Debra Cafaro (00:01.55)

you

Debra Cafaro (00:11.502)

We built a platform that includes something we call operational insights or OI, data analytics, an experience team, pricing models, capex models, where we are able to work collaboratively with each operator in a customized way.

Matt Slepin (00:38.938)

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded on August 19th, our 202nd show is with Debra Cafaro.

the chairman and CEO of Ventas, the 14th largest read by market cap and the second largest owner of Seniors Housing in the world. Since 2000, when Deb helped take the company out of bankruptcy, the company's had an annualized shareholder return of 18.4%, which equates, I love the magic of compounding to a total return through that time of 7,439%. I keep saying this on the show.

But I've wanted to have this conversation with Debbie since we started Leading Voices back in 2017. And I'm thrilled that we finally got to do it. Debbie exemplifies leadership in the real estate business as much as anyone we've had on the show. And we get to talk through both her business and her pathway to its and her success throughout the episode. Thank you, Debbie, for being on the show and being an exemplary leader out in the world for real estate.

One headline of the discussion was a drill down about halfway through the interview about the specialty sectors in the real estate business. When I started and when Debbie started in the business, the institutional real estate business was dominated by the four major real estate food groups. To the degree that the institutional world existed for real estate, it only touched the food groups with a preference at the beginning for fancy pants office and malls.

Apartments in industrial the darlings now for a long time were barely then considered institutional grade. Healthcare REITs were a specialty sector and back then SAIT cell towers or data centers didn't even exist on the planet yet alone within the REIT capital structure. Debbie's work at Ventas to start to argue for the non-food group asset classes really opened up the market for the REIT vehicle to be used so broadly in our economy.

Matt Slepin (02:33.814)

And as I know from my own work, when you have confluence with leadership and passion and depth in a deep dive specialty that's not like everybody else, you can drive differentiation in a business proposition that could bring outsize returns. Ventas has most certainly proven that point. We've made some changes in the podcast back office that I should tell you about. First, ZRG has brought production of the podcast in-house and we've changed some of the graphics to align with ZRG's new branding and marketing.

Go Purple, including the branding of ZRG Unscripted as our headline above leading voices to align with other ZRG thought leadership properties. You'll also notice muddy sound on my side of the microphone, both in the recent episode with Dave Reese from Wonder and in today's episode with Devi. My apologies for that and I promise to get my technology fixed for the next show. And.

I want to acknowledge and recognize a firm that's done our technical production almost since inception of the show, a group called CommaLive Creative led by Jeff Large. I could not have kept this on track and navigated the world of podcasting without Jeff as my advisor. Since I too am a consultant, I know the difference between someone who just gets the job done and someone has a true passionate and interested collaboration and advisory perspective.

That's how I approached my work in search and I got that for sure from Jeff for these last six years. Thank you, Jeff. I'll miss working with you, Jeff Duba and the team. I hope that you enjoy the show and are getting as much as I am through these conversations with these amazing guests. As always, if you have a few minutes, please rate our show on your podcast app and please follow and subscribe to the show and please share your favorite episodes with colleagues and friends. I encourage you to visit the archive on your podcast app or on the ZRG website.

where you can go back and check all 202 episodes. If you have comments in the show or if you'd like to talk about how ZRG can help your business on the talent side, including search, consulting or advisory in the real estate space, please contact me at mSlepin at zrgpartners.com. I hope that you enjoyed this conversation with Debbie Caffaro.

Matt Slepin (04:47.096)

Demi, welcome to Leading Voices in Real Estate. I keep saying this in my introductions, but I've been looking forward to this conversation, having you on the show since I started this back in 2017, before COVID. So in your business, you had some stuff going on. We're now at episode 202. So we passed a milestone and I'm just thrilled that you could join us. So thank you.

Well, it's my pleasure and congratulations on over 200 broadcasts. That's incredible.

It's a job, second job. So why do I want you on the show? Really two thoughts. One is you and one is the rest of us. So you, first you and your business, Ventas has one of the, I guess the 14th largest REIT by market cap in the upper echelon of REIT performance, like amazing statistics, which I read this morning. So you're up 18.4 % annualized over your 25 year period of time.

The RMZ index was up 9.5, has completed 18.4, so pretty awesome. S &P up 7.9. So you've had amazing success at the company. You're one of the few women at the helm in a real estate company. So we'll talk about that a little bit. But also we all have a deep interest in your business, both personally and a little bit professionally. For me, professionally, I was in the senior housing business with congregate care, if you remember that word, started out in the.

It was crazy, but also we all have a personal interest because one day we're going to be in a place. Our parents are in a place. We navigate the transition of that. So everyone cares about what we're going to talk about. So with that as a beginning, please introduce yourself, talk a little bit about your company and then we'll jump into all things.

