LTC Properties, Inc.
Second Quarter 2026 Earnings Call
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Presenters
Pam Kessler - Co-CEO & Co-President
Gibson Satterwhite - Executive Vice President of Asset Management
Dave Boitano - Executive VP & Chief Investment Officer
Cece Chikhale - Executive VP, CFO, secretary, Chief Accounting Officer & Treasurer
Clint Malin - Co-CEO & Co-President

Q&A Participants
Robin Haneland - BMO
Tayo Okusanya - Deutsche Bank
Jesus Garcia - Wells Fargo
Michael Carroll - RBC
Rich Anderson - Cantor Fitzgerald
Austin Wurschmidt - KeyBanc Capital

Operator
Greetings, and welcome to the LTC Properties Second Quarter 2026 Earnings Call. At this time, all participants are in a listen only mode. Joining us today -- on today's call are Pam Kessler, Co-President and Co-Chief Executive Officer, Clint Malin, Co-President and Co-Chief Executive Officer, Cece Chikhale, Executive Vice President, Chief Financial Officer and Treasurer, Gibson Satterwhite, Executive Vice President of Asset Management, Dave Boitano, Executive Vice President and Chief Investment Officer.

Before management begins its presentation, please note that today's comments, including the question and answer session, may include forward-looking statements subject to risks and uncertainties that may cause actual results and events to differ materially. These risks and uncertainties are detailed in LTC Properties filing with the Security and Exchange Commission from time to time, including the company's most recent 10-K dated December 31, 2025. LTC undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this presentation. Please note this event is being recorded.

I would like to now turn the conference over to LTC management. Please proceed.

Pam Kessler

Good morning, and thank you for joining us. The excitement and momentum of our SHOP strategy here at LTC continues, and our transformation is well ahead of schedule. We are increasing our 2026 SHOP acquisition guidance by 50% to $900 million at the midpoint and will have closed $700 million in acquisitions by the end of September. Additionally, we expect a meaningful step up in dispositions and loan payoffs this year, well above what we've previously discussed with the majority in skilled nursing. By the end of September, SHOP will represent 40% of LTC's pro forma annualized NOI, a full quarter ahead of previous estimates. We expect to drive that to 50% by year-end through pipeline execution, redeploying proceeds from the Prestige loan payoff, and proactively recycling capital on lower growth investments at exceptional pricing.

At our current pace, we see a pathway to generating 75% of our annualized NOI from SHOP by the end of 2028. We are encouraged by our core SHOP performance and the momentum we are seeing across the portfolio.

Additionally, we have strengthened our balance sheet with a $1.1 billion credit facility, supporting our growth trajectory with additional liquidity. At 40% SHOP NOI, our pro forma internal growth rate triples. Combined with external growth opportunities, LTC's projected annual growth rate at 75% of NOI in two years increases meaningfully. Our SHOP strategy has resulted in a substantial shift in our portfolio, dramatically enhancing LTC's long-term ability to organically grow Core FFO and FAD per share, above historical rates. LTC's transformation from a triple-net lease and lending platform into a higher growth, SHOP-focused REIT reflects deliberate planning and efficient execution.

What you see this quarter is our transformative SHOP strategy converting into results. The investments we have made in operator relationships, human capital, and real estate are creating value and long-term growth for our shareholders.

I'll now turn it over to Gibson to walk through the operating portfolio.

Gibson Satterwhite

Thank you, Pam. We are intentionally and rapidly transforming our business to meaningfully increase LTC's long-term intrinsic growth profile. The degree to which we accomplish our objective will be driven by our investment in SHOP and the long-term growth potential of that segment. With respect to increasing our SHOP mix, we now expect proceeds of $730 million from dispositions and loan payoffs in 2026, $465 million above prior guidance. We expect to realize a 5.5% cap rate on rent from the incremental $465 million and a blended rate of 7.3% on total 2026 proceeds.

About two-thirds of the incremental sales will be skilled nursing properties, bringing total expected 2026 proceeds from skilled nursing to $570 million at a blended cap rate of 7.5%. The remaining $160 million of triple-net seniors housing properties is expected to be sold at a 6.5% cap rate on current rent.

