LTC Properties, Inc.
Third Quarter 2026 Earnings Call
November 4, 2026

Presenters
Clint Malin - Co-President & Co-CEO
Gibson Satterwhite - Executive Vice President, Asset Management
David Boitano - Executive Vice President & Chief Investment Officer
Caroline Chikhale - Executive Vice President, CFO, Secretary & Treasurer
Pam Kessler - Co-President & Co-CEO

Q&A Participants
Michael Carroll - RBC Capital Markets
Rob Stevenson - Huntington
Omotayo Okusanya - Deutsche Bank
Juan Sanabria - BMO
Jesus Garcia - Wells Fargo
Austin Wurschmidt - KeyBanc Capital Markets Inc.
Rich Anderson - Cantor Fitzgerald

Operator
Greetings and welcome to the LTC Properties Third Quarter 2026 Earnings Call. At this time, all participants are in a listen-only mode. Joining us 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, Asset Management, AND Dave Boitano, Executive Vice President and Chief Investment Officer.

Before management begins its presentation, please know 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 filings with the Securities 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 now like to turn the conference over to LTC management.

Clint Malin
Good morning, everyone, and thank you for joining us. Our SHOP strategy is delivering from a growth perspective and has fundamentally reshaped LTC's future. We launched SHOP in May of 2025 and are rapidly transforming from a lower growth triple-net lease and lending platform into a SHOP-focused REIT with a higher intrinsic growth profile. Last quarter, we increased our 2026 midpoint acquisition guidance by 50% to $900 million and have since surpassed that guidance with approximately $950 million in SHOP acquisitions closed through October.

We expect total acquisitions for the year of approximately $1 billion, at which point SHOP will have grown from zero communities into a $1.6 billion portfolio over 19 months. Additionally, we have expanded our SHOP operator relationships to 14, including one new relationship added last month.

2026 has been a historic year for LTC. As we continue to focus on the tremendous opportunities ahead of us, our sights are set firmly on 2027. To date, we have $200 million of SHOP acquisitions that are expected to close in the first quarter of next year, which will also add a new SHOP operator relationship to our portfolio.

At an expected $1 billion of SHOP acquisitions in 2026, the portfolio will represent 50% of LTC's pro forma annualized NOI at year-end. At this level, our pro forma internal growth rate triples, and as SHOP continues to expand as a larger share of our total portfolio, our expected growth rate increases even further, significantly enhancing our ability to organically grow core FFO and FAD per share above historical levels.

As we have previously discussed, at our current SHOP acquisition pace, we see a pathway to generating approximately 75% of our annualized NOI from SHOP by the end of 2028. This timeline can be accelerated should we identify additional opportunities to recycle capital out of older and lower growth triple-net leased assets.

We are proud of what we have achieved, but even more excited about what lies ahead. Transformation is no longer a future objective. It is happening now, and LTC is entering a new chapter of growth, scale, and value creation.

Now Gibson will walk us through LTC's operating portfolio.

Gibson Satterwhite
Thank you, Clint. We are continuing to optimize risk-adjusted returns and increase the intrinsic growth profile of our own portfolio by recycling capital into SHOP. In the third quarter, we generated about $465 million of gross proceeds by selling triple-net assets at an implied cap rate on our rent of approximately 5.5%. And the $180 million Prestige loan is currently slated to pay off on November 24.

Going into next year, we will continue to capitalize on opportunities to recycle capital as we look to further accelerate our portfolio transformation. We are also taking action on the 10-property portfolio subject to market-based rent resets. Of these 10 properties, we recently began the sales process for three. Another two of the 10 properties have been converted into a long-term lease with initial annualized rent of $2.4 million.

The lease contains a SHOP conversion option that could be exercised as early as the first quarter of 2027. For the remaining five properties, we plan to negotiate a long-term lease in advance of the current lease expiration next year. We expect to recognize rent of $780,000 in the fourth quarter from these five properties.

With respect to our core SHOP portfolio, we are narrowing our 2026 guidance to $53.5 million to $55.5 million, half a million dollars below our prior range at the new midpoint of $54.5 million. The reduction is primarily due to a change in care and unit occupancy mix and a Medicaid rate decrease received in Q3, retroactive to July 1, which affects two standalone memory care communities in our portfolio.