Debra Cafaro (06:36.376)

Okay, I'm Debra Caffaro, Chairman and CEO of Ventus. Ventus is an S &P 500 company and a leading rate focused on the longevity economy. We serve a large and growing aging population and focus on senior housing, which is one of the big secular demand mega trends in the economy and in commercial real estate.

We have an exciting proposition for investors and also because we enable exceptional environments for the users of our space, we also believe we bring a value proposition to our customers.

customers being joint venture partners or customers being residents or customers also being the people who work in your communities.

Well, we have...

obviously a great interest in delivering returns to investors at VentHuts and that's our calling card. It's been our calling card for multiple decades. You mentioned the long-term and short-term VentHuts outperformance. We also care deeply about the consumer experience with our residents and their families. And one of the ways we do that is to make sure that our sites are attractive and they help people live longer, healthier, happier lives.

Debra Cafaro (08:03.488)

And a component of that, of course, are the employees who work on site. And those, course, under the REIT rules are employed by our operators like Sunrise Senior Living and Atria. We'll get into the details of how the business works. But having a great environment to attract the best employees who provide on-site care is also one of the matters that we care deeply about.

And since we're still in the overview part, talk about the parts of the business in which you play and the size and scale of that within your portfolio and just break it down a little bit.

Our enterprise value is about $45 billion. That's our debt and equity capitalization. Our equity capitalization exceeds $30 billion. We own 1,400 assets unified by serving this large and growing aging demographic in the United States, in Canada, and in the UK.

The biggest part of our business and where we really have the tiger by the tail is the senior living business, which is almost 60 % of our net operating income. And we are a leader in outpatient medical where we own over 20 million square feet. We have a vertically integrated property management leasing business that is competitively advantaged. And we're on the campuses of the leading.

healthcare providers across the nation. And we also have healthcare facilities and a business that caters to the leading institutional bio-pharma researchers in the country, including universities like Yale and Penn.

Matt Slepin (09:54.068)

And then also you have a private equity business that's not a property type, but that's another side of the business. Just talk about that a little bit.

Yes, so Ventas has something we call Ventas Investment Management. It's a third party institutional capital business. We have about $5 billion of assets under management. We started this in about 2020 when we started our open-ended institutional fund. And we were kind of ahead of our time. mean, obviously, Prologis and Industrial REIT

had pioneered this many decades ago and Hamid is a visionary. And we were really felt that we could offer something to institutional investors who liked investing on the private side while also benefiting our Ventas public company shareholders. And as you know, 80 % of commercial real estate is in private hands and 20 % is in the REIT market.

So we thought, well, why don't we extend the benefits of this great platform that Ventas has to private real estate investors, institutional investors. And that was how we started the fund and it's been very successful.

That's great. And open end fund, not closed end funds, not a series of closed end fund, because open end also fits better with the REIT model, which is we only syncs for a long time versus we got to trade in and out by necessity.

Debra Cafaro (11:31.554)

Yes, very, very intelligent insight. We can talk about the benefits of the REIT model, but I do believe that a perpetual life vehicle like an open-end fund gives you significant advantages because we all know that vintage is probably the most important aspect of private equity, whether you're successful or not. And by having a perpetual life vehicle like our REIT, like our open-end fund, I think you do increase the likelihood.

of success over time because you're not forced to deploy capital at a given point in time. You're not forced to sell assets at a given point in time and therefore you can be more opportunistic. And that's a huge benefit. I think that's partly why Ventas has been able to generate such outsized returns over such a long period of time.

Also, I think given the nature of the communities you have, if you're trading in and out, given the residents and the nature and some level of societal obligation, like you're not, this isn't a do good company, it's a for-profit company, but I think it's more consistent with a longer term, longer term hold.

Well, it's certainly proven to be one that can create outsize returns. And that's really what we're focused on. And we can buy when the market is attractive to buy and we can hold when other people have to sell. And we can actually take advantage of that in the read format that we have because we don't have these fixed ins and outs, like some of the fund closed end models have.

Yeah, makes total sense. And then just to pick at a comment that you said you're vertically integrated, is that in the outpatient medical and research, but not in the seniors housing business?

Debra Cafaro (13:20.684)

Yes, we are permitted under the REIT rules to have a vertically integrated operation, which we do, property management and leasing in the outpatient medical and research areas under the REIT rules, which still use the term congregate care, believe it or not, the term that you started with. They require us to act like the lodging REITs, which is really where we contract with

qualified care providers or operators like Sunrise Senior Living. Of course, in the lodging side, it's like Four Seasons, Filton Marriott, et cetera. We, as the owner of the real estate, contract with qualified operators who manage the business and provide the care, but we own the profit and loss statement. So we are getting

the profits and losses just like it was a multifamily business and so on. We own the building, we get the P &L, and that's why we're getting this huge growth from senior housing over the last four years and hopefully going forward because we're getting the opportunity to benefit from the incredible occupancy increases and rate increases that we're seeing in the business as we serve this population.

