

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2023**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number: **001-37815**

Global Medical REIT Inc.

(Exact name of registrant as specified in its charter)

| | |
|--|--|
| <u>Maryland</u> (State or other jurisdiction of incorporation or organization) | <u>46-4757266</u> (I.R.S. Employer Identification No.) |
| <u>7373 Wisconsin Avenue, Suite 800</u> <u>Bethesda, MD</u> (Address of principal executive offices) | <u>20814</u> (Zip Code) |

Registrant's telephone number, including area code: **(202) 524-6851**

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class: | Trading Symbol(s): | Name of each exchange on which registered: |
|---|--------------------|--|
| Common Stock, par value \$0.001 per share | GMRE | NYSE |
| Series A Preferred Stock, par value \$0.001 per share | GMRE PrA | NYSE |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares of the registrant's common stock outstanding at November 6, 2023 was **65,564,943**

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

| | | |
|---------|---|----|
| Item 1. | Financial Statements (Unaudited) | |
| | Condensed Consolidated Balance Sheets – September 30, 2023 and December 31, 2022 | 3 |
| | Condensed Consolidated Statements of Operations – Three and Nine Months Ended September 30, 2023 and 2022 | 4 |
| | Condensed Consolidated Statements of Comprehensive Income – Three and Nine Months Ended September 30, 2023 and 2022 | 5 |
| | Condensed Consolidated Statements of Equity – Three and Nine Months Ended September 30, 2023 and 2022 | 6 |
| | Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2023 and 2022 | 8 |
| | Notes to the Unaudited Condensed Consolidated Financial Statements | 9 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 26 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 41 |
| Item 4. | Controls and Procedures | 41 |

PART II OTHER INFORMATION

| | | |
|----------|---|----|
| Item 1. | Legal Proceedings | 42 |
| Item 1A. | Risk Factors | 42 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 42 |
| Item 3. | Defaults Upon Senior Securities | 42 |
| Item 4. | Mine Safety Disclosures | 42 |
| Item 5. | Other Information | 42 |
| Item 6. | Exhibits | 43 |
| | Signatures | 44 |

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Balance Sheets
(unaudited and in thousands, except par values)