Excluding these two communities, Medicaid as a percentage of our SHOP revenue is approximately 3% and is primarily offered as a spend-down option in states with rates on par with private pay rates. For private pay, our operators have been able to implement strong rate increases, and we expect that to continue into 2027. The current guidance range for our core SHOP portfolio represents approximately 11% to 15% pro forma growth for the prior year and 13% at the midpoint. The underlying fundamentals of our business are strong.

As we've outlined in prior calls, we believe that our core SHOP portfolio can achieve high single to low double-digit NOI growth with a 200 basis point spread between RevPOR and ExPOR, even at zero occupancy growth. To be clear, we do expect that our operators will continue to drive occupancy growth going forward.

We're excited about the new and expanded operator relationships we've cultivated, the quality of the communities in our portfolio, and their markets. We believe that our SHOP portfolio is well-positioned to deliver the growth necessary to transform the intrinsic growth profile of our overall portfolio as we continue to increase our SHOP mix.

Now Dave will discuss our recent investment activity.

Dave Boitano
Thanks, Gibson. We are executing successfully in a dynamic SHOP acquisition market, maintaining our strong momentum and enhancing LTC's growth trajectory. LTC's differentiated approach centers on aligning quality assets with exceptional operators in markets with strong demand fundamentals, creating a portfolio built both for performance today and growth over time.

We've established a strong pool of operators who are well-suited to the profile of communities we're acquiring, allowing us to move quickly as opportunities arise. SHOP has opened a much larger opportunity set for LTC, and we are seeing significantly greater deal flow in 2026 than at any time in our history. We have been selective and strategic in vetting opportunities to pursue only acquisitions that fit our buy box. Illustrating our focus, the acquisitions we have closed in 2026 represent less than 5% of screen deal volume.

Heading into 2027, we expect deal flow to remain strong, especially in a higher interest rate environment and as loans originated at lower rates mature and drive owners to consider monetization ahead of those maturities. NIC estimates that nearly $40 billion in loans will mature over the next four years.

We are building our portfolio methodically. Investment decisions are guided by key fundamentals, including occupancy, asset quality, property scale, unit mix, size, and configuration, and market dynamics to assemble a portfolio positioned to perform for the long run. LTC's collaborative, execution-oriented culture resonates with operators, sellers, and intermediaries. Our reputation for responsiveness, transaction certainty, and disciplined execution reinforces our relationships, enhances our strategic advantage, and drives a robust acquisition pipeline.

2026 has been a year of unprecedented growth, positioning SHOP acquisitions to reach $1 billion by the end of the year. This more than doubles our prior year investment activity, making 2026 the most active year in LTC's history and setting the stage for a new LTC growth era. The opportunities we see in the market today, together with our growing operator relationships and sourcing network, give us confidence in our ability to sustain our momentum into 2027 and beyond.

Now over to Cece for a review of our financial results.

Cece Chikhale
Thank you, Dave. With a recently expanded credit facility, a new ATM agreement, proceeds from asset sales, and the expected payoff of the Prestige loan, we have ample liquidity and flexibility to capitalize on opportunities as they emerge to continue our growth trajectory into 2027 while creating additional NOI upside.

Our pro forma liquidity stands at over $900 million, including the sale of 2.3 million shares of common stock for $97 million in net proceeds in the third and fourth quarters to date, and asset sales of about $465 million of gross proceeds in the third quarter.

Our pro forma debt to annualized adjusted EBITDA for real estate was 4.4 times, and our annualized adjusted fixed charge coverage ratio was 4.9 times. We remain well within our target range of four to five times debt to EBITDA, although leverage may move within that range based on time of acquisitions, asset sales, loan payoffs, and ATM proceeds.

Core FFO per share was $0.71 for the third quarter, compared with $0.69 last year. And core FAD per share was $0.73 compared to $0.72. The increase in core FFO primarily relates to a net increase in SHOP NOI from acquisitions and conversions and an increase in interest income from loan originations and construction funding. This was offset by decreases from property sales and loan and financing receivable payoffs, and an increase in interest expense. The increase in core FAD is primarily due to the same factors as the increase in core FFO as well as rent escalations offset by increase in recurring capital expenditures due to SHOP acquisitions.

