

Ventas: A Demographic Tailwind, or a Return on Capital?

Internal ID: S&F-STR-568

Topic: Growth Strategy, Corporate Strategy, Pricing Strategy

Industry: Health Care REITs

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Case cutoff: October 3, 2026

Ventas, Inc. had spent decades building a healthcare real-estate portfolio. By mid-2026, senior housing had become the center of its growth story. Occupancy and resident revenue were rising, the company had acquired dozens of communities, and management had raised its full-year senior-housing investment expectation to \$4.5 billion.

The operating numbers were striking. In the second quarter, total NOI in Ventas's Senior Housing Operating Portfolio (SHOP) grew 40.9% year over year. Same-store SHOP NOI grew 16.3%, while average occupancy in that comparison rose to 90.9%. Management described a favorable supply-and-demand backdrop and said the larger investment plan reflected confidence in the opportunity.

But what did those results establish? Total SHOP growth included new communities and properties moved from Ventas's triple-net lease portfolio into SHOP. The same-store cohort improved, but it did not include most recently acquired properties. Ventas also issued equity to finance growth, and the public disclosures did not show stabilized returns by acquisition vintage. A favorable market could help the whole sector; in the same quarter, a large peer also reported strong senior-housing operating results.

An outside investor following the company had to decide how much confidence to place in the proposition that Ventas's expanding senior-housing program would produce durable per-share economics. Was the evidence strong enough to treat the operating momentum as a lasting advantage? Or should confidence remain conditional until the company disclosed more about the economics of its recent investments?

The portfolio and its operating model

Ventas owned and invested in three broad property types. Its SHOP communities included independent living, assisted living, memory care and continuing care retirement communities. In SHOP, Ventas participated directly in operating performance and generally bore property-level operating costs and liabilities. It typically engaged third-party managers to run communities. The company generally relied on those managers for staffing, resident pricing, care and services, operational records, and regulatory compliance.

The other segments had different economics. Outpatient Medical and Research (OM&R) primarily owned and leased medical office buildings and research centers. The triple-net leased (NNN) portfolio included senior housing and healthcare properties leased to tenants who generally paid property-level expenses. Converting a community from NNN to SHOP changed the segment in which its economics appeared and increased Ventas's exposure to operating results and costs.

Ventas's 2025 annual report said that room, board and services at SHOP communities were generally paid from private sources, with limited reliance on government programs such as Medicaid. It did not give a quantified SHOP resident payer mix. Its 2026 interim filing discussed reimbursement and regulation risks generically for managers, tenants and borrowers; it did not quantify Ventas-specific policy exposure. Students should treat this as an evidence gap, not as proof that policy exposure was absent.

A strong quarter-with different ways to read it

For the quarter ended June 30, 2026, Ventas reported total SHOP segment NOI of \$403.5 million, up 40.9% from \$286.4 million a year earlier. Resident fees and services rose 32.0%, and property operating expenses rose 28.6%. The comparison included 813 SHOP communities, compared with 683 a year earlier. Management attributed total growth to higher occupancy, higher revenue per occupied room, acquired properties and communities converted from NNN to SHOP. It attributed expense growth to a larger community base, greater occupancy and inflation.

The same-store comparison told a different but also positive story. In 567 communities included in both comparison periods, SHOP NOI rose 16.3%. Resident fees and services increased 8.6%; property operating expenses increased 5.4%. Average occupancy was 90.9%, up from 87.9%, and monthly revenue per occupied room was \$5,528, up from \$5,265.

The earnings release separately reported same-store SHOP **Cash NOI** growth of 16%, revenue growth of 9%, occupancy growth of 300 basis points and revenue per occupied room (RevPOR) growth of 5%. These are company-reported supplemental measures. The release's Cash NOI and the 10-Q's segment NOI use separate definitions; they are close, but should not be treated as interchangeable.

The company's earlier annual filing reported 2025 same-store SHOP NOI growth of 15.4%, with average occupancy rising to 88.9% from 86.1% and monthly revenue per occupied room rising to \$5,268 from \$5,027. That annual cohort included 483 communities, not the 567 in the second-quarter 2026 comparison. These snapshots provide context, but not a single unchanged cohort across the periods.