I want to talk about the population and business in a second, something you're not in, you're not in nursing homes and maybe memory care and stuff like that. I don't know what the stuff like that is. Why not? And were you ever.

So the almost 60 % of our net operating income that we talked about that comes from senior housing, that is entirely a private pay, consumer driven business where residents choose to live with us because of the benefits it provides. It is a residential model, even for people who need certain levels of care, like memory care services, but it is,

Debra Cafaro (15:31.95)

all private pay, like multi-family with a dining room and services available, depending on where you are in your level of care. When I started at Ventas back in 1999, we were in the nursing home business. We spun that off in a great transaction for shareholders in the mid teens.

six or $7 billion tax-free spinoff. And my view on skilled nursing, it's a medical government reimbursed product that has very low margins and is one that I like to say ebbs and flows over time, but it ebbs a lot more than it flows. And I thought that we could make substantially higher returns for shareholders.

and get engaged in a business that is just so valued by seniors and their families in the senior living business. So we reoriented the whole business around our senior living focus.

And that also means you don't have continuum of care properties that might have both or do you, but the nursing home component might be somewhere else. there's this thing called life care or it used to be called life care, but that's a different model that you compete with, or is it a part or adjacent to your business?

In the private pay, consumer driven, senior living model, which is everything we own is all rental. There's no upfront fees or anything of that nature. We do offer different levels of care often at campuses. So you could start out as an independent living resident. My parents did that, but then as they aged in place, they needed more and more care and services, including

Debra Cafaro (17:31.394)

unfortunately memory care. And so the resident can continue to stay in the same location, but receive higher and higher levels of care as they may need it. But it is all private pay and not medical per se. It's assistance with tasks of daily living, which

you need more and more of in certain cases as you age in place.

Right, so assisted living is part of it.

Because living would be in middle. Independent living, very minimal services, but you might get meals, you come and go, you drive your car, you do whatever. It's like an apartment with meals. And then assisted living, you might need some medication management, you might need some other things. And then memory care obviously has a much higher service component.

But that's all in your tent as long as it's a hundred percent private pay. Liver is the housing. Favorite activity of residents is to complain about the food. Like nothing really important.

Debra Cafaro (18:34.804)

It's all in our control. Absolutely.

Debra Cafaro (18:45.954)

Well, you know, it's been proven that the socialization and the safety benefits of senior living do make seniors less vulnerable. Remember, you don't, many of the people who moved to our communities came, were living alone in a suburban house. And of course they have steps, they have snow, they have grass, they have all these things and they're alone most of the day. And so moving into senior living,

Having those socialization benefits, music, activities, and lots to complain about every single day, honestly, that's better than not talking to anyone. And so it really does extend lives and give people some vibrancy in their day-to-day life.

Question about that comment. This is off our agenda and subject, but it's like what what's your advice to someone of our age whose parents are struggling on whether if and they're taking too damn long to get in my mom took too long and it took until My stepfather dying for her to say not now I can do it and if she had done it five years earlier She would have lived 10 years more

Well, this is a uniquely individual experience, even though it is also this massive mega trend and therefore it's also a universal experience. I almost think of it as like Tolstoy, know? Everybody goes through it, but each family feels it in a very individual way. And I would say the following, that moving sooner,

is better when it's under your own decision and you're making the decision, you're choosing where to go, you're an actor in the process as opposed to you have to do it because you can't live in the house alone. And for children or grandchildren, would say proximity is really important. Making sure that the community has the kind of

Debra Cafaro (20:57.422)

care and services that your loved one needs is more important than the physical plant. Obviously a physical plant that's appealing is important, but that the service levels are even more so along with proximity. lastly, I do think there is a responsibility that we have to try to

enhance the likelihood of safety and socialization for our loved ones. Some of my friends at the time when my parents moved in would say things like, well, how can you do that to them? Cause I was very much encouraging these activities. And I said, how would you feel if your mother fell down the steps in her house? How would you feel if she went outside, left the stove on, went outside in the cold?

You know, these things happen and we have a responsibility, I think, to try to increase the happiness and the safety of our parents, even if we have to get them over the hump to do it.

It's not easy. It's not easy, though.

It's really hard and it takes sometimes years and then you start raising your voice with frustration. So different question like this. One of the funnest times we've all had in our lives are the college dorm. But the college dorm is not the senior housing, but for us it will be. And so do the changing tastes of the generation mean like FF and ego way, way up because it's good. You know, it's going to be grateful dead stuff on the wall when I get there.

Matt Slepin (22:41.088)

versus Frank Sinatra.

I'm going to have disco. don't know. I think, this idea of communal living can be made fun. And again, it's supposed to be an environment where people can thrive and again, be with each other and talk and complain and do activities and eat together. So it is a little bit back to the future like a college dorm.