| | As of | |
|---|--------------------|-------------------|
| | September 30, 2023 | December 31, 2022 |
| Assets | | |
| Investment in real estate: | | |
| Land | \$ 164,315 | \$ 168,308 |
| Building | 1,034,822 | 1,079,781 |
| Site improvements | 21,480 | 22,024 |
| Tenant improvements | 65,772 | 65,987 |
| Acquired lease intangible assets | 138,617 | 148,077 |
| | 1,425,006 | 1,484,177 |
| Less: accumulated depreciation and amortization | (232,518) | (198,218) |
| Investment in real estate, net | 1,192,488 | 1,285,959 |
| Cash and cash equivalents | 1,281 | 4,016 |
| Restricted cash | 6,331 | 10,439 |
| Tenant receivables, net | 7,527 | 8,040 |
| Due from related parties | 289 | 200 |
| Escrow deposits | 9,861 | 7,833 |
| Deferred assets | 26,748 | 29,616 |
| Derivative asset | 38,379 | 34,705 |
| Goodwill | 5,903 | 5,903 |
| Other assets | 13,713 | 6,550 |
| Total assets | \$ 1,302,520 | \$ 1,393,261 |
| Liabilities and Equity | | |
| Liabilities: | | |
| Credit Facility, net of unamortized debt issuance costs of \$7,617 and \$9,253 at September 30, 2023 and December 31, 2022, respectively | \$ 560,783 | \$ 636,447 |
| Notes payable, net of unamortized debt issuance costs of \$37 and \$452 at September 30, 2023 and December 31, 2022, respectively | 56,823 | 57,672 |
| Accounts payable and accrued expenses | 13,300 | 13,819 |
| Dividends payable | 16,055 | 15,821 |
| Security deposits | 3,913 | 5,461 |
| Other liabilities | 12,138 | 7,363 |
| Acquired lease intangible liability, net | 5,860 | 7,613 |
| Total liabilities | 668,872 | 744,196 |
| Commitments and Contingencies | | |
| Equity: | | |
| Preferred stock, \$0.001 par value, 10,000 shares authorized; 3,105 issued and outstanding at September 30, 2023 and December 31, 2022, respectively (liquidation preference of \$77,625 at September 30, 2023 and December 31, 2022, respectively) | 74,959 | 74,959 |
| Common stock, \$0.001 par value, 500,000 shares authorized; 65,565 shares and 65,518 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively | 66 | 66 |
| Additional paid-in capital | 722,418 | 721,991 |
| Accumulated deficit | (224,375) | (198,706) |
| Accumulated other comprehensive income | 38,379 | 34,674 |
| Total Global Medical REIT Inc. stockholders' equity | 611,447 | 632,984 |
| Noncontrolling interest | 22,201 | 16,081 |
| Total equity | 633,648 | 649,065 |
| Total liabilities and equity | \$ 1,302,520 | \$ 1,393,261 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Statements of Operations
(unaudited and in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | | | | |
| Rental revenue | \$ 35,487 | \$ 35,347 | \$ 108,003 | \$ 100,877 |
| Other income | 20 | 59 | 85 | 100 |
| Total revenue | <u>35,507</u> | <u>35,406</u> | <u>108,088</u> | <u>100,977</u> |
| Expenses | | | | |
| General and administrative | 4,367 | 3,961 | 12,633 | 12,494 |
| Operating expenses | 7,231 | 6,679 | 21,989 | 18,050 |
| Depreciation expense | 10,100 | 10,128 | 31,062 | 29,428 |
| Amortization expense | 4,095 | 4,287 | 12,828 | 12,202 |
| Interest expense | 7,170 | 6,963 | 23,909 | 17,166 |
| Preacquisition expense | — | 112 | 44 | 242 |
| Total expenses | <u>32,963</u> | <u>32,130</u> | <u>102,465</u> | <u>89,582</u> |
| Income before gain on sale of investment properties | 2,544 | 3,276 | 5,623 | 11,395 |
| Gain on sale of investment properties | <u>2,289</u> | <u>6,753</u> | <u>15,560</u> | <u>6,753</u> |
| Net income | \$ 4,833 | \$ 10,029 | \$ 21,183 | \$ 18,148 |
| Less: Preferred stock dividends | (1,455) | (1,455) | (4,366) | (4,366) |
| Less: Net income attributable to noncontrolling interest | (240) | (517) | (1,187) | (830) |
| Net income attributable to common stockholders | <u>\$ 3,138</u> | <u>\$ 8,057</u> | <u>\$ 15,630</u> | <u>\$ 12,952</u> |
| Net income attributable to common stockholders per share – basic and diluted | \$ 0.05 | \$ 0.12 | \$ 0.24 | \$ 0.20 |
| Weighted average shares outstanding – basic and diluted | 65,565 | 65,518 | 65,545 | 65,443 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Statements of Comprehensive Income
(unaudited and in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income | \$ 4,833 | \$ 10,029 | \$ 21,183 | \$ 18,148 |
| Other comprehensive income: | | | | |
| Increase in fair value of interest rate swap agreements | 2,520 | 20,356 | 3,705 | 43,519 |
| Total other comprehensive income | 2,520 | 20,356 | 3,705 | 43,519 |
| Comprehensive income | 7,353 | 30,385 | 24,888 | 61,667 |
| Less: Preferred stock dividends | (1,455) | (1,455) | (4,366) | (4,366) |
| Less: Comprehensive income attributable to noncontrolling interest | (418) | (1,744) | (1,440) | (3,450) |
| Comprehensive income attributable to common stockholders | \$ 5,480 | \$ 27,186 | \$ 19,082 | \$ 53,851 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Statements of Equity
(unaudited and in thousands, except per share amounts)

For the Nine Months Ended September 30, 2023:

