



## **Senior Housing Properties Trust Announces Agreement to Acquire 20 Senior Living Communities for Approximately \$304 Million**

NEWTON, Mass.--(BUSINESS WIRE)-- Senior Housing Properties Trust (NYSE: SNH) today announced that it has entered an agreement to acquire 20 senior living communities for approximately \$304 million. The transaction is expected to close during the second quarter of 2011, subject to required regulatory approvals and subject to lender approval for assumption of mortgage debts on certain properties which are currently not prepayable or which SNH has determined to assume because of their favorable financial terms.

The 20 communities are located in five states: North Carolina (seven communities); South Carolina (five communities); Florida (four communities); Virginia (two communities) and Georgia (two communities). The 20 communities primarily offer independent and assisted living services which are paid by residents from their private resources. The 2,111 living units in these communities include 814 independent living apartments, 939 assisted living suites, 311 suites which offer specialized Alzheimer's care and 47 skilled nursing beds.

Fifteen of the 20 communities costing approximately \$211.5 million are currently expected to be leased to a taxable REIT subsidiary, or TRS, of SNH and managed by Five Star Quality Care, Inc. (NYSE: FVE), or Five Star, under a long term management contract. These 15 communities are currently approximately 85% occupied and SNH expects it may realize increasing income as these communities continue to fill. The current cash flows, before capital expenditures, from the communities expected to be leased to the TRS is expected to produce initial cash flows to SNH equal to approximately 7% to 7.5% p.a. of SNH's purchase price. The remaining five communities which will cost approximately \$92.5 million and are currently 97% occupied, are expected to be leased to Five Star and added to one or more of the combination leases currently in effect between SNH and Five Star. The rent for the five communities to be leased to Five Star is expected to produce an initial yield on SNH's investment of approximately 8% p.a. and may increase starting in 2013 based upon a percentage of the increases in gross revenues at these communities.

SNH expects to fund this purchase by assuming approximately \$79 million of mortgage loans and using cash on hand and drawings under its \$550 million revolving credit facility which was largely undrawn before this transaction.

Senior Housing Properties Trust is a real estate investment trust, or REIT, which owns senior living communities, medical office buildings, hospitals and wellness centers throughout the United States. SNH is headquartered in Newton, MA.

### **WARNING CONCERNING FORWARD LOOKING STATEMENTS**

THIS PRESS RELEASE CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON SNH'S PRESENT BELIEFS AND EXPECTATIONS, BUT THEY ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR FOR VARIOUS REASONS, INCLUDING SOME REASONS BEYOND SNH'S CONTROL. FOR EXAMPLE:

- THIS PRESS RELEASE STATES THAT SNH HAS AGREED TO ACQUIRE 20 SENIOR LIVING COMMUNITIES FOR APPROXIMATELY \$304 MILLION AND THAT SNH EXPECTS THIS TRANSACTION TO CLOSE DURING THE SECOND QUARTER OF 2011. THE CLOSING OF THIS PURCHASE IS SUBJECT TO VARIOUS CONDITIONS TYPICAL OF PURCHASES OF MULTIPLE LOCATION HEALTH CARE PROPERTIES, INCLUDING VARIOUS REGULATORY AND LENDER APPROVALS. THESE CONDITIONS MAY NOT BE SATISFIED OR MAY CAUSE THE NUMBER OF PROPERTIES AND THE PURCHASE PRICE TO CHANGE. ALSO, THESE CONDITIONS MAY CAUSE THE CLOSING DATE TO BE CHANGED.
- THIS PRESS RELEASE STATES THAT THE COMMUNITIES EXPECTED TO BE LEASED TO SNH'S TRS ARE EXPECTED TO PRODUCE INITIAL CASH FLOWS TO SNH, BEFORE CAPITAL EXPENDITURES, EQUAL TO APPROXIMATELY 7% TO 7.5% P.A. OF SNH'S PURCHASE PRICE AND THAT THESE CASH FLOWS MAY INCREASE AS THE COMMUNITIES BECOME MORE FULLY OCCUPIED. THE CASH FLOW WHICH SNH WILL REALIZE FROM

THESE COMMUNITIES WILL DEPEND UPON THE FINANCIAL SUCCESS OF THEIR OPERATIONS INCLUDING THE MANAGER'S ABILITY TO ATTRACT RESIDENTS, TO SET APPROPRIATE SERVICE CHARGES AND TO OPERATE THE COMMUNITIES EFFICIENTLY. OCCUPANCIES COULD DECLINE FOR REASONS BEYOND SNH'S OR ITS MANAGER'S CONTROL SUCH AS A GENERAL DECLINE IN THE ECONOMY WHICH REDUCES THE NUMBER OF PEOPLE WILLING OR ABLE TO AFFORD THE SERVICES OFFERED AT THESE COMMUNITIES. INFLATION WHICH AFFECTS THE PRICE OF GOODS AND LABOR NEEDED TO OPERATE THESE COMMUNITIES MAY CAUSE OPERATING EXPENSES TO INCREASE FASTER THAN RATES CHARGED TO RESIDENTS. CASH FLOWS TO SNH WILL BE ALSO REDUCED BY CAPITAL EXPENDITURES SNH MAY MAKE AT THESE PROPERTIES. IN ADDITION, THE FINAL TERMS OF THE MANAGEMENT AGREEMENT HAVE NOT BEEN AGREED BETWEEN SNH AND FIVE STAR AND THESE FINAL TERMS MAY DIFFER FROM THOSE EXPECTED BY SNH OR SUCH AN AGREEMENT MAY NOT BE ENTERED. FOR THESE AND OTHER REASONS, SNH MAY NOT REALIZE THE ANTICIPATED CASH FLOWS FROM THESE COMMUNITIES AND ANY CASH FLOWS WHICH ARE REALIZED MAY NOT INCREASE, BUT MAY DECLINE.

