorded on the consolidated balance sheets at fair value (see Note 18 to the Consolidated Financial Statements).

To illustrate the effect of movements in the interest rate markets, we performed a market sensitivity analysis on our hedging instruments. We applied various basis point spreads to the underlying interest rate curves of the derivative portfolio in order to determine the change in fair value. Assuming a one percentage point change in the underlying interest rate curve, the estimated change in fair value of each of the underlying derivative instruments would not be material.

Interest Rate Risk. At September 30, 2019, our exposure to interest rate risk is primarily on our variable rate debt. At September 30, 2019, $42 million of our variable-rate debt was hedged by interest rate swap transactions. The interest rate swaps are designated as cash flow hedges, with the objective of managing the exposure to interest rate risk by converting the interest rates on our variable-rate debt to fixed interest rates.

Interest rate fluctuations will generally not affect our future earnings or cash flows on our fixed rate debt and assets until their maturity or earlier prepayment and refinancing. If interest rates have risen at the time we seek to refinance our fixed rate debt, whether at maturity or otherwise, our future earnings and cash flows could be adversely affected by additional borrowing costs. Conversely, lower interest rates at the time of refinancing may reduce our overall borrowing costs. However, interest rate changes will affect the fair value of our fixed rate instruments. A one percentage point increase or decrease in interest rates would change the fair value of our fixed rate debt by approximately $324 million and $351 million, respectively, and would not materially impact earnings or cash flows. Conversely, changes in interest rates on variable rate debt and investments would change our future earnings and cash flows, but not materially impact the fair value of those instruments. Assuming a one percentage point increase in the interest rate related to the variable-rate debt and variable-rate investments, and assuming no other changes in the outstanding balance at September 30, 2019, our annual interest expense and interest income would increase by approximately $10 million and $1 million, respectively.

Foreign Currency Risk. At September 30, 2019, our exposure to foreign currencies primarily relates to U.K. investments in leased real estate and related GBP denominated cash flows. Our foreign currency exposure is partially mitigated through the use of GBP-denominated borrowings. Based solely on our operating results for the three months ended September 30, 2019, including the impact of existing hedging arrangements, if the value of the GBP relative to the U.S. dollar were to increase or decrease by 10% compared to the average exchange rate during the three months ended September 30, 2019, the increase or decrease to our cash flows would not be material.

Market Risk. We have investments in marketable debt securities classified as held-to-maturity because we have the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded at amortized cost and adjusted for the amortization of premiums and discounts through maturity. We consider a variety of factors in evaluating an other-than-temporary decline in value, such as: the length of time and the extent to which the market value has been less than our current adjusted carrying value; the issuer's financial condition, capital strength, and near-term prospects; any recent events specific to that issuer and economic conditions of its industry; and our investment horizon in relationship to an anticipated near-term recovery in the market value, if any. At September 30, 2019, both the fair value and carrying value of marketable debt securities was $20 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2019. Based upon that evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2019.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting (as such term as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See the "Legal Proceedings" section of Note 10 to the Consolidated Financial Statements for information regarding legal proceedings, which information is incorporated by reference in this Item 1.

Item 1A. Risk Factors

There are no material changes to the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a)

None.

(b)

None.

(c)

The following table sets forth information with respect to purchases of our common stock made by us or on our behalf during the three months ended September 30, 2019.

Period Covered	Total Number Of Shares Purchased[1]	Average Price Paid Per Share	Total Number Of Shares (Or Units) Purchased As Part Of Publicly Announced Plans Or Programs	Maximum Number (Or Approximate Dollar Value) Of Shares (Or Units) That May Yet Be Purchased Under The Plans Or Programs
July 1-31, 2019	—	$ —	—	—
August 1-31, 2019	9,154	34.25	—	—
September 1-30, 2019	1,042	35.06	—	—
Total	10,196	$ 34.33	—	—

(1) Represents shares of our common stock withheld under our equity incentive plans to offset tax withholding obligations that occur upon vesting of restricted shares. The value of the shares withheld is based on the closing price of our common stock on the last trading day prior to the date the relevant transaction occurred.

Item 6. Exhibits

3.1	Articles of Restatement of Healthpeak Properties, Inc. (formerly HCP, Inc.), dated June 1, 2012, as supplemented by the Articles Supplementary, dated July 31, 2017 (incorporated herein by reference to Exhibit 3.1 to Healthpeak's Quarterly Report on Form 10-Q filed November 2, 2017).
3.2	Articles of Amendment to Articles of Restatement of Healthpeak Properties, Inc. (formerly HCP, Inc.), dated October 30, 2019 (incorporated herein by reference to Exhibit 3.1 to Healthpeak's Current Report on Form 8-K filed October 30, 2019).
3.3	Sixth Amended and Restated Bylaws of Healthpeak Properties, Inc., dated October 30, 2019 (incorporated herein by reference to Exhibit 3.2 to Healthpeak's Current Report on Form 8-K filed October 30, 2019).
10.1	Second Amended and Restated Limited Liability Company Agreement of SH DR California IV, LLC, dated as of July 18, 2019.*
31.1	Certification by Thomas M. Herzog, Healthpeak's Principal Executive Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).*
31.2	Certification by Peter A. Scott, Healthpeak's Principal Financial Officer, Pursuant to Securities Exchange Act Rule 13a-14(a).*
32.1	Certification by Thomas M. Herzog, Healthpeak's Principal Executive Officer, Pursuant to Securities Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350.**
32.2	Certification by Peter A. Scott, Healthpeak's Principal Financial Officer, Pursuant to Securities Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350.**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 31, 2019

Healthpeak Properties, Inc.

(Registrant)

/s/ THOMAS M. HERZOG

Thomas M. Herzog
President and Chief Executive Officer
(Principal Executive Officer)

/s/ PETER A. SCOTT

Peter A. Scott
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ SHAWN G. JOHNSTON

Shawn G. Johnston
Executive Vice President and
Chief Accounting Officer
(Principal Accounting Officer)