And so I believe that this generation of baby boomers that we're a part of, they're starting to turn 80 in 2026. And this is these secular demand tailwinds that are going to benefit senior living. So from 2026, when the first baby boomer turns 80, you see this incredible acceleration.

in the over 80 population. And I believe that the baby boomers A, have more wealth than any generation ever before, although there are disparities. And B, will be more open to living in these dorm-like settings, if you want to call it that, but everybody has their own private bathroom and things like that. So they're much better than dorms, believe me. And you know, it could be something

where there is a generational change in embracing this communal living model.

Matt Slepin (24:14.03)

And does that generational change then change the requirement of what the, hate the word facility, I'm going to use it. the commute, but people want to say facility. that's my parent, everyone's, anyhow, but going back, does that then change and does the last generation of things they like become obsolete? And so do you have, again, more FF &E, let's say, than you might in an apartment community for that reason.

Unity Unity

Debra Cafaro (24:42.732)

Well, first of all, you have to balance always in real estate, any asset class, what people want optimally and what they're willing to pay for. so senior housing is surprisingly affordable when you compare it to living alone in a single family home. And we have communities in Montreal, for example, that are what I would call active adults.

So people move in in their seventies, they live there seven or eight years. It's in the thousands per month. have beaches in the communities. We have pool, we have movies, we have salons, and it's a very active place. Lots of dance classes, art classes, and so on. So we have to balance the, which I think you can make very affordable and

Ideally, there's very high end places, obviously in New York City that we own and other places, but you have to match the amenities that people want and the costs that people are able and willing to pay. And we've done that well. And I think that's why we're seeing this huge influx of residents coming into our communities. We had the most people moving into our communities in June.

the second most of any month in over the last five years. So we're getting something right with the price and the volume and the amenities all working together to increase occupancy.

That's great. Two different things you said. One, you said active adult, which is a different part of the continuum than we started at. And then also you mentioned Canada. So I'm curious differences in culture between US, Canada and Great Britain and what approaches you bring that might be new to those countries, but they love it.

Debra Cafaro (26:46.306)

Well, let's see. would say active adult, I'll take that first. Active adult is like the prequel to independent living. It is really very much apartment living with these amenities that we've discussed and including dining with minimal care required. And that appeals to a much younger cohort. What I can say is that the Canadian market is very similar to ours in terms of having

an aging population, having limited supply in Montreal and throughout Quebec where we have a very large presence with a partner who's a French speaking operator with Group Maurice. There is a renter mentality. So that is a little bit unique. It's a more European or French mentality. The rentership is higher than single family ownership that we see here.

the offerings are very similar between Canada and the US. Great Britain's a little bit different. We have a much smaller presence there, although Justin Hutchins, our head of senior housing, ran the largest care homes, is what they're called there, the largest care homes business in the UK, so he knows quite a bit about the market.

How about Great Britain?

Debra Cafaro (28:10.176)

It's a mixed market where you have mostly private pay and some pay that is from a government kind of national health service type. And so it's a mixed model, but very consistent with kind of the overall UK healthcare and residential model.

Yeah. wonder what come, I want to talk about demographics in the States, but I'm wondering what countries I spent junior year abroad. This is a while ago in Japan. And I did some study of senior living there and it was counter-cultural because the parents always lived with the kids. So there wasn't anything like this, but I bet there is now because social change makes it like a, will be a burgeoning industry in some countries where it hadn't yet been introduced.

Well, we focus mostly on the Western democracies and certainly the U.S. is our primary market. That's where we own the most. That's where there's the biggest opportunity for organic and inorganic growth and senior housing. And that's really where we're doing most of our business.

Yeah, I don't want you to go to Japan. I'm just, it's interesting to think about countries that have this as part of their socialization and their housing supply and countries that don't. So different question. Then I want to move on to some statistics. You talk about, you have third party operators for everything, but given your size and scale, you must have both standards and wisdom to bring to them to operate as best, to be the best they can be.

And I'm wondering how you bring that to your operating partners.

Debra Cafaro (29:56.622)

So that's a really important question. And let me start this way. So as we've looked at this kind of secular mega trend where we have this huge amount of supply, it's accelerating starting in 2026, there is very, very, well, accelerating demand, I'm sorry, with the baby boomer starting to turn.

at 80 in 2026, as we describe. Then we have very constrained supply. It's under 1 % of existing inventory. Yet we have 28 % growth in the over 80 population over the next five years. It's just incredible.

We have built Ventus and the platform at Ventus to meet this moment. And what do I mean by that? We have curated our portfolio of senior living in a way that's in the best markets. We have the best assets and we have the right operators to run them. understanding which operators are appropriate in a given market for a specific service offering.

is one of the competencies that we bring to the business. Above and beyond that, we built a platform that includes something we call operational insights or OI, data analytics, an experience team, pricing models.