The total proceeds this year include $180 million from the Prestige loan payoff, which we are now modeling to occur on October 1. Our revision to the anticipated payoff date relates to the HUD process timeline. And given the progress that has already been made, we do expect that closing to occur this year. The timing of the additional sales and associated rent reductions are outlined in our supplemental package.

With respect to SHOP growth, we remain encouraged by the portfolio's strong characteristics and expect to realize pro forma growth of 14% at the midpoint of guidance in our core SHOP portfolio when compared with 2025.

Our second quarter core SHOP NOI was $13.3 million, up from $12.9 million pro forma NOI in Q1. We're encouraged by the RevPOR growth relative to our expectations earlier in the year and saw occupancy increases accelerate at the end of the quarter. Given those factors, we believe we are well positioned to achieve guidance with continued improvement throughout the year.

Looking forward into 2027, we will continue to evaluate our portfolio for opportunities to accelerate our strategy by recycling capital at attractive risk-adjusted rates. We're excited about the long-term growth potential of the SHOP portfolio that we are assembling.

Now I'll turn the call over to Dave to discuss our investment activity.

Dave Boitano
Thanks, Gibson. We are winning and growing in a dynamic acquisition market that is fueling LTC's near-term momentum and long-term growth trajectory. By the end of the third quarter, we will surpass the previous midpoint of our investment guidance by $100 million and now expect to reach $900 million in SHOP acquisitions in 2026. Importantly, we expect this pace of growth to continue into 2027 and beyond.

From the start of the year to the end of July, we closed approximately $400 million in SHOP acquisitions. We expect another $300 million by the end of Q3 and roughly $200 million more by year-end, reflecting the depth of our deal flow.

A key value underlying LTC's success is our strong commitment to relationships. Our speed, strength, and collaborative execution resonate with operating partners, sellers, and intermediaries. And as a result, we're seeing a robust pipeline of opportunities to support our growth.

Our SHOP acquisitions are targeted, focusing on key characteristics that support the quality of the platform and will drive higher intrinsic growth and better risk-adjusted returns. The average age of the $700 million of acquisitions that Pam referenced earlier is nine years, with 76% located in primary markets as designated by NIC. The average unit size of these communities is around 110, with nearly 60% offering a continuum of care spanning IL, AL, and memory care. These acquisitions represent growth with existing and new operators, as well as repeat and first-time seller relationships. As our SHOP portfolio grows, we remain focused on identifying opportunities that align with the LTC strategy and pair well with our strong operating partners.

Our investment team's focus on asset quality and size, unit mix, and market dynamics directs our growth to communities that will retain their competitive position and deliver durable long-term performance. We know sellers and operators have options, and we strive to be their trusted partner. We are deeply grateful to everyone's contributions to LTC's SHOP transformation and believe our people, our platform, our financial strength, and our deep relationships position us for continued growth and success.

Now I'll pass the call to Cece for a review of our financial results.

Cece Chikhale
Thank you, Dave. We recently expanded our credit facility by $300 million, increasing our unsecured revolving line of credit to $900 million. Additionally, we anticipate entering into a new ATM agreement in the third quarter. During the second quarter, we sold 4.1 million shares of common stock for $155 million in net proceeds under our ATM program to pre-fund our SHOP acquisitions. Our pro forma liquidity stands at $648 million. This strength in capital position enhances our financial flexibility, enabling us to accelerate external growth initiatives and capture additional NOI expansion opportunities.

At the end of the second quarter, our debt to annualized adjusted EBITDA for real estate was 4.2x and our annualized adjusted fixed charge coverage ratio was 4.9x. We continue to operate comfortably within our leverage target of 4x to 5x debt to EBITDA and will fluctuate within that target depending on the timing of our acquisitions and expected proceeds from sales and payoffs.