Exhibit 1. SHOP operating measures

Measure	Q2 2026 comparison	What the measure captures-and leaves out
Total SHOP segment NOI	\$403.5m; +40.9% YoY	Includes acquired and transitioned properties as well as operating changes; company-defined NOI measure.
Total SHOP resident fees and services	\$1,363.5m; +32.0%	Reflects the larger portfolio and operations; not a same-store measure.
SHOP same-store NOI	\$304.7m; +16.3% across 567 communities	Company-defined NOI for its selected comparable cohort.
Same-store resident fees and services	\$979.6m; +8.6%	Revenue within the cohort, not a measure of collected cash by resident payer.
Same-store property operating expenses	\$674.9m; +5.4%	Includes property operating costs; cost pressure can rise with occupancy and inflation.
Same-store average occupancy	90.9%, vs. 87.9%	Operator-reported occupancy for the cohort; does not by itself establish pricing power or profit.
Revenue per occupied room	\$5,528/month, vs. \$5,265	Company-reported average; does not separate price, resident mix and service mix.

Source: Ventas Q2 2026 Form 10-Q, MD&A pp. 37-39; Q2 results release, "SHOP Segment Performance." Amounts are rounded. NOI is a company-reported non-GAAP measure; same-store Cash NOI is a separately defined supplemental measure.

Growth through acquisitions and transitions

Ventas disclosed two different measures of its investment activity. Its Q2 Form 10-Q said it acquired 61 SHOP communities during the first half of 2026 for an aggregate purchase price of \$2.8 billion. The same filing noted two additional SHOP acquisitions in July for \$142.2 million. The Q2 earnings release reported \$3.4 billion of year-to-date senior-housing investment activity, including \$2.2 billion during Q2. The filing's purchase price and the release's investment-volume total are different reported scopes; they should not be forced into one reconciliation.

The release also said the company had closed more than \$3 billion of senior-housing investments year to date and raised its 2026 investment-volume expectation to \$4.5 billion from \$3 billion. This was management's forecast, not a realized full-year total. Neither the investment tally nor the community count disclosed initial or stabilized NOI, recurring capital expenditure, integration costs or returns by acquisition vintage.

The segment mix also changed. In Q2, NNN same-store rental income grew about 1%, while total NNN NOI fell 18.2%. Management attributed much of the decline to properties transferred from NNN to SHOP and dispositions. OM&R same-store NOI grew 3.4%. The changes reflect distinct business models and portfolio transitions; the SHOP gain cannot be read as a

same-sized decline in underlying corporate economics.

Financing and the per-share question

Ventas reported second-quarter normalized FFO of \$0.97 per share, up 9% year over year. Nareit FFO was \$0.99 per share, up 15%, and net income attributable to common stockholders was \$0.14 per share. The company raised its 2026 normalized FFO guidance to \$3.85-\$3.90 per share. Management said the guidance increase primarily reflected increased accretive senior-housing investment activity.

To support investment, Ventas reported \$4.2 billion of year-to-date equity capital: \$2.6 billion of gross common shares settled and \$1.6 billion of unsettled equity forward agreements. At June 30, debt stood at \$12.69 billion. The company reported net debt to “further adjusted EBITDA” of 4.7 times and \$4.9 billion of liquidity; that liquidity figure included credit facilities, cash and unsettled equity forwards.

These metrics help describe capital capacity, but they do not settle per-share returns. Settled and forward equity issuance can fund purchases and support leverage, while adding shares as forwards settle. FFO and normalized FFO are non-GAAP measures, not cash flow after all capital needs. Guidance is management’s forecast as of July 29, not an outcome.

Exhibit 2. Investment and capital context

Reported item	Amount / status	Interpretation limit
H1 SHOP community acquisitions	61 communities; \$2.8bn aggregate purchase price	From the 10-Q; acquisition count and price do not report vintage returns.
YTD senior-housing investment activity	\$3.4bn reported by the Q2 release; \$2.2bn in Q2	A different company-reported measure from Note 4 purchase price.
2026 senior-housing investment expectation	Raised to \$4.5bn from \$3bn	Management forecast, not completed activity or return.
YTD equity capital	\$2.6bn gross settled common equity; \$1.6bn unsettled equity forwards	Gross proceeds are not costless capital; forward shares can dilute when settled.
Q2 2026 normalized FFO/share	\$0.97, +9% YoY	Non-GAAP; not operating cash flow or total return.
2026 normalized FFO/share guidance	\$3.85-\$3.90	Management forecast; attributed primarily to investment activity.
June 30 debt and company-defined leverage	\$12.69bn; net debt / further adjusted EBITDA 4.7x	Point-in-time debt and non-GAAP leverage; not a direct measure of acquisition return.
June 30 liquidity	\$4.9bn, including credit facilities, cash and unsettled forwards	Not cash on hand alone.