PAPEX models where we are able to work collaboratively with each operator in a customized way to help that operator drive results and make sure that they have the right risk management in place, that they are delivering appropriate levels of care. And in doing that, that's been a secret really to our success.

Debra Cafaro (32:05.254)

And we are the second largest owner of senior housing in the world. We have incredible amounts of data. We use that data to, again, help operators price appropriately, drive occupancy increases and adopt best practices that will make the community successful. And that's been a big differentiator for us.

in the organic growth and then in the acquisition environment as well.

And organic is means one by one acquisition.

No, store growth, growth from the existing portfolio, which has been running, you know, in the double digits of net operating income growth for four years in a row. And given the demand supply that's tipped in our favor, as far as the eye could see, you know, we think we have a long runway here to continue this multi-year NOI growth. Now that's organic. It comes from the existing portfolio.

And then inorganic is just the external growth where we're acquiring senior housing assets, adding them to our portfolio. And our platform enables us to choose the right assets to acquire, know what kind of operator should be operating, know what CapEx needs, the community needs, and then making the asset and the operator more successful under the Ventas umbrella.

Matt Slepin (33:42.95)

So let's talk about a couple of those things. One of them, you've done organic growth of onesies, twosies, but you've done some &A. I don't know the most recent &A, but I definitely remember, you sold off nursing homes, but B, I'm remembering your acquisition of Sunrise, which was huge in the industry. Have you been a quiz of a platforms as well since that? been a long time ago.

Yes. So the organic just, I want to make sure that we're on the same page. So we have over a billion dollars a year in net operating income from our existing, you know, 850 senior living communities. And the organic growth is simply that the annual net operating income increases that we're seeing from that portfolio that are running this year, we expect to be 14 % increase in that.

number from our existing properties. And that's very significant. And again, this is a multi-year growth opportunity and we're in the fourth year of it. So that's the organic. The external, the NMA as you want to call it, Ventus has always been a consolidator. We did kind of break the mold back in 07 when we acquired the Sunrise REIT and we really invented this model where

We didn't have triple net leases, but we are working with operators to manage the property and we actually get the profit and loss from those communities. And just in 2024 and 2025, we've closed 3 billion of senior living investments and we have a billion to go based on our guidance for the year. So 2 billion a year of senior living investments.

expected in 24 and 25.

Matt Slepin (35:40.222)

And go back to the concept of the platform. And one of the most challenging times in your business must have been COVID. And so how did you, let's use that as an example of the case of what you bring to your partners. And when all hands were on deck in the battle stations of COVID, how did that play out in your partnership model?

Yes.

Debra Cafaro (36:03.244)

We were able to use all the resources of Ventas, our access to capital, our relationships, our understanding of the political process to do everything we could to keep people safe, the residents, the employees, and to bring best practices quickly to bear.

each of the communities and it was a very, very challenging time financially, clinically, but having so many communities, having built a company over the years that was a strong company with staying power who could reach out to the top people in the country on every subject.

We were able to do things like work with the Mayo Clinic to bring testing to the community right away. We had the communities first in line for the COVID vaccines when they were initially approved. We worked with CVS and Walgreens on coming in right away and with the state legislatures to give the seniors access because they were vulnerable.

population. And those are just a couple of examples of using the mothership of Ventas, which is big and strong and had built up a lot of resources over the years to be able to do everything we could to keep people safe and get the business going again quickly. And as soon as the vaccines were approved,

enrolled out, our business started to improve again. I mentioned we're in the fourth year of this multi-year NOI growth opportunity, and that of course started in 2021. And we've been on a great path since then.

Matt Slepin (38:12.846)

Awesome. Awesome. And I keep saying, I want to talk about statistics. You've given a lot about baby boomer generation. I'm remembering when I was in this business, we would look at a property, we do a market study with a five, 10, 15 mile radius and what the penetration rate was in that community. And what I'm remembering in the snippets I've heard since the time I was in this business, which was 25, 30 years ago,

Overbuilding has happened in waves. Now we have under building in this. So talk about what the demographics are, what the opportunity is. Have there been some markets with overbuilding, some markets without overbuilding? And I'll throw in one last question. Like is everyone, are all your communities in Florida and Texas, cause that's where everyone's moving or do seniors not want to move? They might want to live near home.

Okay, lots of good questions. So the last time that we had a period where building kind of stopped was in the financial crisis. remember that? back in 2009, construction of senior living was at a low that we've just now gone lower, believe it or not.

The senior population grew 5 % in total over the next five years and the industry reached about 92 % occupancy. Now we're at a point where literally 2000 units were started in the second quarter. And we see a 28 % growth in the senior population over the next five years. And we see.