Core FFO per share was $0.68 for both 2026 and 2025 second quarters, and Core FAD per share was $0.70 this quarter compared with $0.71 in the 2025 second quarter. The decrease was due to an increase in our weighted average diluted shares outstanding, driven by additional shares issued under our ATM program, a decrease in income from SNF sales and loan payoffs, and an increase in interest expense. The decrease was offset by an increase in SHOP NOI and interest income from loan originations and additional loan funding.

As we head closer to year-end, we are narrowing our guidance range for 2026. We expect Core FFO per share in the range of $2.76 to $2.78 and Core FAD per share between $2.83 and $2.85. This guidance includes an increase in SHOP acquisitions to $900 million at the midpoint, increasing total SHOP NOI between $71 million and $80 million, and decreasing FAD CapEx to approximately $4 million due to the timing of acquisitions. It also includes $730 million of proceeds from asset sales and loan payoffs. Our assumptions underpinning our guidance are detailed in yesterday's earnings press release and our supplemental package, which are posted on the LTC website.

Now, I'll turn the call over to Clint.

Clint Malin
Thank you, Cece. When we launched our SHOP platform just 15 months ago via cooperative triple-net conversions, it was seeded with 13 communities with a gross book value of $175 million. At the end of the third quarter, SHOP gross investments will total over $1.3 billion with an average age of nine years. 80% of this growth has been external, driven in part by our ability to successfully cultivate strong SHOP operator relationships. We are deliberately building a SHOP portfolio to compete effectively today and in the future when new supply eventually comes online, although new construction starts remain near historical lows nationally. We are mindful that this will not always be the case, so we seek to acquire communities with an already strong market presence and with unit and common area configurations designed to fulfill contemporary consumer preferences.

I would like to close by thanking our SHOP operators for choosing LTC and trusting in our relationship and ability to help support them as they care for our nation's seniors. Also, I would like to thank the LTC team for their tremendous efforts in carefully planning and executing our SHOP strategy in the pursuit of shareholder growth. Our transformation is happening faster than we predicted with everyone here at LTC working together as a team to build a platform for higher, sustainable, long-term FFO and FAD growth. With that, we are ready to take your questions.

Operator
Thank you. We will now conduct a question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's star, one at this time. One moment while we poll for the first question.

The first question comes from Juan Sanabria with BMO Capital. Please proceed.

Robin Haneland
Thank you. This is Robin sitting in for Juan. I was just curious, on the $321 million left to close, if you could discuss cap rates, IRRs, expected timing. And then if you could maybe also discuss if you could do additional deals in addition to the incremental $321 million before year-end.

Dave Boitano
Sure, Robin. This is Dave. So that remaining to be closed looks much like what we have closed year-to-date, similar cap rates and from a addition -- mix and quality, really, we're finding a lot of transactions that look like what we've acquired. And so we feel very good about that. As far as additional opportunities throughout the year, we're always looking. And if we find transactions that fit our box, we will certainly pursue them.

Robin Haneland
Then on the SHOP expectations, could you just help us understand the drivers of the RevPOR increase and the occupancy moderation?

Gibson Satterwhite
Sure. Hi, this is Gibson. So before I get into those metrics, I just want to back up for a second and just talk about that core portfolio for a minute just to give some context. So it's 27 properties. When we rolled that guidance out, it was like 97.5% of the NOI that we owned at the time. In that mix, I think everybody knows that we converted standalone memory care, so it's more heavily tilted towards standalone memory care, about 30%, 32% of the units in that portfolio. So we're going to see some movement over time from quarter to quarter in performance and our expectations. And it's not exactly analogous to some of the other same-store portfolios of our peers.

With respect to the underlying metrics of guidance, the RevPOR is, we're taking that up 50 basis points, and that's really based on the pricing strength that we've seen so far year-to-date. And then we've got more price increases coming in the second half of the year. Underlying metrics are good. There's no material difference between the operators' asking rates and the rates at which people are moving in. We feel like the marketing funnel is working and flowing. And so we feel pretty good about that.

On the occupancy front, that's really a function of the math. So year-to-date, we're at about 89.7% occupancy. Last year was 89.7%. So if you think about that, to be able to get our initial guide of 150 basis points, you'd have to average 300 basis points over the second half of the year.