Our 2026 full-year guidance range remains unchanged. Although we've narrowed some of the underlying assumptions based on results through the third quarter, we remain on track to deliver within our expected range of core FFO per share of $2.76 to $2.78, and core FAD per share of between $2.83 to $2.85. Our assumptions are detailed in yesterday's press release and in our supplemental package, which are available on the LTC website.

Now I'll turn things over to Pam.

Pam Kessler
Thank you, Cece. We introduced our SHOP strategy a year and a half ago with a clear vision for creating a differentiated growth engine, positioning the company to capitalize on opportunities across the seniors housing sector and enhancing LTC's earnings profile. Our accomplishments to date reflect the strength of that strategy and our team's execution.

Recent stock price momentum indicates that investors value the potential higher future growth from our strategic shift into SHOP. As Clint mentioned, by year-end, SHOP will represent 50% of annualized NOI and has become a significant driver of LTC's growth. This shift from 19 months ago reflects not only the scale of the opportunity, but our ability to establish and cultivate industry-wide relationships.

Our objective has never been simply to grow the portfolio for growth's sake. We have been intentional about assembling a collection of communities positioned to succeed in today's environment and remain competitive as market conditions evolve. The communities we own and seek to acquire have established market positions, attractive demographics, and physical layouts that support long-term resident demand.

Our balance sheet is a strategic advantage. As noted, with our expanded credit facility, pro forma liquidity of $900 million, and the anticipated $180 million payoff of the Prestige loan, we have substantial financial flexibility to continue funding growth. Additionally, we have proactively and successfully used our ATM to fund acquisitions, demonstrating the growing appetite for investment in LTC. In fact, comparing September 2024, prior to announcing our SHOP strategy, to October 2026, the notional value of our average daily trading volume increased nearly 175% from $10 million to $27 million per day. Eric Clark, our new Senior Vice President, Corporate

Finance and Investor Relations, will be instrumental in driving that further. Welcome, Eric. We're glad to have you on board.

Our transformation has been a true group effort, and our success would not be possible without the trust of our operators and the dedication of our team. We are grateful operators choose to work with LTC and have confidence in our ability to support their efforts to provide care and services to seniors across the country, while our team has proven day in and day out that, with discipline, execution, and commitment, we can move faster and accomplish more.

LTC has evolved rapidly by delivering on the strategy we first laid out when launching SHOP. While our goals were ambitious, we have successfully built a scalable platform that is generating considerable momentum. As a result, we believe we are better positioned than ever to drive sustainable earnings growth, increase portfolio resilience, and create meaningful long-term value for our shareholders.

We are now ready to take audience questions.

Operator
We will now be conducting 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. One moment please while we poll for questions.

Our first question is from Michael Carroll with RBC Capital Markets. Please proceed with your question.

Michael Carroll
Yeah, thanks. I guess, Clint, I appreciate the comments that you guys made that the total SHOP portfolio can generate high single-digit NOI growth or low double-digit NOI growth with just a 200 basis point spread between RevPOR and ExPOR. I mean, is that a good measure for the broader portfolio? And maybe is there a split we should think about between the freestanding memory care portion of the SHOP and the rest of the SHOP portfolio?

Clint Malin
I think, Mike, I'll let Gibson talk about some of the detail on that, but broadly speaking, when we designed this core portfolio to give transparency to what we have been acquiring, that includes properties acquired through early January, but 12 of that 27 in our core portfolio are standalone memory care assets, which have different fundamentals as far as acuity, rate growth, which differs from our portfolio more broadly. So right now, we have 50 buildings in our SHOP portfolio, of which we have about, I guess, 14 that are freestanding memory care. So there's different compositions and profiles to that, but Gibson, why don’t you talk about the spread between RevPOR and ExPOR?