| | Common Stock | | Preferred Stock | | Additional | Accumulated | Accumulated | Global | Non- | Total |
|---|---------------|--------------|-----------------|------------------|-------------------|---------------------|------------------|-------------------|------------------|-------------------|
| | Shares | Amount | Shares | Amount | Paid-in | Deficit | Other | Medical | controlling | Equity |
| | | | | | Capital | | Income | REIT Inc. | Interest | |
| | | | | | | | | Stockholders' | | Equity |
| | | | | | | | | Equity | | |
| Balances, December 31, 2022 | 65,518 | \$ 66 | 3,105 | \$ 74,959 | \$ 721,991 | \$ (198,706) | \$ 34,674 | \$ 632,984 | \$ 16,081 | \$ 649,065 |
| Net income | — | — | — | — | — | 19,996 | — | 19,996 | 1,187 | 21,183 |
| LTIP Units redeemed for common stock | 47 | — | — | — | 427 | — | — | 427 | (427) | — |
| OP Units issued for a property acquisition | — | — | — | — | — | — | — | — | 5,482 | 5,482 |
| Change in fair value of interest rate swap agreements | — | — | — | — | — | — | 3,705 | 3,705 | — | 3,705 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 3,020 | 3,020 |
| Dividends to common stockholders (\$0.63 per share) | — | — | — | — | — | (41,299) | — | (41,299) | — | (41,299) |
| Dividends to preferred stockholders (\$1.40625 per share) | — | — | — | — | — | (4,366) | — | (4,366) | — | (4,366) |
| Dividends to noncontrolling interest | — | — | — | — | — | — | — | — | (3,142) | (3,142) |
| Balances, September 30, 2023 | <u>65,565</u> | <u>\$ 66</u> | <u>3,105</u> | <u>\$ 74,959</u> | <u>\$ 722,418</u> | <u>\$ (224,375)</u> | <u>\$ 38,379</u> | <u>\$ 611,447</u> | <u>\$ 22,201</u> | <u>\$ 633,648</u> |

For the Three Months Ended September 30, 2023:

| | Common Stock | | Preferred Stock | | Additional | Accumulated | Accumulated | Global | Non- | Total |
|---|---------------|--------------|-----------------|------------------|-------------------|---------------------|------------------|-------------------|------------------|-------------------|
| | Shares | Amount | Shares | Amount | Paid-in | Deficit | Other | Medical | controlling | Equity |
| | | | | | Capital | | Income | REIT Inc. | Interest | |
| | | | | | | | | Stockholders' | | Equity |
| | | | | | | | | Equity | | |
| Balances, June 30, 2023 | 65,565 | \$ 66 | 3,105 | \$ 74,959 | \$ 722,418 | \$ (213,744) | \$ 35,859 | \$ 619,558 | \$ 21,834 | \$ 641,392 |
| Net income | — | — | — | — | — | 4,593 | — | 4,593 | 240 | 4,833 |
| Change in fair value of interest rate swap agreements | — | — | — | — | — | — | 2,520 | 2,520 | — | 2,520 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 1,185 | 1,185 |
| Dividends to common stockholders (\$0.21 per share) | — | — | — | — | — | (13,769) | — | (13,769) | — | (13,769) |
| Dividends to preferred stockholders (\$0.46875 per share) | — | — | — | — | — | (1,455) | — | (1,455) | — | (1,455) |
| Dividends to noncontrolling interest | — | — | — | — | — | — | — | — | (1,058) | (1,058) |
| Balances, September 30, 2023 | <u>65,565</u> | <u>\$ 66</u> | <u>3,105</u> | <u>\$ 74,959</u> | <u>\$ 722,418</u> | <u>\$ (224,375)</u> | <u>\$ 38,379</u> | <u>\$ 611,447</u> | <u>\$ 22,201</u> | <u>\$ 633,648</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Statements of Equity - Continued
(unaudited and in thousands, except per share amounts)

For the Nine Months Ended September 30, 2022:

| | Common Stock | | Preferred Stock | | Additional | Accumulated | Accumulated | Global | Non- | Total |
|---|---------------|--------------|-----------------|------------------|-------------------|---------------------|-----------------------------------|--|----------------------|-------------------|
| | Shares | Amount | Shares | Amount | Paid-in Capital | Deficit | Other Comprehensive Income (Loss) | Medical REIT Inc. Stockholders' Equity | controlling Interest | Equity |
| Balances, December 31, 2021 | 64,880 | \$ 65 | 3,105 | \$ 74,959 | \$ 711,414 | \$ (157,017) | \$ (6,636) | \$ 622,785 | \$ 14,792 | \$ 637,577 |
| Net income | — | — | — | — | — | 17,318 | — | 17,318 | 830 | 18,148 |
| Issuance of shares of common stock, net LTIP Units and OP Units redeemed for common stock | 598 | 1 | — | — | 9,978 | — | — | 9,979 | — | 9,979 |
| Change in fair value of interest rate swap agreements | 40 | — | — | — | 682 | — | — | 682 | (682) | — |
| Stock-based compensation expense | — | — | — | — | — | — | 43,519 | 43,519 | — | 43,519 |
| Dividends to common stockholders (\$0.63 per share) | — | — | — | — | — | (41,251) | — | (41,251) | — | (41,251) |
| Dividends to preferred stockholders (\$1.40625 per share) | — | — | — | — | — | (4,366) | — | (4,366) | — | (4,366) |
| Dividends to noncontrolling interest | — | — | — | — | — | — | — | — | (2,637) | (2,637) |
| Balances, September 30, 2022 | <u>65,518</u> | <u>\$ 66</u> | <u>3,105</u> | <u>\$ 74,959</u> | <u>\$ 722,074</u> | <u>\$ (185,316)</u> | <u>\$ 36,883</u> | <u>\$ 648,666</u> | <u>\$ 15,918</u> | <u>\$ 664,584</u> |

For the Three Months Ended September 30, 2022:

| | Common Stock | | Preferred Stock | | Additional | Accumulated | Accumulated | Global | Non- | Total |
|---|---------------|--------------|-----------------|------------------|-------------------|---------------------|----------------------------|--|----------------------|-------------------|
| | Shares | Amount | Shares | Amount | Paid-in Capital | Deficit | Other Comprehensive Income | Medical REIT Inc. Stockholders' Equity | controlling Interest | Equity |
| Balances, June 30, 2022 | 65,518 | \$ 66 | 3,105 | \$ 74,959 | \$ 722,074 | \$ (179,614) | \$ 16,527 | \$ 634,012 | \$ 15,097 | \$ 649,109 |
| Net income | — | — | — | — | — | 9,512 | — | 9,512 | 517 | 10,029 |
| Change in fair value of interest rate swap agreements | — | — | — | — | — | — | 20,356 | 20,356 | — | 20,356 |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | 1,039 | 1,039 |
| Dividends to common stockholders (\$0.21 per share) | — | — | — | — | — | (13,759) | — | (13,759) | — | (13,759) |
| Dividends to preferred stockholders (\$0.46875 per share) | — | — | — | — | — | (1,455) | — | (1,455) | — | (1,455) |
| Dividends to noncontrolling interest | — | — | — | — | — | — | — | — | (735) | (735) |
| Balances, September 30, 2022 | <u>65,518</u> | <u>\$ 66</u> | <u>3,105</u> | <u>\$ 74,959</u> | <u>\$ 722,074</u> | <u>\$ (185,316)</u> | <u>\$ 36,883</u> | <u>\$ 648,666</u> | <u>\$ 15,918</u> | <u>\$ 664,584</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Condensed Consolidated Statements of Cash Flows
(unaudited and in thousands)