We felt like, because of the cohort of buildings that we see, that we would need to really make that kind of movement, a lot of that to standalone memory care. We don't feel like that's an expectation that we're going to anchor. We're not going to anchor our expectations on that kind of movement. Now I will say, last year, we saw not only in that segment of the portfolio, but the overall portfolio, we saw a really good move in occupancy in Q3. So, it's not out of the realm of possibility, but if we get that same kind of move, we're really talking about the high end of the guidance as opposed to hitting the midpoint. The RevPOR expectations are really just a function of the occupancy decline -- not occupancy decline, but just the moderation in our expectations.

And then if you just step back and think about it, overall, if our operators are able to deliver 14% growth at the midpoint, and I think Pam mentioned this on a prior call, we will have outperformed our underwriting on those new deals. There's about $460 million worth of new deals in that cohort. We will have outperformed our underwriting, and we will have significantly transformed the intrinsic growth profile of our portfolio.

So we're really excited about that. It's a low end, which we don't expect to hit and hope not to hit. That's still double-digit growth in that portfolio for the deals that we bought. At the high end, you're at high teens growth. So we're really encouraged. And I think the way we're thinking -- the way we're thinking about it now, I think our expectations are probably normally distributed around that 14% midpoint.

We're not trying to sandbag. We feel like that's a good, reasonable expectation of our operators. But we feel, at that growth rate, we will have -- it will go a long way to proving out the thesis behind turning over $730 million of our portfolio this year, investing in SHOP, making the investments in the platform. And we're really excited about that here at LTC.

Robin Haneland
Thank you.

Operator
The next question comes from Tayo Okusanya with Deutsche Bank.

Tayo, your line is live.

Tayo Okusanya
Good morning, everyone. How are you?

Pam Kessler
Good, thanks.

Clint Malin
Morning.

Tayo Okusanya
Great. A couple of quick ones from me - the core SHOP portfolio and the 14% NOI growth profile, I'm just curious, as we kind of think of everything else you've bought or just kind of in the line-up, and we kind of think about where you kind of have all that kind of in the portfolio by the end of this year, and we start thinking about 2027 and trying to do like a year-over-year comparison type of thing like we're doing with the core SHOP portfolio, like how much confidence do you have at that point that you could still put up kind of similar NOI growth by the end of the year with kind of a redefined Core portfolio heading into 2027, if I may use those words?

Pam Kessler
You mean the growth -- are you specifically referencing the growth that we're projecting in what we're buying, the recent acquisitions?

Tayo Okusanya
Yes, correct, exact -- yeah, that's a great way to kind of think about it. Like how do we think through the growth of that stuff?

Dave Boitano
So, Tayo, this is Dave. Sort of like I commented earlier, right, so what we're looking to acquire, and try to in terms of acquisitions that are coming in and what we're pursuing, we expect similar dynamics in terms of low to mid-teens IRRs, and that's kind of growth. So we really see it as sort of adding quality to quality as we continue to grow. So that is our expectations as these roll into our portfolio and be in march step with the rest of the assets.

Pam Kessler
We haven't bought any value-add, Tayo, if that's what you're asking, where you would expect outsized--

Tayo Okusanya
--Right--

Clint Malin
--That's how my comments are made. We're expecting to have the $700 million completed by the end of Q3. That'll put us at $1.3 billion, the average age of nine years. We've targeted larger campuses, newer assets that are occupancy stabilized, that then have the ability to push revenue growth. And it's something that we have conversations with our operating partners about this and looking to the budgeting process and where to focus on it. And we do think there's going to be room to push rate, especially with just supply constraints that exist today. And that's why we have targeted the asset profile that we have to acquire to build the SHOP platform. We think that's going to be very advantageous to us going forward.

Tayo Okusanya
Okay, that's helpful. So then with the mid-teens IRR and you're buying, let's kind of call it high 6% to about a 7% cap, so you're kind of thinking it gives you like 8% -- 7%, 8% type growth?

Clint Malin
Yes.