- THIS PRESS RELEASE STATES THAT THE INITIAL RENT WHICH SNH WILL REALIZE FROM THE PROPERTIES EXPECTED TO BE LEASED TO FIVE STAR IS EXPECTED TO BE APPROXIMATELY 8% P.A. OF THE PURCHASE PRICE. AN IMPLICATION OF THIS STATEMENT MAY BE THAT THESE COMMUNITIES WILL GENERATE SUFFICIENT CASH FLOWS TO PAY THESE RENTS. IN FACT, HISTORICALLY THESE COMMUNITIES HAVE NOT PRODUCED SUFFICIENT CASH FLOWS TO PAY THESE RENT AMOUNTS. SOME OF THESE COMMUNITIES HAVE ONLY RECENTLY ACHIEVED THEIR CURRENT OCCUPANCIES AND CASH FLOWS. ALSO, THESE COMMUNITIES ARE EXPECTED TO BE ADDED TO COMBINATION LEASES, AND EARNINGS AND CASH FLOWS FROM EACH OF THE COMMUNITIES IN THE COMBINATION LEASES ARE AVAILABLE TO PAY RENT DUE FOR ALL OF THE COMMUNITIES INCLUDED IN THE COMBINATION LEASE. ALSO, FIVE STAR'S ABILITY TO PAY RENT DUE UNDER ITS COMBINATION LEASES WITH SNH DEPENDS IN LARGE PART UPON THE SUCCESS OF ITS TOTAL BUSINESS ACTIVITIES. THE STATEMENTS AND IMPLICATIONS IN THIS PRESS RELEASE SHOULD NOT BE CONSIDERED A GUARANTY THAT FIVE STAR WILL BE ABLE OR WILLING TO PAY RENT DUE TO SNH. IN ADDITION, THE FINAL TERMS OF THE LEASES AFFECTING THESE PROPERTIES HAVE NOT BEEN AGREED BY SNH AND FIVE STAR AND THESE TERMS MAY DIFFER MATERIALLY FROM THOSE EXPECTED BY SNH OR SUCH AGREEMENT MAY NOT BE ENTERED.

FIVE STAR WAS FORMERLY A 100% OWNED SUBSIDIARY OF SNH. SNH IS FIVE STAR'S LARGEST SHAREHOLDER. BOTH SNH AND FIVE STAR HAVE MANAGEMENT CONTRACTS WITH REIT MANAGEMENT & RESEARCH LLC, OR RMR. BECAUSE OF THESE AND OTHER RELATIONSHIPS AMONG SNH, FIVE STAR AND RMR, THE EXPECTED MANAGEMENT CONTRACT AND LEASES DESCRIBED IN THIS PRESS RELEASE SHOULD BE CONSIDERED RELATED PARTY TRANSACTIONS. FOR MORE INFORMATION ABOUT THE RELATIONSHIPS BETWEEN SNH, FIVE STAR, RMR AND THEIR AFFILIATES AND ABOUT THE RISKS WHICH MAY ARISE FROM SUCH RELATIONSHIPS PLEASE SEE SNH'S ANNUAL REPORT ON FORM 10K FOR THE YEAR ENDED DECEMBER 31, 2010, ESPECIALLY THE SECTIONS ENTITLED "BUSINESS", "RISK FACTORS" AND "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS --- RELATED PERSONS TRANSACTIONS" AND SNH'S PROXY STATEMENT FOR THE SNH 2011 ANNUAL MEETING OF SHAREHOLDERS, ESPECIALLY THE SECTION ENTITLED "RELATED PERSON TRANSACTIONS AND COMPANY REVIEW OF SUCH TRANSACTIONS"; COPIES OF THE ANNUAL REPORT AND PROXY STATEMENT ARE AVAILABLE AT THE SEC WEBSITE: [WWW.SEC.GOV](http://WWW.SEC.GOV).

FOR THESE AND OTHER REASONS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDER RELIANCE UPON FORWARD LOOKING STATEMENTS IN THIS PRESS RELEASE.

EXCEPT AS REQUIRED BY LAW, WE DO NOT INTEND TO UPDATE OR CHANGE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

*A Maryland Real Estate Investment Trust with transferable shares of beneficial interest listed on the New York Stock Exchange.  
No shareholder, Trustee or officer is personally liable for any act or obligation of the Trust.*

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