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2023 | 2022 |
| Operating activities | | |
| Net income | \$ 21,183 | \$ 18,148 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 31,062 | 29,428 |
| Amortization of acquired lease intangible assets | 12,718 | 12,136 |
| Amortization of above market leases, net | 812 | 735 |
| Amortization of debt issuance costs and other | 1,795 | 1,600 |
| Stock-based compensation expense | 3,020 | 3,615 |
| Capitalized preacquisition and other costs charged to expense | 155 | 344 |
| Gain on sale of investment properties | (15,560) | (6,753) |
| Other | 285 | 68 |
| Changes in operating assets and liabilities: | | |
| Tenant receivables | 513 | (1,312) |
| Deferred assets | (2,478) | (3,390) |
| Other assets and liabilities | (787) | (810) |
| Accounts payable and accrued expenses | (855) | 3,560 |
| Security deposits | (1,548) | 864 |
| Net cash provided by operating activities | 50,315 | 58,233 |
| Investing activities | | |
| Purchase of land, buildings, and other tangible and intangible assets and liabilities | (442) | (150,592) |
| Net proceeds from sale of investment properties | 77,929 | 17,889 |
| Escrow deposits for purchase of properties | — | (302) |
| Advances made to related parties | (89) | (174) |
| Payment received on loan made to a tenant | — | 1,000 |
| Capital expenditures on existing real estate investments | (5,778) | (3,663) |
| Leasing commissions | (890) | — |
| Net cash provided by (used in) investing activities | 70,730 | (135,842) |
| Financing activities | | |
| Net proceeds received from common equity offerings | — | 9,979 |
| Escrow deposits required by third party lenders | (1,038) | (1,401) |
| Repayment of notes payable | (964) | (873) |
| Proceeds from Credit Facility | 38,100 | 127,100 |
| Repayment of Credit Facility | (115,400) | (5,000) |
| Payment of debt issue costs | (13) | (3,215) |
| Dividends paid to common stockholders, and OP Unit and LTIP Unit holders | (44,207) | (43,779) |
| Dividends paid to preferred stockholders | (4,366) | (4,366) |
| Net cash (used in) provided by financing activities | (127,888) | 78,445 |
| Net (decrease) increase in cash and cash equivalents and restricted cash | (6,843) | 836 |
| Cash and cash equivalents and restricted cash—beginning of period | 14,455 | 12,759 |
| Cash and cash equivalents and restricted cash—end of period | \$ 7,612 | \$ 13,595 |
| Supplemental cash flow information: | | |
| Cash payments for interest | \$ 23,290 | \$ 15,252 |
| Noncash financing and investing activities: | | |
| Accrued dividends payable | \$ 16,055 | \$ 15,777 |
| Interest rate swap agreements fair value change recognized in other comprehensive income | \$ 3,705 | \$ 43,519 |
| OP Units and LTIP Units redeemed for common stock | \$ 427 | \$ 682 |
| Accrued capital expenditures included in accounts payable and accrued expenses | \$ 713 | \$ 1,193 |
| OP Units issued for a property acquisition | \$ 5,482 | \$ — |
| Proceeds from sale of an investment property held in escrow | \$ 990 | \$ — |
| Recognition of lease liability related to right of use asset | \$ 4,634 | \$ — |
| Loan assumed in connection with a facility acquisition | \$ — | \$ 1,513 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GLOBAL MEDICAL REIT INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
(in thousands, except per share amounts or as otherwise indicated)

Note 1 – Organization

Global Medical REIT Inc. (the “Company”) is a Maryland corporation and internally managed real estate investment trust (“REIT”) that owns and acquires healthcare facilities and leases those facilities to physician groups and regional and national healthcare systems. The Company holds its facilities and conducts its operations through a Delaware limited partnership subsidiary named Global Medical REIT L.P. (the “Operating Partnership”). The Company serves as the sole general partner of the Operating Partnership through a wholly owned subsidiary of the Company named Global Medical REIT GP LLC, a Delaware limited liability company. As of September 30, 2023, the Company was the 92.91% limited partner of the Operating Partnership, with an aggregate of 7.09% of the Operating Partnership owned by holders of long-term incentive plan units (“LTIP Units”) and third-party limited partners who contributed properties or services to the Operating Partnership in exchange for common limited partnership units (“OP Units”).

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accompanying condensed consolidated financial statements are unaudited and include the accounts of the Company, including the Operating Partnership and its wholly owned subsidiaries. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures required for annual consolidated financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the accompanying condensed consolidated financial statements do not include all the information and footnotes required by GAAP for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022. In the opinion of management, all adjustments of a normal and recurring nature necessary for a fair presentation of the condensed consolidated financial statements for the interim periods have been made.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company presents the portion of any equity it does not own but controls (and thus consolidates) as noncontrolling interest. Noncontrolling interest in the Company includes the LTIP Units that have been granted to directors, officers and employees of the Company and the OP Units held by third parties. Refer to Note 5 – “Equity” and Note 7 – “Stock-Based Compensation” for additional information regarding the OP Units and LTIP Units.

The Company classifies noncontrolling interest as a component of consolidated equity on its Condensed Consolidated Balance Sheets, separate from the Company's total equity. The Company's net income or loss is allocated to noncontrolling interests based on the respective ownership or voting percentage in the Operating Partnership associated with such noncontrolling interests and is removed from consolidated income or loss on the Condensed Consolidated Statements of Operations in order to derive net income or loss attributable to common stockholders. The noncontrolling ownership percentage is calculated by dividing the aggregate number of LTIP Units and OP Units by the total number of units and shares outstanding.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and footnotes. Actual results could differ from those estimates.