Source: Ventas Q2 2026 results release and Form 10-Q, including Note 4 and MD&A. Amounts rounded.

A sector signal, but not a matched comparison

Welltower reported Q2 2026 same-store NOI growth of 20.5% in its senior-housing operating portfolio, organic same-store revenue growth of 9.2%, average occupancy growth of 330 basis points and RevPOR growth of 5.2%. Its portfolios, geographic mix and company-defined cohorts differ from Ventas's, so the figures are directional context rather than a controlled performance comparison. The parallel results could reflect shared sector demand or recovery as well as company-specific execution.

What the research can tell an investor

Two studies help frame the operating question. Lindberg (2022) used NIC MAP monthly senior-housing rate data spanning January 2017 through March 2022. Its estimated model used February 2017 through February 2020, a 37-month pre-pandemic window. Using two-stage least squares to address possible simultaneity between rent and occupied units, the study estimated price elasticities of -1.597 for independent living (standard error 0.844; $p < 0.10$) and -1.654 for assisted living/memory care (standard error 0.591; $p < 0.01$). Alternative specifications varied. This challenges the assumption that demographic need makes demand insensitive to price. The small aggregate time series, selected investment-grade properties, instrument assumptions and pre-COVID window limit transfer. These coefficients are not Ventas estimates.

Miller, Zhao, Laine and Coe (2023) used descriptive NIC MAP data for private-pay senior housing in 140 metropolitan areas from 2015 to 2019. The paper reports that community counts grew 11.2%, while senior-housing beds per 10,000 residents aged 65+ declined 3.1%. The study is descriptive, geography- and period-specific; it does not establish local unmet demand or the returns on Ventas properties. The full text could not be directly opened during dossier preparation; its abstract, methods/sample description and indexed results excerpts were reviewed.

Neither study estimates Ventas's property-level pricing power or investment returns. The research supports questions about affordability, local substitutes and supply, not a company forecast.

Assignment

You are an outside investor preparing a short assessment of Ventas's senior-housing strategy using information available through October 3, 2026.

1. How much confidence should you place in the claim that Ventas's accelerating senior-housing investment program can produce durable per-share economics?
2. Separate the evidence for same-store operating improvement from growth attributable to acquisitions and NNN-to-SHOP transitions. Which measures are most informative, and what do they omit?
3. What evidence would you require to evaluate acquisition-vintage returns, financing dilution, local demand, or policy exposure?
4. Identify two or three indicators you would monitor over the next year. State what pattern would raise or lower your confidence.

There is no required buy/sell rating or valuation conclusion. Ventas has not disclosed an internal debate over a particular capital budget or alternative allocation; do not invent one. Make your investor judgment conditional where the evidence is incomplete.

Sources

- Ventas, [2025 Form 10-K](#), especially SHOP business model and risk discussion (pp. 2-4), FY2025 SHOP results (pp. 62-65), and same-store methodology/non-GAAP measures (pp. 71-73).
- Ventas, [Q2 2026 Form 10-Q](#), filed July 30, 2026, especially Note 4 and MD&A SHOP/OM&R/NNN performance (pp. 37-42), debt and liquidity (pp. 45-47), and risk factors (p. 64).
- Ventas, [Q2 2026 results release](#), July 29, 2026; highlights, segment performance, investment activity, capitalization and guidance.
- Welltower, [Q2 2026 results release](#), July 27, 2026, for directional sector context only.
- Lindberg, Daniel G. 2022. "The price elasticity of senior housing demand: is it a necessity or a luxury?" *Business Economics* 57(4): 204-216. [Full text](#) · [DOI](#).
- Miller, Katherine E. M., Jiayi Zhao, Liisa T. Laine, and Norma B. Coe. 2023. "Growth of Private Pay Senior Housing Communities in Metropolitan Statistical Areas in the United States: 2015-2019." *Medical Care Research and Review* 80(1): 101-108. [PMC article](#) · [DOI](#).