Tayo Okusanya
Okay, that's great. And then just a quick second question - kind of with further growth in SHOP, this idea of being 75% by 2028, as we're kind of thinking about additional acquisitions, how should we think through funding that? I think, again, this year is a little bit different because, again, some of the funding is some of the high yield paper that's kind of from the loan payoffs and things like that. But -- so just kind of think about your actual cost of capital relative to where you're buying assets. You -- should we kind of thinking about that stuff as being kind of accretive from day one or more neutral from day one, and then we kind of get to growth in outer years?

Pam Kessler
Yeah, more neutral from day one and the growth in the following year. We do have some more potential capital recycling we can do in our portfolio - the bulk of it done this year. I mean, over $700 million, that's pretty incredible. As Gibson alluded to, turning over a third of our portfolio in less than 18 months, it's taken a lot of work here, but it's been -- the SNF asset sales have unlocked a lot of trapped value that's created a currency for us for growth-oriented investments. And we'll continue to look within our portfolio to do that. But next year, I would anticipate it more the normal course, 70% equity, 30% debt.

So you'll see more growth in the bottom line asset, gross asset value of LTC this year. It was more recycling and replacing low growth investments with high growth investments. Next year, you'll see more bottom line growth.

Tayo Okusanya
That is very helpful. You guys are grinding hard.

Pam Kessler
Thank you. We're working hard over here. Our team -- we've got a great team, and everybody's -- we're all in the same boat rowing together in the same direction and feel like we're firing on all cylinders. As Gibson said, we're really excited about what's happening here at LTC, and a lot of our investors are certain thrilled by it, as well, and looking forward --

Clint Malin
--That's allowed us to attract the operating partners that we have into the SHOP portfolio. Going from May of last year to now having 12 operating partners and adding one more, I think that energy has resonated and has really helped us catapult this growth.

Tayo Okusanya
Thank you.

Operator
The next question comes from John Kilichowski with Wells Fargo. Please proceed.

Jesus Garcia
Hey, good morning. This is Jesus on for John. So to start here, you guys raised the investment midpoint here by $300 million to $900 million and increased SHOP NOI guidance, but kept the midpoint per share guidance unchanged. I guess what is offsetting the incremental earnings contribution from those acquisitions?

Cece Chikhale
Well, a lot of it -- it's Cece here, Jesus. A lot of it is the timing of acquisitions and when they're coming on board. That's the primary cause of keeping it where it was initially coming out the model. We typically modeled ratably throughout the year, but it's been pushed back.

Jesus Garcia
Perfect. And just as you've scaled the SHOP portfolio and just added several new operator relationships, I guess what have you guys learned so far about what distinguishes operators best positioned to grow with you guys?

Dave Boitano
So, this is Dave. The operators who are best positioned to grow, or that we've had the most interaction with, have been regional operators that know their states well, know their markets well, and really got that level of knowledge about the locality and the market dynamics and probably have other communities in that sort of general region to draw upon. So I think that gives you a lot of strength in terms of having an operator who certainly is operating in your community, but they have a broader tapestry of regional resources and other things they can draw upon, their resources that we will benefit from by engaging them.

Jesus Garcia
That's great. Thank you.

Pam Kessler
Thank you.

Operator
The next question comes from Michael Carroll with RBC. Please proceed.

Michael Carroll
Yeah, thanks. I wanted to dig into the updated disposition guidance a little bit more. What really drove the increase on those expected sales and loan payoffs this past quarter? Is there just one larger portfolio deal included in that, or is it comprised of several smaller transactions?

Clint Malin
It's small. There's a number of transactions, Mike, that's involved in this. And this just goes to what we've mentioned on our previous calls, that we're going to look at our portfolio, and given, attractive pricing for skilled nursing, looking at being able to take advantage of that. So, this is something we've been managing, monitoring, operating, and buyers listen to our earnings call. They know that we have guided that our strategic focus is moving into SHOP. So we do receive a lot of inbound phone calls from that, as well. So it's responding to people, but then also just being proactive in managing our portfolio and seeing where best risk-adjusted returns are and where we can raise capital.