Investment in Real Estate

The Company determines when an acquisition meets the definition of a business or alternatively should be accounted for as an asset acquisition in accordance with Accounting Standard Codification (“ASC”) Topic 805 “Business Combinations” (“ASC Topic 805”), which requires that, when substantially all of the fair value of an acquisition is concentrated in a single identifiable asset or a

group of similar identifiable assets, the asset or group of similar identifiable assets does not meet the definition of a business and therefore is required to be accounted for as an asset acquisition. Transaction costs are capitalized for asset acquisitions and expensed as incurred for business combinations.

For asset acquisitions that are “owner occupied” (meaning that the seller either is the tenant or controls the tenant), the purchase price, including capitalized acquisition costs, will be allocated to land and building based on their relative fair values with no value allocated to intangible assets or liabilities. For asset acquisitions where there is a lease in place but that are not “owner occupied,” the Company will allocate the purchase price to tangible assets and any intangible assets acquired or liabilities assumed based on their relative fair values. Fair value is determined based upon the guidance of ASC Topic 820, “Fair Value Measurements and Disclosures,” and generally are determined using Level 2 inputs, such as rent comparables, sales comparables, and broker indications. Although Level 3 inputs are utilized, they are minor in comparison to the Level 2 data used for the primary assumptions. The determination of fair value involves the use of significant judgment and estimates. We make estimates to determine the fair value of the tangible and intangible assets acquired and liabilities assumed using information obtained from multiple sources, including preacquisition due diligence, and we routinely utilize the assistance of a third-party appraiser.

Revenue Recognition

The Company's operations primarily consist of rental revenue earned from tenants under leasing arrangements which provide for minimum rent and escalations. The leases have been accounted for as operating leases. For operating leases with contingent rental escalators, revenue is recorded based on the contractual cash rental payments due during the period. Revenue from leases with fixed annual rental escalators are recognized on a straight-line basis over the initial lease term, subject to a collectability assessment, with the difference between the contractual rental receipts and the straight-line amounts recorded as a “deferred rent receivable.” Additionally, the Company recognizes as a component of rental revenue “expense recoveries” revenue, which represents revenue recognized related to tenant reimbursement of real estate taxes, insurance, and certain other operating expenses (“tenant reimbursements”). The Company recognizes these reimbursements and related expenses on a gross basis in its Condensed Consolidated Statements of Operations.

Cash and Cash Equivalents and Restricted Cash

The Company considers all demand deposits, cashier's checks, money market accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents. Amounts included in restricted cash represent (1) certain security deposits received from tenants at the inception of their leases; (2) cash required to be held by a third-party lender as a reserve for debt service; and (3) funds held by the Company related to tenant reimbursements. The following table provides a reconciliation of the Company's cash and cash equivalents and restricted cash that sums to the total of those amounts at the end of the periods presented on the Company's accompanying Condensed Consolidated Statements of Cash Flows:

| | As of September 30, | |
|---|---------------------|------------------|
| | 2023 | 2022 |
| Cash and cash equivalents | \$ 1,281 | \$ 3,199 |
| Restricted cash | 6,331 | 10,396 |
| Total cash and cash equivalents and restricted cash | <u>\$ 7,612</u> | <u>\$ 13,595</u> |

Tenant Receivables, Net

The tenant receivable balance as of September 30, 2023 and December 31, 2022 was \$ 7,527 and \$8,040, respectively. The balance as of September 30, 2023 consisted of \$2,142 in funds owed from the Company's tenants for rent that the Company had earned but had not yet received, \$5,181 of tenant reimbursements, \$134 for a loan that was made to one of the Company's tenants, and \$70 of miscellaneous receivables. The balance as of December 31, 2022 consisted of \$ 1,348 in funds owed from the Company's tenants for rent that the Company had earned but had not yet received, \$5,520 of tenant reimbursements, \$143 for a loan that was made to one of the Company's tenants, and \$ 1,029 of miscellaneous receivables.

Receivables arising from operating leases are accounted for in accordance with ASC Topic 842 “Leases” (“ASC Topic 842”). The Company assesses the likelihood of losses resulting from tenant defaults, or the inability of tenants to make contractual rent and tenant reimbursements at each reporting date. The Company also monitors the liquidity and creditworthiness of its tenants and operators on a continuous basis. If the likelihood of a tenant paying its lease payments is determined to no longer be probable, all tenant receivables, including deferred rent, are written off against revenue and any future revenue for that tenant is recognized only upon receipt of cash.