Gibson Satterwhite
Yeah. Mike, it's a good question. It's a fair question. I'll hedge a little bit by saying we'll keep our comments focused on core for now, and then as we work through the budgeting process -- we're now up to 50 properties. The core portfolio is 27 of those. We can -- happy to revisit. I will say that, as we roll new acquisitions in, the RevPOR is kind of coming in around the range that you're seeing in our total RevPOR range in our supplemental slides, so call it mid-sevens. And the acquisitions team, as we're underwriting, feels like that possibility is there. So we're not underwriting a lot of occupancy growth on stabilized acquisitions. We're underwriting that spread. So, I think, given those, I don't suspect there's going to be a big change, but we can put a pin in this after we work through budget season.

Michael Carroll
Okay.

Gibson Satterwhite
Generally speaking, yes, we feel confident in that thesis, and we're obviously putting a lot of money and time and energy behind that.

Michael Carroll
Okay. And it sounds like the Medicaid issue is tied to two communities within the memory care portfolio. Can you give us the breakout of the Medicaid exposure within the memory care portfolio alone? And is it only two communities that have a lot of Medicaid exposure, and the rest is included--

Gibson Satterwhite
--Yeah--

Michael Carroll
In that 3% number you provided?

Gibson Satterwhite
Yeah, that's right, that's right, Mike. So it's primarily concentrated in those. Those two are in a state that has good reimbursement, on par with private pay, and it's a niche program in that state where they can take in residents. They get equivalent to what you might get in the skilled nursing, but they're able to get that in a residential setting. So that was the -- unfortunately, right after we rolled out guidance and increased our RevPOR guidance on the last call, we found out about that. That decision was issued after our last call. But, yeah, the rest of the portfolio, the bulk of it is in those buildings.

Michael Carroll
Okay. And then last question from me - on the potential asset sales, I know that there was that one SNF tenant that's going to elect to exercise its purchase option. I know that, in the press release, you gave us the mechanics on how the purchase price is going to be decided, but can you give us some idea what the potential yield can be? Is it going to be in the low 8-ish percent type range? Is that kind of a fair estimate, or is it a little bit different than that?

Clint Malin
We're in the process of determining this, and we structured this transaction to where we could participate in value creation of those buildings. So I think it's too early to give you a specific number, but we feel confident in how we structured the transaction to not just be paid off at our gross book, to participate in upside in those properties. We'll provide more color on that on probably our next earnings call.

Michael Carroll
Okay, great. Thank you.

Clint Malin
Thank you.

Operator
Our next question is from Rob Stevenson with Huntington. Please proceed with your question.

Rob Stevenson
Good morning, guys. Just on the skilled nursing side, can you talk about what the disposition market looks like there today? Given most people's higher cost of capital, how materially is pricing for those assets being impacted today and demand, etc., that you're seeing?

Clint Malin
We've experienced in recent transactions where there's been tremendous appetite, primarily in the private buyer market, for skilled nursing. So we haven't seen a change in that. It seems to be very robust.

Pam Kessler
Yeah, and interest rates -- you're probably getting at the increase in interest rates and what effect that's had, but we haven't seen that have a material effect on the appetite or pricing within the skilled nursing industry.

Rob Stevenson
Okay. Are these -- the dispositions you guys have done recently, have they gone to normal buyers, or is this part of the sort of fervor of 1031 and bonus depreciation buyers that seem to be supporting the market to a greater extent here in the fourth quarter?

Pam Kessler
Well, for us, it's generally been the operator, so maybe that's why we're not seeing any price changes because the operator, especially under a lease, is going to be your strongest buyer.

Clint Malin
But in other cases where we sold -- I mean, where it's not been to the existing operator in a couple cases; it's been buyers that are known quantities in the industry that have been long-term investors.

Rob Stevenson
Okay, that's helpful. And then noticed that ExPOR on the core SHOP portfolio declined quarter-over-quarter. Is that just short-term noise, or is there some significant initiatives that you guys have underway in the portfolio to reduce cost on the expense side?

Gibson Satterwhite
I call it a little bit of noise -- hi, this is Gibson. I call it a little bit of noise. Just keep in mind that 27 properties in and of itself is a pretty small sample size when you're talking about a same-store portfolio. And then again, 12 of those are standalone memory care, so you get more variance around whatever the mean is from quarter to quarter. On balance, the reductions there were some successful property tax appeals and better GL/PL experience, but nothing that's really -- I mean, those are real, and those kind of carry forward, but structurally, I would call that just some changes, improvements around the edges.

