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## ONE-ON-ONE — DEBRA CAFARO

# Just What the Doctor Ordered

By Alfred Branch Jr.

To say that Debra Cafaro has made a successful conversion from the legal side to the business side of the commercial real estate industry is an understatement. Since taking the reins as president and chief executive officer of Ventas, Inc. in March 1999, the former finance and corporate transactions attorney has guided a company with mounting debt and grim prospects into one of the leading performers in the NAREIT Index. Ventas now has \$100 million in the bank, is paying off its creditors and re-established its annual dividend in 2001.

*Recently, Cafaro took some time to talk with Portfolio about the tough medicine it took to turn Ventas around, what lies ahead for the company and what she likes to do when she is not on call.*

**Portfolio:** What were the three most important steps you took to get Ventas back on track?

**Cafaro:** When I joined Ventas it was clear that the nursing home sector was headed for trouble because of the Medicare reimbursement cuts. So, one of the most important things I did was to assemble the right management team that would be productive, knowledgeable and trustworthy, as well as work hard and be committed to fight

the good fight with me. Second, it was important to understand the importance of our cash flow to the ultimate outcome, and to continue collecting rent and increasing our cash reserves through a variety of ways. Then the third thing was to develop a plan about what the company needed to do, and that essentially led us to restructure our principal tenant, Kindred Healthcare, into a creditworthy entity.

**Portfolio:** Now that the ship is righted, so to speak, are you looking at possible acquisitions or making moves to diversify Ventas' holdings?

**Cafaro:** It is very exciting that we finished, after two and a half years, the first phase of the Ventas turnaround. We have completed the Kindred restructuring, the settlement with the Department of Justice (over Medicare billing issues) and our own strengthening of our balance sheet. So, as we look forward, we know that we're starting with a good foundation of excellent assets, great cash flow and a tenant that is creditworthy and improving. We always ask how we can continue to make money for our shareholders, and an obvious way is to decrease our reliance on a single tenant. We expect in the coming years to expand our company and diversify our base of assets.



Courtesy of Ventas

**Portfolio:** In what areas are you looking to expand or diversify?

**Cafaro:** We'll look to add more tenants, and we expect to diversify by sub-sector in the healthcare industry by looking at more hospitals and ancillary healthcare services. In addition, we'll also look at non-government reimbursed properties such as independent and assisted living ventures.

**Portfolio:** In more general terms, how do you see the health care REIT sector

weathering the current economic climate?

**Cafaro:** One of the things that people like about health care REITs is that the health care sector is recession resistant. So that in a lower-growth economy, health care stands out as a sector that is not discretionary demand but rather the demand is inelastic so you continue to see demand for health care services even during a recession. People still get old and still get sick during a recession. Also, the health care industry is getting an inflow of dollars from the federal government, so not only is it healthy in relation to other sectors, but it's healthy in absolute terms because the Medicare give-back bills are helping to bring more money into the sector.

**Portfolio:** You have been an active member of the REIT industry and have appeared on CNBC's "Power Lunch" program, and as such you've made a name for yourself in an industry that is predominantly male. What do you feel are advantages or disadvantages to your gender in this industry?

**Cafaro:** [Laughing] I've always had a lot of luck and opportunity in the real estate industry, which is admittedly a male industry. In my early days as a lawyer I did a lot of work for the Sam Zell family of various real estate ventures, though they weren't really REITs then. I was fortunate enough to participate in the rebirth of the modern REIT industry in the early 1990s when **Manufactured Home Communities** and **Equity Residential** went public, and that was exciting. But I would say that at this point, people are looking at me for my performance and my company's performance, so gender has been somewhat washed out of the equation. I either produce or don't produce, that's how I'm judged. And, that's an environment I'm happy to operate in.

**Portfolio:** Speaking of a happy environment, I understand reading is one of your favorite hobbies. Do you have a favorite genre of books?

**Cafaro:** I do love reading; I never feel that I read enough. For a long time, I was reading the classics and 19th

century fiction as a way to continue to educate myself, and because I really loved it. The reasons that most of these books are classics is because the themes that they touch on are universal and timeless. There's no question about it, they're about the human condition and the social fabric.

**Portfolio:** Do you ever apply what you are reading in your free time to your professional life?

**Cafaro:** Lately, I've been reading more modern classics, not bestsellers, not mysteries, not spy books, but things that are well written and share some of those qualities I mentioned. Also, I've been reading some history books as well because it's an area I don't know enough about. Because these aren't really business books, they are not directly applicable to what I do. But, I do think that they are thoughtful and mind opening, and to the extent that you're thoughtful and open, I think that you do better at whatever it is that you do. Spoken like a true liberal arts major, right?