In addition, as of September 30, 2023 and December 31, 2022, the Company had a portfolio level reserve of \$ 350 on those leases that were probable of collection to ensure that the tenant lease receivables were not overstated.

Escrow Deposits

The escrow balance as of September 30, 2023 and December 31, 2022 was \$ 9,861 and \$7,833, respectively. Escrow deposits include funds held in escrow to be used for the acquisition of properties in the future and for the payment of taxes, insurance, and other amounts as stipulated by the Company's Cantor Loan, as hereinafter defined. The escrow balance as of September 30, 2023 includes \$990 in funds withheld from the proceeds paid to the Company for the sale of a portfolio of four medical office buildings in Oklahoma City, Oklahoma, in June 2023. This amount was withheld in order to fund successful claims by the buyer, if any, against the Company for any breach by the Company of its representations and warranties in the purchase agreement. The Company does not believe that the buyer will have any successful claims against the Company and therefore believes that the amount held in escrow will be released to the Company in full in December 2023.

Deferred Assets

The deferred assets balance as of September 30, 2023 and December 31, 2022 was \$ 26,748 and \$29,616, respectively. The balance as of September 30, 2023 consisted of \$26,484 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and \$264 of other deferred costs. The balance as of December 31, 2022 consisted of \$29,467 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and \$149 of other deferred costs.

Other Assets

The other assets balance as of September 30, 2023 and December 31, 2022 was \$ 13,713 and \$6,550, respectively. The balance as of September 30, 2023 consisted of \$7,887 in right of use assets, \$2,064 in capitalized construction in process costs, \$2,154 in prepaid assets, \$1,110 in net capitalized leasing commissions, and \$ 498 in net capitalized software costs and miscellaneous assets. The balance as of December 31, 2022 consisted of \$3,480 in right of use assets, \$1,552 in capitalized construction in process costs, \$1,380 in prepaid assets, and \$138 in net capitalized software costs and miscellaneous assets. Refer to Note 8 – "Leases" for additional details on right of use assets.

Derivative Instruments - Interest Rate Swaps

As of September 30, 2023 and December 31, 2022, the Company's balance related to interest rate swap derivative instruments that were designated as cash flow hedges of interest rate risk was an asset of \$38,379 and \$34,705, respectively. In accordance with the Company's risk management strategy, the purpose of the interest rate swaps is to manage interest rate risk for certain of the Company's variable-rate debt. The interest rate swaps involve the Company's receipt of variable-rate amounts from the counterparties in exchange for the Company making fixed-rate payments over the life of the agreements. The Company accounts for derivative instruments in accordance with the provisions of ASC Topic 815, "Derivatives and Hedging." Refer to Note 4 – "Credit Facility, Notes Payable and Derivative Instruments" for additional details.

Goodwill

As of September 30, 2023 and December 31, 2022, the Company's goodwill balance was \$ 5,903. Goodwill represents the excess of consideration paid over the fair value of underlying identifiable net assets of businesses acquired. Goodwill has an indefinite life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company's policy is to perform its annual goodwill impairment evaluation as of the first day of the fourth quarter of its fiscal year. The Company has one reporting unit.

Assets Held for Sale and Sales of Real Estate

The Company classifies a property as held for sale when the following criteria are met: (i) management, having the authority to approve action, commits to a plan to sell the property in its present condition, (ii) the sale of the property is at a price reasonable in relation to its current fair value and (iii) the sale is probable and expected to be completed within one year. At that time, the Company presents the assets and obligations associated with the real estate held for sale separately in its Condensed Consolidated Balance Sheets

and ceases recording depreciation and amortization expense related to that asset. Real estate held for sale is reported at the lower of its carrying amount or its estimated fair value less estimated costs to sell. None of the Company's properties were classified as held for sale as of September 30, 2023 or December 31, 2022.

Upon the disposition of a property, the Company recognizes a gain or loss at a point in time when the Company determines control of the underlying asset has been transferred to the buyer. The Company's performance obligation is generally satisfied at the closing of the transaction. Any continuing involvement is analyzed as a separate performance obligation in the contract, and a portion of the sales price is allocated to each performance obligation. There is significant judgment applied to estimate the amount of variable consideration, if any, identified within the sales price and assess its probability of occurrence based on current market information, historical transactions, and forecasted information that is reasonably available.