Rob Stevenson
Okay, that's helpful. Thanks, guys. Appreciate the time this morning.

Gibson Satterwhite
Sure.

Operator
Our next question is from Omotayo Okusanya with Deutsche Bank. Please proceed with your question.

Omotayo Okusanya
Yes, good morning, all. Just kind of curious from a regulatory perspective if, again, the midterm results create any additional or even a reduction in regulatory risk? And then also specifically if you've heard any additional news around CMS and some of the talk about them recalibrating PDPM because of concerns about upcharging?

Pam Kessler
Hi, Tayo. I mean, there's always regulatory risk, right, and I don't see that changing significantly now versus in the past. I think, broadly, there's been bipartisan pushback against some of the

initiatives from the more progressive side, and I think at the end of the day, cooler heads prevail on that, and a lot of it's headline noise. But it's certainly something that we keep an eye on.

Clint Malin
And we do feel -- we feel positive about moving our portfolio to more of a SHOP focus on a private pay model than on reimbursed models.

Omotayo Okusanya
Gotcha. That's helpful. And then on the SHOP side, again, really good activity from an investment perspective, so you guys are clearly getting deals done. But, you also mentioned that it is increasingly competitive out there. So could you just talk a little bit about some of the things you're doing to still kind of get your fair share of transactions that you're interested in?

Dave Boitano
Sure. This is Dave. So our byword would be relationship, right? We're super focused on our operator relationships, our intermediary relationships and being there, whether it's one building or two or three, being super responsive. I think one of the, if you say non-balance sheet assets for us, are our operator relationships because they give us an early look at situations and opportunities and a chance to sort of continue that relationship and grow with them. So just servicing as much as we can everybody we touch and maintaining what I call our LTC brand in terms of responsiveness and being on it and cutting to the quick. If something doesn't fit, we'll tell them it doesn't work. If something does work, we're going to lean in hard.

Omotayo Okusanya
Thank you.

Operator
Our next question is from Juan Sanabria with BMO Capital Markets. Please proceed with your question.

Juan Sanabria
Morning. Thanks for the time. Just curious if you could maybe talk a little bit about how investors should think about the growth profile of the company. I think you said, given what you've done to SHOP, growing SHOP, that the growth profile from a cash flow basis, NOI, or rents has gone up 3x, and when that should begin to flow through to the bottom line, and how that -- more so know a lot of the movements in '26 have been kind of capital recycling that's been neutral to earnings, but how does that change, if at all, for '27, just given that you have more higher growth SHOP assets at present?

Pam Kessler
Yeah. Thanks, Juan. There has been, to your point, a lot of noise in the flow-through from our acquisitions due to the capital recycling. And that kind of -- you have a forward 12 months of that, and especially with the Prestige loan payoff here in November. But once that's all flown through

the comparative periods, you have 50% or more of the SHOP is dropping to the bottom line as the SHOP NOI percentage grows. And I talked about on last call, we were looking at just the math getting to 75% in 2028. That flows through to the bottom line because there's not much incremental cost from a corporate standpoint to that. So, it increases significantly.

Juan Sanabria
Okay. So not to put words in your mouth, but we should see earnings growth in '27?

Pam Kessler
If we continue to acquire properties, yes. I mean, we did say in -- I'm sorry, what did I say?

Cece Chikhale
Juan, in '28.

Pam Kessler
Yeah, '28. I mean, there will -- in '27, we have flow-through, but we have the -- we'll have 11 months of the Prestige payoff that also flows through to counterbalance that.

Juan Sanabria
Okay. And then just going forward beyond Prestige, is the focus more on continuing to prune skilled nursing? You talked about good appetite from buyers there. I know some of your peers have been more focused on good asset management and capturing higher rent coverage levels through higher rent, either with existing or new tenants, and just kind of the strategy or philosophy on how you approach those opportunities. Is it more skewed towards dispositions and continuing to up-weight SHOP, or is it capturing higher growth than traditionally is available through [inaudible]?