You know, the last couple of years, Matt, 150,000 ish people turned 80 every year. Now we're in the 500,000 a year and that's going to 800,000 a year. Yet we're building maybe two starting, maybe 2000 units this last quarter. It's about three years start to finish. Right? So this is why we see this window ahead.

Debra Cafaro (40:32.62)

I would say that construction costs are still quite high. That existing rents do not really justify development returns yet. We are still at Ventos acquiring at below replacement costs and replacement cost is expected to rise because of tariffs, because of the cost of steel, because of the unavailability or cost of construction labor.

And those people who are building, think are going to be building data centers. we really, when you think about the sheer numbers of people who are going to need and want to live in senior living communities, there's going to likely be a scarcity concept so that even if Reed starts to come back, they're dwarfed by the actual numbers.

of potential users.

How much of that new construction that you're putting?

Almost everything we're doing is buying, is operating assets that are 80 plus percent occupied already. People are selling them and that's the 4 billion I described over a two year time horizon. In those, those acquisitions were getting about a 7 % going in unlevered yield and

Debra Cafaro (42:09.166)

We expect low to mid teens, unlevered internal rates to return over a 10 year time horizon. So very attractive investment opportunities, but they're almost all just on, you know, existing communities that are, and to get to the second part of your question, we just did a large transaction in Texas. Obviously many people are moving to Texas.

And so we've increased our investment activity there. We have some communities in Florida, but we were in about 48 states or so. So we're, we're in a lot of places, but the concentrations of where we're investing tend to be driven by the over 80, the growth in the over 80 demographic and overall favorable kind of economic conditions.

for job growth and GDP growth in these markets. So that's how we've tried to curate the portfolio in a way that's most likely for it to be successful in the future.

Makes sense. Headline that I'm taking from this though, is you described some amazing demographic drivers, but the cost of new construction still ain't penciling. Which does not make sense, but it does make sense.

Correct. Rents would have to be significantly higher than where they are now to make developments returns pencil.

Matt Slepin (43:38.798)

Fair deal. And with the demographic drivers that you just described, the rents are going to get to that level pretty quickly. Well. Because of the demand drivers. That's what should have.

The industry is currently about 88 % occupied and there's about, call it a million eight units. So will these trends continue with the increased demand from the baby boomers as it accelerates and limited starts? I do believe that there will be many communities that are a hundred percent occupied over the coming years. And there will be a scarcity of.

units for people who want to reside there.

And 88 % occupancy is that the high mark in the industry or is that the middle mark? What's the highest it got to it?

It in the low nineties after the financial crisis when there was no development in 2009. And then the senior population grew say 5 % over those next five years and we got to 92%. Now the same conditions on supply exists, but the demand is almost six times more.

Matt Slepin (45:02.616)

Got it. Okay. Let's totally change the subject. Cause we have like 10 or 15 minutes left. With a half an hour more of stuff. want to talk about you and your background briefly. What before Ventas you grew up in Pittsburgh, your dad was a mailman. You're an attorney. So what got you from there to then about to start at Ventas?

Okay now

Debra Cafaro (45:26.732)

Well, lots of hard work and good luck and people who looked out for me. And I was always curious and energetic and hardworking. And my parents didn't go to college, obviously, but they were very intelligent and they supported my efforts. And I got to go to Notre Dame when I was 17 years old and that opened a whole new world for me. And then I went to University of Chicago law school and that was yet another just

low my mind kind of experience because people were so smart and I was able to really exercise my intellectual muscle in a way that I never really had before. And that was very exciting. And I practiced law for 13 years, had a lot of great people teach me and invest in me. And then I was recruited by David Glickman to be the president of ambassador apartments. I was a

As you know, I was a business lawyer, finance lawyer, an &A lawyer. did a lot of work for Sam Zell and we did a lot of work for Bernard Arnaud, the LVMH leader, founder. And it was very exciting. I loved the business world and I was approached to become the president of a New York Stock Exchange listed multifamily REIT and I did it.

Okay, let's go backwards. So when you were a lawyer, how much of that was real estate and how much was general business? Cause you described it as both and you included salmon there.

Right. A lot of real estate, a lot of finance, a lot of real estate finance, and then some corporate &A.

Matt Slepin (47:13.646)

Okay. And then you made the leap to get out of law. David Glickman recruited you. I see him once in a while at Pebble Beach. Yep. He's still in it. And so then you went to ambassador and I tried to recruit you from the ambassador to go to EQR, which was a big read and you said no, and then you did Ventas. So I want to contrast that because you had the guts to go to a really challenging.

company, not that EQR wouldn't have been challenging with Sam right next door, anyhow. So talk about what it was that attracted you to Duventas, what condition it was and what turnaround looks like, if that's the right word.