Michael Carroll
Okay. And then some of the cap rates achieved on those sales, looks like you're getting some pretty attractive value. Is that just like the higher coverage ratios on those deals that allows you to kind of get it to that sub-6.5% type range?

Clint Malin
Yes. And assets we've had on the books for a long time, as well.

Michael Carroll
And then, Clint, is there any--

Clint Malin
[Inaudible]

Gibson Satterwhite
Just, as you approach -- when you get daylight on some of these lease terms to an opportunity to either reset rent or re-tenant it as you move towards the end of the lease, then you're able to look to that coverage as an opportunity to unlock value. Most of these transactions will be with the operators, and it works -- we feel like it's really just a win-win for both sides. They're able to control their destiny with the assets, and we're able to realize really good, attractive value for our shareholders and redeploy into higher growth assets.

So it's not that we don't like the assets; it's just part of it's a function of structure. We've been very clear about what our goals are in terms of where we're going as a company. Their counterparties have their own goals. Good businesses have been good assets, but we've been looking opportunistically throughout the portfolio, reacting quickly when we get inbounds and proactively doing some outreach where we see opportunities. We'll continue to do that. But as Pam alluded to, we don't expect to do anything like that at this scale next year.

Clint Malin
And that also helps us be able to move the needle forward as far as getting to a higher percentage of SHOP concentration, which that is a stated goal that we have had.

Michael Carroll
Even though you don't expect to have a similar level next year, I mean, what type of activity still could exist? I mean, does this -- was it -- I forget you guys' number -- was it $730 million that's included in guidance this year? Could you do a couple hundred million of these types of sales in 2027, too? And is that contemplated at all, Clint, in that 75% goal that you put out there? Is that purely new investments that gets you to that 75% goal?

Clint Malin
That's more new investments. But there is a likelihood of, I mean, it's a couple hundred million possibly that could happen next year. You're not going to see the magnitude of what we had this year most likely, but you could see, I think, a couple hundred million is possible.

Michael Carroll
Okay. And then just last question for me - on the Prestige loan repayment that's included in guidance on October 1, I mean, how confident are you that will happen in October? I mean, is there any big list that they need to achieve to get the HUD loans to be able to get that done?

Gibson Satterwhite
Yeah, not now. We feel confident, Mike. I mean, the timing, maybe a few weeks or a month or something like that, but the final commitments from HUD are in to Prestige on most of those properties. And there are a couple more outstanding, but no concerns. Performance is really strong. They meet the HUD underwriting metrics comfortably. And so now, it's just a matter of kind of pulling all those together and marching toward close. So we feel confident now. We have more certainty now given those commitments, the HUD commitments that have come in to Prestige than we did when we had our last call.

Michael Carroll
Okay, great. Thank you.

Operator
The next question comes from Rich Anderson with Cantor Fitzgerald. Please proceed.

Rich Anderson
Thanks. Good morning. So, I think, Pam, you alluded to this, but just to put some numbers around it - the normalized FFO growth rate for this year is just 1.5%. But of course, we recognize why that's happening and that it transitions to more bottom line growth as you go forward. But if the landing point of this business is, let's just use a round number, 10% core same-store SHOP growth, what would hold the company back from producing bottom line normalized FFO growth at that level, if not greater, when you think about the end game here? Or is there any reason why it will always -- the FFO growth line will be something less than the same-store growth line?

Pam Kessler
No, and thank you for that question, Rich, because it is the math of it, right? At 75% in 2028, that's what you're achieving. And so the only thing that would hold us back from that is not being able to execute acquisitions at the level we are currently. So that assumption, getting to 75% in 2028, is predicated on our current run rate for acquisitions. And right now, what we're seeing in the market, there's no reason to believe that we wouldn't get there. So it's really just the math all falling to the bottom line. This has been a heavy lift transformation year, turning over the portfolio like we did, and the price we paid for it, as you noted, with 1.5% growth, was growth this year. But it was an investment we were willing to make consciously as a management team, knowing that in two years, the company that emerges is stronger, higher growth and just a lot more exciting, frankly.