Clint Malin
Well, we had examples of that earlier in the year when we recycled capital out of skilled nursing leases that were expiring. It really was us looking at a situational opportunity of really having a growth trajectory through SHOP and recycling that capital at an attractive rate for a higher growth profile of assets. So, that was really a strategic decision as we've really focused on growing our SHOP platform. We'll look at that as we go forward as far as opportunities, but we do have ability to attractively recycle capital in existing leases to redeploy to SHOP to be able to accelerate that growth to a higher growth profile, that's where we want to go. Our ultimate objective is driving per-share earnings growth.

Juan Sanabria
Beyond the loan payoff in November, anything else out there that we should expect? I know you flagged the purchase option that was going to be taken up here in the first quarter, I believe. But anything else, other loan repayments, ALG, etc., that could be a source of proceeds?

Clint Malin
We've always talked about ALG as a possibility. It's been a view of a shorter duration investment, so it's possible those could lead to payoffs. We've set that aside as always a possibility. We aren't exactly sure the timing of that. But we do have people -- lessees in our portfolio call us about opportunities to look at purchasing assets. So, we're not looking at doing transactions that are dilutive, but we'll update you on the next quarterly call in regard to any changes on that.

Juan Sanabria
Appreciate the time. Thank you.

Clint Malin
Thank you.

Operator
Our next question is from Jamie Feldman with Wells Fargo. Please proceed with your question.

Jesus Garcia
Hey, good morning. This is Jesus on for Jamie. Thanks for taking the question. Just looking at your SHOP margins over here relative to peers, just how much of that gap right there reflects the higher memory care mix, and how much of that gap do you think you can narrow over time?

Gibson Satterwhite
It's fair to say that our core margins are impacted by the memory care mix. And I think as we go into -- because, at the beginning of the year, when we rolled out the core portfolio, 27 properties, that was about 98% of our owned NOI at the time. And so by the time we get to the end of the year, our core SHOP portfolio, call it $54.5 million, $55 million, that's going to be approximately half of our SHOP NOI on a pro forma basis at the end of the year. So we'll give some consideration to how we constitute the core portfolio next year to capture kind of the broader trends. But I think in the core portfolio, I think you're seeing the impact of the standalone memory care.

Jesus Garcia
Great. And for the acquisitions you're underwriting today, what's the permanent debt to equity funding mix that you're assuming here? And like what initial accretion hurdle must the deal clear?

Pam Kessler
Well, we're continuing with the 70% equity, 30% debt. And it's pretty flat the first year as we talked about, but there's -- looking at for future growth.

Jesus Garcia
Perfect. Thanks for the color, guys.

Pam Kessler
Yeah, what we're buying is future growth; that's probably the best way to look at it. We're not spread investing at this point.

Gibson Satterwhite
I'll say as a circle back to the initial question, I suspect that some of our peers have higher component of IL in their same store, as well, so that could be another factor.

Pam Kessler
For the higher margin?

Gibson Satterwhite
Yeah, but the memory care is a factor.

Jesus Garcia
Thanks, guys.

Operator
Our next question is from Austin Wurschmidt with KeyBanc Capital Markets Inc. Please proceed with your question.

Austin Wurschmidt
Hey. Good morning, everybody. You guys referenced in the prepared remarks you've transacted on less than 5% of the assets that you've underwritten, and I was wondering if that's more a function of product quality or access to capital, just given a large amount of the acquisitions this year have been funded with proceeds from capital recycling. So to the extent the opportunity to access the equity markets expands, how does that potentially increase your ability to kind of grow the acquisition pace from what you've seen this year?

Pam Kessler
Well, the capital markets is not constraining growth. It's the opportunity set. And I think we're getting our fair share -- at $1 billion this year, we're certainly getting our fair share of the opportunity set. I think our buy box is probably much smaller than some of our peers, and we're being very selective, as we've talked about all year long, of what we're buying, and we will continue to be selective. But right now, we don't see the opportunity set narrowing. Our pipeline for next year already looks good, so we're very optimistic about 2027 and our ability to transact at the same volume level as this year.

Austin Wurschmidt
Thanks, Pam. Appreciate the thoughts. And then, Gibson, within SHOP, how does performance this year within the core portfolio, as well as just from what you've seen as far as the acquisitions, how the performance is stacking up versus underwriting, how does that all shape your thoughts about the pace of occupancy upside in a given year?