Well, if you remember Doug Crocker, who's another mentor was the CEO of EQ4 at that time. Doug Crocker was also on the board of Ventos. And he called me one day and said, I have this great opportunity for you. I'm on the board of this company and they're going through some hard times. We're going to make a change in the CEO. You'd be really great. And I said,

Thank you, Doug. That's so nice of you to think of me. Can I do some work on the company? And then I'll come over and talk to you about it. And he said, sure. So I did some work on the company and I thought it was very challenging. And I, I went to see him and said, Doug, like this is a healthcare company because it was all kind of hospitals and nursing homes at that time. And it was in trouble. As you recall, I said, don't you think you need someone who knows something about healthcare?

And he said, no, Debbie, you'll be great. We need someone with backbone. You know, REITs, you know, capital markets, know, restructurings. It's going to be great. And so with that, I took the leap of faith and, you know, looking back, I used what I now refer to as this upside downside framework of decision-making, which is, well, if it goes well, how big is the upside? And can I kind of survive?

Debra Cafaro (49:24.854)

If it doesn't go well and you know, frankly, you know, given the opportunity to be the CEO of a public company, given the opportunity to work with Doug, given the opportunity to learn healthcare, which is almost 20 % of GDP. and if, if I really could, I thought about the demographics and I thought it would be great if we could build something of value. If it goes well, this could be incredible.

And frankly, if it doesn't go well, no one can still go back and do something else. And in the meantime, I would have gained valuable experience and no one's going to blame me because it's a total mess. And so the upside seemed to well outweigh the downside. And it seemed a little crazy at the time. People really, you know, were like, what are you doing? But.

I really saw a lot more upside than downside for me career wise and really for the stakeholders of the company. And it worked out beyond my wildest expectations. Obviously it's been a business fairy tale.

Yeah, it's got to be the truth. how much when you did that, well, how long did it take to get stable? And when you imagine this, I don't think you imagined a 25 year run and almost reinventing an industry. I think you imagine getting to stability and then saying, well, this might be fun to grow it. But I just made that up.

No, you're so right. I mean, it took from 99 to 2001. It was a three-year, multi-billion dollar, multi-party restructuring of our main tenant. At that point at Ventus, we only had one tenant. So we kind of got one rent check a month and that tenant was over levered and ultimately filed for bankruptcy. was one of the largest providers of post-acute and acute.

Debra Cafaro (51:29.39)

you know, post-acute care in the United States. And our job at that time was to stay liquid, to survive, to not dilute our investors capital, which we never did. The stock got down to $2 or something. I can't remember. And we had a good focus of, we were the leading creditor and we were the one who were at the top of the capital structure. And so we did this.

multi-party restructuring of that tenant over the course of three years. And then we really got into a phase, as you said, of, what are we going to do now? We succeeded. You know, now we have this company with great cashflow that's secure. You know, the tenant had delivered, we had good growth. Um, and we had a demographic story when you think about it, even back then. And so.

You know, I thought if we were in the regular REITs, office, multifamily, whatever, we would be a tasty morsel or a Samsel or a Steve Roth or somebody to come along and acquire for the benefits of that cashflow and cashflow growth. But the healthcare REITs were pretty inert at that time. There was not a lot of creativity or energy. And so.

I thought, well, sitting around waiting to be bought is probably not a good strategy. And so we embarked on this growth and diversification strategy at the time, which was really, well, we have one tenant, let's get more tenants. We have one capital source, let's get more capital sources. We have one type of asset, all government reimbursed, get non-government reimbursed assets and start to grow.

and start to build something of value, hire a team. Obviously the team is of utmost importance in this, even though we're a real estate company. And so that's what we did. you know, lots of, lots of excitement on the journey. But in the meantime, from that beginning of 2000, we've delivered almost 7,500 % total shareholder return.

Matt Slepin (53:53.71)

It's unbelievable. It's unbelievable. What I'm thinking as you're saying this is I'm thinking the lawyer in you, the person you were when you came in to solve this problem, then got surprised by the leader in you and the creator in you that built this great company from those after you got through the ashes part of it. I just find that two stories fascinating.

Well, that's a very nice way to say it. I think that's very flattering and I appreciate that. I would say that I did believe that after we got through the fire and the problem solving and the restructuring that we would probably sell the company. And it was interesting to me to really start to be a builder.

You know, a builder of teams and builder of an industry, a builder of a company. That's really something special. And that's become an S and P 500 company and industry leader. And that's why I said it was a business fairy tale in many ways. And so many people contributed to it along the way, board members, employees, colleagues, know, operators, but it's, it's, we've had a great run and.

As I said before, think we have some great opportunities ahead still.

Absolutely. Couple changes subjects. have two or three more questions to get to hopefully. You've been a leader in the reed industry. You're one of the few women leaders, the reed industry, which probably isn't not the important through line here, but during that period of time, the reed industry grew massively and changed. And also the specialty reeds, if that's the right word, versus the four food group reeds had become the predominance in the reed index.