Clint Malin
And actually being able to recycle the capital within the portfolio, I mean, that's triple-net older assets. I mean, it's just de-risking the portfolio as we go along. So that's actually strategically helpful to minimize the potential disruptions in the future.

Rich Anderson
So I think in past conversations, and I don't think I have this wrong, but you were thinking after the pandemic, after sort of bulky SNF sales that you would more keep that steady and then just grow the SHOP business and grow your percentage of SHOP that way. But you've obviously had an epiphany about selling more SNFs, which is fine. But I am curious about who's the buyer at a 7.5% cap rate for SNFs. That's a very attractive yield for you, but what does the buyer see in that?

Gibson Satterwhite
So the 7.5% includes, and maybe [inaudible] call it implied yield, because that's -- Prestige is structured as a loan. So that's Prestige. As I mentioned before -- oh, hey, it's Gibson. As I mentioned before, the incremental sales that we're talking about, most of those are back to operators or affiliates of the operators. And they're arising from different situations, each unique. But generally speaking, as you get to, again, daylight toward the end of lease term, you're not just swapping lease yields, right? You're able to, for our shareholders, look more to the overall cash flow of the underlying operations to monetize that.

And it works for the operators, too. Again, they're able to -- they control all the upside going forward. And they have certainty, and they can plan their business, and they get to control their own destiny for the asset. So we feel like it really -- it's really attractive yields for us. We're really happy to redeploy that in the SHOP. But we think it works for the operators, as well. And it's -- just practically speaking, it's a much easier transaction to do.

Rich Anderson
Yeah, so they just have a different agenda. So it's you're looking at different things and different opportunities from both sides. I get that.

Gibson Satterwhite
[Inaudible] alternative is to rebase your rent, right, and wait now and wait till the end of the lease term and hope that margins hold up and hope that occupancy holds up and hope that reimbursement holds up and that you can be in the same spot in a couple years where you are now. And so we just think that it's much more sensible for us, given our goals, to act on that now.

Clint Malin
And generally speaking, operators that are in leases that have good coverage, I mean, I think their objective just generally is to own the asset as opposed to lease it.

Rich Anderson
Yeah. Okay. And then last question for me - so 75% by the end of 2028. I mean, why not just go to 100%, right? I mean, like let's -- and you guys have you exceeded expectations about that number so far in the 18 months you've been doing this. I mean, let's just rip the band-aid off and go for it if we're going to do it, right? I mean, is that a possibility?

Clint Malin
I think, Rich, we would look at the portfolio, and it's really a function of looking at what pricing is, cap rates, what's the best -- what's the most attractive capital we have available to us. And so I think we would continue to look at that between now and then. It could accelerate because that really -- getting to that 75% is really just a function of the pacing of our existing deal flow. And if we do decide to sell assets in the portfolio to further that growth, it would just increase -- get to 75% sooner and maybe surpass that.

Gibson Satterwhite
It feels to us, Rich, like the band-aid has been ripped.

Pam Kessler
Yeah.

Gibson Satterwhite
And it was -- it's been a lot of work getting here, but we have the platform in place to really -- if that's what we decide to do later, we feel like we have the platform in place to scale to be able to do that. But the band-aid's been ripped.

Clint Malin
And the good thing right now, too, if you look at just coverage on the triple-net side as far as AL and skilled, we've got historic coverage on the skilled nursing side. So it's strong so we don't have to do anything Pricing is opportunistic. But we feel that, within the portfolio, there's strong coverage, and you never know what could happen, but we feel that there is room in that coverage to absorb any challenges if things come up from different areas as far as reimbursement, regulatory, or things that are unexpected.

Rich Anderson
Fair enough. Thanks very much for the color.

Clint Malin
Thank you.

Pam Kessler
Thanks, Rich.

Operator
The next question comes from Austin Wurschmidt with KeyBanc Capital. Please proceed.

Austin Wurschmidt
Great, thanks. Good morning. Kind of Going back to that last point, Clint, I guess, how much exposure will you have to the SNF investments by year-end? And do you think that coverage across those remaining assets supports similar pricing as you're achieving on the SNF sales this year?

