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**HCP Inc.**

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## Table of Contents

- **Introduction**
- **Chapter 1** Foundations: The Birth of Health Care Property Investors (1985)
- **Chapter 2** Going Public: The Path to Early Growth and Expansion
- **Chapter 3** Building a Diversified Portfolio: From Hospitals to Senior Living
- **Chapter 4** Surging Ahead: Major Acquisitions and Asset Growth (1990s)
- **Chapter 5** Entering the Medical Office Building Market
- **Chapter 6** IPO Milestones: Becoming a Wall Street Player
- **Chapter 7** The CNL Retirement Properties Acquisition: Doubling in Size
- **Chapter 8** Embracing Life Sciences: The Slough Estates USA Deal
- **Chapter 9** A New Name: Rebranding as HCP, Inc.
- **Chapter 10** S&P 500 Inclusion: National Recognition
- **Chapter 11** Navigating the Great Recession: Challenges and Resilience
- **Chapter 12** Portfolio Diversification and Strategic Shifts (2010-2012)
- **Chapter 13** The Blackstone-Emeritus Senior Housing Acquisition
- **Chapter 14** Commitment to Sustainability and Corporate Responsibility
- **Chapter 15** Managing Risk: The Brookdale and Skilled Nursing Challenge
- **Chapter 16** The Spin-Off of Quality Care Properties (QCP)
- **Chapter 17** Recalibrating the Portfolio: Refocusing on Core Assets
- **Chapter 18** Life Sciences Expansion: New Ventures and Developments
- **Chapter 19** Renewed Vision: The Road to Healthpeak Properties, Inc.
- **Chapter 20** Strategic Dispositions and Joint Ventures
- **Chapter 21** Corporate Culture, Operations, and Talent
- **Chapter 22** Financial Performance and Market Positioning
- **Chapter 23** Merging for the Future: The Physicians Realty Trust Merger
- **Chapter 24** Healthpeak Today: Leadership, Strategy, and Assets
- **Chapter 25** Looking Ahead: The Future of Healthpeak and Healthcare Real Estate

## Introduction

Since its inception in 1985, HCP Inc. has stood at the intersection of real estate and healthcare, shaping the very landscape in which America's aging population receives care and innovation occurs. What started as Health Care Property Investors—an ambitious real estate investment trust based on a handful of hospitals and skilled nursing facilities—grew to become a major force on the S&P 500, with an evolving focus and national footprint. Over the decades, the company has acquired, managed, and developed a vast array of properties, from medical office buildings to pioneering life science campuses. Its journey is not only a chronicle of business milestones but a reflection of larger trends in healthcare, real estate, and American enterprise.

HCP Inc.'s history is marked by bold moves and visionary leadership. Major acquisitions—such as expanding into the life science sector, doubling in size through the CNL Retirement Properties deal, or acquiring landmark medical office portfolios—underscore a relentless drive for growth and strategic relevance. The company has also faced formidable headwinds: changing reimbursement environments, regulatory pressures, shifts in the senior housing sector, and market disruptions have all tested its adaptability. Each challenge prompted introspection and innovation, from the high-profile spin-off of Quality Care Properties to wide-ranging portfolio reorganizations and fresh capital structures.

Integral to HCP's story is its culture of transformation. The transition from the original Health Care Property Investors to HCP, Inc., and later to Healthpeak Properties, Inc., demonstrates not just a change in name but a reimagining of strategy and a sharpening of identity. Today, the company is distinguished by its focus on life sciences, medical offices, and modern senior housing, positioning itself at the forefront of healthcare real estate. Its repeated recognition for sustainability and responsible management echoes its commitment to being more than a portfolio owner—it is a steward of spaces that underpin the delivery and discovery of better health solutions.

The merger with Physicians Realty Trust in 2024 marks another pivotal chapter. This move consolidated Healthpeak's status as a leader in healthcare real estate, significantly increasing its scale, broadening its reach, and allowing for a new era of innovation and value creation. At a time when the healthcare sector itself is undergoing rapid transformation—driven by demographics, new models of care, and scientific breakthroughs—Healthpeak represents a platform ready to adapt and thrive.

This book aims to chronicle the multifaceted story of HCP Inc.: from its founding vision, through decades of change, to its current position and future potentials. Through a detailed look at its business decisions, people, and place within the broader healthcare

and financial landscapes, readers will discover a company that mirrors the complexity and dynamism of the sector it serves.

In an era when the built environment of healthcare is more essential than ever, the history of HCP Inc., now Healthpeak Properties, offers critical insights not only into how companies grow and reinvent themselves, but into how real estate can be a fulcrum for societal well-being, innovation, and sustainable progress.