Matt Slepin (55:45.07)

Do you want to talk a little bit about how the public markets have looked at all of this and how you as a leader of DayReed and your company have, how that you've influenced that and what's that meant to you?

So one thing I always talk to investors about when they talk about where to invest is really thinking about where is the demand, thematic demand. And also one of the things that I love about real estate is that we house the economy, right? We house GDP. And as the economy changes,

And it has quite a bit over the past 25 years, real estate and REITs change with it. And it's really interesting that you bring this up because when I was, came out of the restructuring at Ventus, one of my missions was to get healthcare REITs in the REITs. And there were lots of people opposed to that. And I kept saying, Hey,

This is 20 % of GDP. This is a real industry. And there were lots of people who were just stuck in their quote unquote, four major food groups. And I just knew if I could get in the benchmark and get the healthcare reads in the benchmark, that investors would have to look at us. And once they looked at us, they would like what they saw. And that was one of the big successes of those early years. And Sam helped and Steve Roth helped to get that done.

When you look at the 2000s and look back, we're right. Residential office in retail were over 60 % of the REIT index. Now fast forward, what are some of the biggest parts of the index? Data centers, cell tower, senior housing, healthcare, and office is down to something like five

Debra Cafaro (57:53.038)

percent. You can believe that. that's what I mean when I say we house the economy and we change as the economy changes and the growth that you've seen. Think about how the economy's grown over the past 25 years with technology, with aging and the sectors that used to be called specialty or niche are now the major food groups.

in many ways, along with some others. Residential is still a big part and will, I assume will always be. you know, industrial has gotten bigger, obviously with the advent of e-commerce. So that's how real estate's evolved. And I'm proud to have been a part of that and really making the case for the institutionalization of these asset classes.

Totally true. Okay. Two more questions. You're now an owner of multiple sports teams, I believe. So what sports teams are you involved with?

The Pittsburgh Penguins, the Baltimore Orioles with David Rubenstein. That's the most recent one. And the Chicago Stars Football Club, which is the women's NWSL team in Chicago that was acquired by the Ricketts and some, group of women business leaders in Chicago and actually nationally over the past two years. So that's been a great, great.

in all three cases.

Matt Slepin (59:28.94)

bet. So let me ask a question about this. So I was thinking about it and I'm thinking about teams and I'm thinking one thing I read it was like in the journal yesterday, like one of the teams spent like a boatload of money to have the best players ever. And that team, maybe the Dodgers, but I might be wrong about this. Maybe the Yankees, because they've done this forever. They go flat because it, they have the best individuals, but the teamwork doesn't work.

And I'm thinking that as a metaphor for our business. And I'm wondering if your activities in the sports world kind of get to that theme ever in your involvement, get to that point.

Absolutely. There is an amazing amount of overlap in sports teams and business. And I do believe business is a team sport. And one of my passions has really been putting together the Ventus board, making sure we have all stars, but all stars who work together for the shareholders as a team. the same thing with management. I'm really lucky to have had a lot of longstanding colleagues who have

long tenure with Ventas who are incredibly accomplished, but we come together as a team to drive hard, deliver results, you know, and we can't win every day, every year, just like any sports team. You lose a lot more than you win, but you have to have the passion to win every single day and the constant improvement mentality. And so it's.

very much like sports teams and it's magic when it works. There's nothing like being part of a successful winning team. And that's what we try to build at Ventas and it's very similar to professional sports.

Matt Slepin (01:01:25.038)

Well, and you're bringing it to that business as well. Okay, last question on reading voices is always advice to a young person entering the real estate business.

Well, have fun, of course, but my advice is to take intelligent risks with your career. Always broaden. I find that some of the entry level professionals have this vision of, know, I'm going to come in and then in two years I'm going to be a senior analyst and then I'm going to be a manager and then I'm going

And my career has been broadening and working with people who are great at what they do and who have a sincere interest in investing in me. And I've tried to reward their trust in me many times over. So being valuable, being indispensable, giving, creating value and, and contributing that's how to be successful.

and keep learning so that your career can be more opportunistic. And don't pigeonhole yourself. Don't let anyone pigeonhole you and don't pigeonhole yourself. Keep a wide horizon and be open-minded to different things that come your way that may not be exactly that career ladder that you had in your mind when you started out of MBA school, but can be so much better than that.

In the total sense, interesting, your story of moving from being an attorney to small apartment, read to taking this ventas leap, which we talked about. It's huge. And what's clear from how you described your business is that you're creating it and learning it. Unless as a pioneer, if you can be a pioneer in a business at the same time as you're running it, that's pretty awesome.

Debra Cafaro (01:03:24.365)

It is indeed pretty awesome.

I want to congratulate you on having really made a great contribution to the industry. And thank you for being on the show. I'm thrilled.

Thank for having me, Matt. It's wonderful to be connected again and I wish you every continued success.

Matt Slepin (01:03:47.778)

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