Clint Malin
I would think so, yes. I mean, right now, probably, our NOI on skilled goes down to low 20s.

Pam Kessler
That's amazing.

Clint Malin
That's a pretty dramatic shift from what it was in 2024. At the end of 2024, it was like 50% -- almost 60%.

Gibson Satterwhite
Just a year ago, if you check our Q2 supplemental, it's over 50%.

Clint Malin
Yeah. A dramatic shift.

Austin Wurschmidt
Helpful. And, Gibson, appreciated all the detail on the core SHOP pool of assets. Was the occupancy shortfall or change to the guidance this year entirely from the memory care units or those assets, or were some of the more traditional SHOP assets also impacted from some of just maybe the, I don't want to say occupancy softness, but maybe decel and the pace of improvement many had anticipated into the early part of the summer leasing season?

Gibson Satterwhite
Yeah, it's a fair question, Austin, and I don't think I was clear enough when I started out my initial answer. I think part of it is really due to the way we have it modeled, where as we started out in the beginning of the year, it was kind of a more smooth and gradual build. I think I've mentioned in response to your question last time in Q1, we saw more seasonality than we expected. So really, for the first half of the year, we're probably 90 BPS behind on occupancy of our own internal projections.

But having said that, year-over-year, we're about 145 basis points over last year. And so the question is, okay, well, why don't you just raise your guidance? Well, I mentioned earlier that, last year, we saw a really steep ramp in our occupancy in the second part of the year. And as we look at the cohort of buildings that would be required to do that at this point, a lot of that is in the higher acuity, standalone memory care.

We saw that in that within that segment last year. We've seen it to different degrees in prior years. So it's really us -- so with this portfolio, this characteristics, you can have a lot of volatility, and we don't want to hang our hat on last year's -- on one year's results. So we're not discouraged by what's transpired so far; we're actually pretty encouraged. We're behind our own expectations a little bit on occupancy. RevPOR is higher. If you had to pick between the two, that's where you'd want to be right now. And you're seeing some of those buildings that have higher occupancy, you're seeing them start to drive rate a little bit more and charge for the care that they're providing the residents.

So it's not -- last year, you were able to get that 300 basis point improvement, second half over first half. This year, we're just not modeling that same kind of growth. If we get to that growth, then we're probably at the top end of our range. But again, we're really pleased with our operator base. The business development team has done a fantastic job bringing new operators. They're great. We feel like, if we can get the midpoint and in this range, it's a tremendous success for our shareholders.

Austin Wurschmidt
Let me ask you, when you see these periods where maybe occupancy is not improving through the quarter as quickly as you might have anticipated or underwrote, how quickly or seamlessly can you transition to push rate, like you're kind of assuming in guidance to offset that softer occupancy build?

Gibson Satterwhite
Yeah, so those things are really decoupled in the way that you're thinking about it. So if we were sitting on a 600-property same-store portfolio, we can make a top-level assumption and say, hey, occupancy is down here, we're going to tweak the whole portfolio by 50 BPS -- pricing 50 BPS over there, and Bob's your uncle. But here we're going asset -- the operators look at asset by asset. They're already on the assets on the communities that were higher occupancy. They're already working on rates. And that's independent of what our total SHOP goals are. We're not going back to the operators and saying, hey, we're a little behind in our projections year-to-date and go back and increase rates. So they're really -- they're two separate considerations.

I understand why you're linking them, and that makes sense. And I want to make one thing clear. We're really -- in my earlier comments, we're really encouraged by the strong start to Q3. So we saw occupancy accelerate at the end of Q2; we're just not banking on the same kind of increase that we saw last year.

Austin Wurschmidt
No, that's helpful detail. Thanks for the time.

Pam Kessler
Thanks, Austin.

Operator
Thank you. At this time I would like to turn the call back over to Clint Malin for closing comments.

Clint Malin
Thank you for your time today. We really do appreciate the interest in following LTC, and we look forward to seeing you on our -- or talking to you on our next call. Thank you.

Operator
Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.