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## **CHAPTER ONE: Foundations: The Birth of Health Care Property Investors (1985)**

The year is 1985. Ronald Reagan is in the White House, "Back to the Future" is charming audiences in cinemas, and the personal computer is slowly making its way into American homes and businesses. In the world of finance, an intriguing, relatively new investment vehicle known as a Real Estate Investment Trust, or REIT, was steadily gaining traction. Designed to allow everyday investors to own a piece of income-producing real estate without the direct hassle of property management, REITs were, in essence, publicly traded companies that owned and often operated real estate. They offered a unique blend of liquidity, diversification, and potentially attractive dividend income, making them an appealing option for those looking to build wealth beyond traditional stocks and bonds.

While the very first healthcare REIT, Health Care REIT, Inc., had emerged in 1970, the sector's growth had been somewhat slow, hampered by the perceived complexities of managing healthcare facilities. Yet, the mid-1980s marked a turning point. The demand for healthcare services was on a steady rise, driven by an aging population and advancements in medical care. This growing demand, coupled with evolving financial pressures on healthcare providers, began to highlight the potential for real estate specialists in this niche.

It was against this backdrop that Health Care Property Investors, Inc. (HCP) was officially established in March 1985. Its founding signaled a keen understanding of these burgeoning trends and a strategic move to capitalize on the increasing need for specialized healthcare infrastructure. The company was organized as a Maryland corporation, specifically structured to qualify as a REIT. This legal framework was crucial, as it mandated that the company distribute at least 90% of its taxable income to shareholders, a feature that would become a hallmark of its investor appeal.

From its very first breath as a corporate entity, Health Care Property Investors aimed to be a significant player in the healthcare real estate sector. The company wasted no time in making its initial foray into the market. Its inaugural portfolio included investments in two acute care hospitals and 22 skilled nursing facilities. This initial diversified approach, encompassing different types of healthcare properties, was a foundational principle that would guide the company's investment philosophy for decades to come.

The immediate goal was not just to acquire properties, but to generate income from them. Health Care Property Investors achieved this primarily through sale-leaseback

transactions, a common strategy for REITs. In this model, the company would purchase a property from a healthcare operator and then lease it back to the same operator under a long-term agreement. This arrangement provided the operator with immediate capital to reinvest in their core business, while the REIT secured a stable stream of rental income.

The company's ambition extended beyond merely acquiring existing properties; it also aimed to engage in development and provide mortgage financing to healthcare providers. This holistic approach to healthcare real estate investment underscored a comprehensive vision for growth and value creation. The leadership recognized that to truly thrive, they needed to be flexible in their investment strategies, adapting to various opportunities that presented themselves within the healthcare landscape.

Just a few months after its formation, Health Care Property Investors took another pivotal step, becoming a publicly traded company through an initial public offering (IPO). This move was instrumental, raising \$90 million in capital and providing the financial muscle needed to fuel its ambitious growth plans. The IPO marked the company's debut on the New York Stock Exchange (NYSE), a significant milestone that immediately placed it on a larger stage. Investors who saw the potential in this specialized REIT and participated in the IPO would, over the long term, be handsomely rewarded. For instance, an initial investment of \$1,000 at the IPO in 1985 would, forty years later, be worth approximately 75 times that amount, demonstrating a remarkable compound annual growth rate.

The early days were a period of laying robust foundations. The company's headquarters were established in Newport Beach, California, though it would later move to Long Beach and eventually to Denver. This seemingly minor detail of location reflected the practical considerations of building a business from the ground up, as well as the later need to adapt to evolving operational requirements and talent pools. The focus was on building a diversified portfolio, not just in terms of property types but also by geography and operator. This strategy aimed to minimize risk by reducing the company's exposure to any single event or downturn in a specific sector or region.

The leadership at Health Care Property Investors understood that success in the burgeoning healthcare real estate market required more than just capital; it demanded a deep understanding of the industry's unique complexities. Healthcare facilities, whether hospitals or skilled nursing homes, operated under specific regulatory frameworks and economic pressures. The ability to navigate these intricacies, identify sound investment opportunities, and build strong relationships with healthcare operators would be paramount.

Even in 1985, the company's business strategy was rooted in three core principles: opportunistic investing, portfolio diversification, and conservative financing. Opportunistic investing meant actively seeking out and seizing favorable investment

opportunities that met their stringent criteria for risk-adjusted returns. Portfolio diversification, as mentioned, was about spreading investments across different sectors, geographies, and operators to mitigate risk. Conservative financing aimed to maintain a strong balance sheet and ample liquidity, providing the flexibility to pursue new acquisitions and developments while managing debt effectively.

The creation of Health Care Property Investors in 1985 was not merely the launch of another company; it was the birth of a specialist. It represented an early recognition of the fundamental link between real estate and the delivery of healthcare services. As the U.S. population continued to age and healthcare needs evolved, the demand for sophisticated, well-managed medical infrastructure would only intensify. Health Care Property Investors was strategically positioned to meet that demand, laying the groundwork for what would become a formidable presence in the American corporate landscape. This initial chapter, marked by thoughtful strategy and a successful public debut, set the stage for decades of growth, adaptation, and transformation in the dynamic world of healthcare real estate.

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