Gibson Satterwhite
Yeah. Well, I guess I'll answer it this way first. I think with the deals that we've been acquiring, they've been generally stabilized occupancy, so we haven't been making a big bet on stabilized occupancy. So it's really been -- come down to the ability to -- the thesis has been that, given the supply-demand dynamics, that RevPOR will continue to outpace the expenses. And we're seeing that play out, the top line of the core metrics notwithstanding today - I can get into that a little bit.

On your question on how they are performing relative to underwriting, I think on balance, things are performing kind of in line or a little better with underwriting if you spread that across core and on the brand new deals. Now, the new deals are just coming in, but on the core side, we actually, in our guidance, incorporated higher than underwriting expectations. And so that's coming in a little better. I think on balance, everything is performing in line with expectations with underwriting.

On the RevPOR side, I think as we look at kind of the underlying fundamentals in the business, I mentioned some of the drivers behind that. So, if you think about the 50 basis point decline in our outlook for the full year, pro forma year-over-year, about half of that, just slightly more than half of that, was due to the Medicaid issue in those two standalone memory care buildings. The rest of that we view as -- and that's something that we feel like they can overcome in terms of the portfolio with continued occupancy growth in the overall portfolio and room for margin improvement.

If you look at the other piece of that, which was slightly less than half of that change, that was really due to unit mix across a little bit more IL than AL. It's buildings that have both. You're not reducing staffing levels for that. A little less acuity in memory care around the margins. Again, you're not reducing staffing levels for that. A little trend, quarterly trend to lower RevPOR memory care units. And that, we just didn't -- we feel like that'll sort itself out over time. We're not really concerned about that. We just didn't model that to bounce back in Q4. What we're seeing on the ground, the top line result, in that kind of RevPOR, us bringing RevPOR down, is not what we're seeing on the ground.

What we're seeing on the ground with respect to -- if you just look at like-for-like care unit type, market, our operators have been, throughout the year, been able to implement strong rate increases. And as we head into next year, I think we're optimistic that we can do -- that they can do the same. Kind of talking about in-place mid-single digits to high single digits of in-place rate growth. And so I feel like -- we feel like the fundamentals are really strong on that. On the expenses, labor is the bulk of your cost structure, and we're not hearing a lot of acute pressure as we go into budgeting season, as people look into 2027. Generally speaking, most people are talking about kind of cost of living increases. I think we feel like the fundamentals underlying the business are strong.

So I think -- we feel like the fundamentals underlying the business are strong. We feel like some of the top line around the SHOP metrics are a little bit more noise than signal.

Clint Malin
Also, to add to Gibson's comment, there's also the acquisitions that we have invested in, we've retained the existing manager for the most part, other than a few opportunities. So that leads to consistency of leadership, staffing, familiarity with the markets, the buildings to be able to drive RevPOR growth as well as manage expense. So we're excited about that.

Austin Wurschmidt
And just to summarize some of that, the mid to high single-digit rate increase you referenced, is that the in-place growth at the outset of the year or sort of the pace of RevPOR growth? And is 50 to 100 basis points of occupancy upside similar to what you're tracking towards this year, kind of a good run rate in terms of annual upside and occupancy, the pace of occupancy growth?

Gibson Satterwhite
Yeah, let me address that first. We'll get to the occupancy assumptions as we get into next year, as we get through budget. I might get my hand smacked if I commit to that now and go back to the operators and push it through that way. So I don't think it's unreasonable, but we'll get to that as we get through budget season.

When I was talking about the potential rate growth on the table, that's in-place blended rent plus care for the in-place residents, for your private pay residents. Now, consider that the range. Our experience is, depending on who's doing that, more weighting towards certain portfolios, that may blend you down to the lower end of that range. And as I just mentioned, we got a little bit of Medicaid around the margins. We don't really budget for any increases there.

So we're -- I wouldn't say to take the midpoint from 5% to 9% and budget us for 7%. But what I am saying is that, as you look at kind of the in-place rates year-over-year and what's on the table, we don't really see a deceleration of that. It seems to be pretty consistent and be at levels that allow us to see that kind of high single-digit, low double-digit organic growth in our SHOP portfolio.

Austin Wurschmidt
That's helpful clarification. Would hate to see you or hear you get smacked. Thank you.

Operator
Our next question is from Rich Anderson with Cantor Fitzgerald. Please proceed with your question.

Rich Anderson
Hey, thanks, and good morning out there. So I just wanted a little -- one extra dose of clarification on this modest downtick on the core NOI from SHOP. I get half is the Medicaid issue; that's fine.

The other half is this unit mix issue. That's going to happen all the time, right? For the rest of eternity as you're a SHOP owner, we're always going to have that change in care, change in unit mix sort of function. That's just the way the business goes.

And so, Gibson, I think you said this, but I just want to make sure. If you had a quarter to go in the year, you make this change, but if you had five quarters, the RevPOR growth probably overwhelms this and you don't actually have a reduction. Is that the right way to think about that messaging?

Gibson Satterwhite
That's right.

Rich Anderson
Okay.

Gibson Satterwhite
Yeah. That's right.

Rich Anderson
Okay.

Gibson Satterwhite
We're just not -- we view that as, again, getting back to sample size, 27 properties, a lot of the variance we're talking about is in the standalone. You just can't -- frankly, it's challenging to model quarter to quarter.

Rich Anderson
Yeah.

Gibson Satterwhite
But over the long term, it doesn't. I think you said it very well, Rich.

Rich Anderson
Okay. And then this is probably obvious to everyone but me, but in the press release, your total SHOP NOI also declined by the same amount, $500,000 or something. And I'm curious why that would have happened as you are growing so substantially through acquisitions. Why would have we seen SHOP total NOI guidance come down to that sort of, I don't know, $75 million range down a little bit from last time you spoke?

Gibson Satterwhite
Yeah, that's a fair question, Rich. We're pretty fully baked right now on our guidance. So call it $20 million, so $55 million, we brought that down half a million in core. And so that's really kind of the incremental change around the margin. So that implies that we don't have any changes

for -- we've got five value-add properties, and then everything new that's been acquired relative to our model. So, I think we've got a little bit left potentially in the pipeline, but we've closed, what, 950 as of last Friday. And so that's kind of baked, and that's known, and we're just getting those properties into the portfolio. We're not moving guidance around for that.

Rich Anderson
Okay. Last question is a little bit bigger picture. You're buying at 7+ initial cap rates. I think Cece said flat in the first year based on your weighted cost of capital, which is fine. But I am curious as to that 7+ -- the seven handle on the return. I mean, it's odd to me that an asset class that's growing so substantially can be acquired at elevated -- what I would call elevated cap rates. When you think of multifamily cap rates, which is growing nowhere near SHOP, those are five handle if you're lucky. And so I'm curious your thought on the future of initial cap rates on your external growth profile, and if we think that this seven handle number is going to happen in perpetuity. Thank you.

Gibson Satterwhite
Well, Rich, on that, if you look at Slide 5 in our supplemental, I mean, we give our year one projected cap rates for our deals, and you can see that there's cap rate compression on the most recent deals we've done in sort of the 6.5 range. So that's where we see opportunity going forward in that range. Could there be a little more compression? Sure. But we're looking at transactions that are one or two asset proposals, not looking at large transactions. We've been fortunate to find a few deals that have been four or five buildings. So what we're looking at, we're finding opportunity with that.

And as Pam indicated, we're changing our mindset where we're not spread investing. We're looking at the composition of the buildings, which Dave spoke about in his prepared remarks, as far as the unit configuration, the size of the communities, the age, to compete effectively against new development when it comes online. But as Pam said, it's future growth that we're investing in.

Rich Anderson
Yep, fair enough. And thanks for that color, and thanks for pointing out my not reading Slide 5. I would have gotten to it eventually. All right, thanks, guys. Appreciate it.

Clint Malin
Thank you.

Pam Kessler
Thanks, Rich.

Operator
We've reached the end of the question and answer session. I would like to turn the floor back over to Clint Malin for closing comments.

Clint Malin
Thank you for joining us today. We really appreciate your interest in LTC and our continued story. We look forward to seeing some of you at some upcoming investor conferences over the next couple of months. Thank you for your time.

Operator
This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.