For sales of real estate (or assets classified as held for sale), the Company evaluates whether the disposition is a strategic shift that will have a major effect on the Company's operations and financial results, and, if so, it will be classified as discontinued operations in the Company's consolidated financial statements for all periods presented.

Other Liabilities

The other liabilities balance as of September 30, 2023 and December 31, 2022 was \$ 12,138 and \$7,363, respectively. The balance as of September 30, 2023 consisted of \$7,614 for right of use liabilities and \$4,524 of prepaid rent. The balance as of December 31, 2022 consisted of \$2,922 for right of use liabilities and \$4,441 of prepaid rent. Refer to Note 8 – "Leases" for additional details on right of use liabilities.

Note 3 – Property Portfolio

Summary of Properties Acquired and Sold During the Nine Months Ended September 30, 2023

During the nine months ended September 30, 2023, the Company completed one acquisition. For this acquisition, substantially all of the fair value was concentrated in a single identifiable asset or group of similar identifiable assets and, therefore, the acquisition represented an asset acquisition. Accordingly, transaction costs for this acquisition were capitalized.

During the nine months ended September 30, 2023, the Company completed three dispositions. In March 2023, the Company sold a medical office building located in Jacksonville, Florida receiving gross proceeds of \$4.4 million, resulting in a gain of \$0.5 million. In June 2023 the Company sold a portfolio of four medical office buildings located in Oklahoma City, Oklahoma receiving gross proceeds of \$66.0 million, resulting in a gain of \$12.8 million. In August 2023, the Company sold a medical office building located in North Charleston, South Carolina receiving gross proceeds of \$10.1 million, resulting in a gain of \$2.3 million.

A rollforward of the gross investment in land, building, improvements, and acquired lease intangible assets as of September 30, 2023 is as follows:

| | Land | Building | Site Improvements | Tenant Improvements | Acquired Lease Intangible Assets | Gross Investment in Real Estate |
|--|------------|--------------|-------------------|---------------------|----------------------------------|---------------------------------|
| Balances as of December 31, 2022 | \$ 168,308 | \$ 1,079,781 | \$ 22,024 | \$ 65,987 | \$ 148,077 | \$ 1,484,177 |
| Facility Acquired – Date Acquired: | | | | | | |
| Redding – 4/17/23 | 771 | 3,798 | 174 | 321 | 872 | 5,936 |
| Capitalized costs ⁽¹⁾ | — | 2,263 | 515 | 1,770 | 172 | 4,720 |
| Total Additions: | 771 | 6,061 | 689 | 2,091 | 1,044 | 10,656 |
| Disposition of Jacksonville – 3/9/2023 | (1,023) | (2,827) | — | — | — | (3,850) |
| Disposition of Oklahoma City – 6/30/2023 | (2,814) | (43,553) | (1,127) | (1,505) | (9,406) | (58,405) |
| Disposition of North Charleston – 8/1/2023 | (927) | (4,640) | (106) | (801) | (1,098) | (7,572) |
| Total Dispositions: | (4,764) | (51,020) | (1,233) | (2,306) | (10,504) | (69,827) |
| Balances as of September 30, 2023 | \$ 164,315 | \$ 1,034,822 | \$ 21,480 | \$ 65,772 | \$ 138,617 | \$ 1,425,006 |

(1) Represents capital projects that were completed and placed in service during the nine months ended September 30, 2023 related to the Company's existing facilities.

Depreciation expense was \$10,100 and \$31,062 for the three and nine months ended September 30, 2023, respectively, and \$10,128 and \$29,428 for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023, the Company had aggregate capital improvement commitments and obligations to improve, expand, and maintain the Company's existing facilities of approximately \$24,000. Many of these amounts are subject to contingencies that make it difficult to predict when they will be utilized, if at all. In accordance with the terms of the Company's leases, capital improvement obligations in the next twelve months are expected to total approximately \$9,700.

Summary of Properties Acquired and Sold During the Year Ended December 31, 2022

During the year ended December 31, 2022 the Company completed 14 acquisitions. For each acquisition, substantially all of the fair value was concentrated in a single identifiable asset or group of similar identifiable assets and, therefore, each acquisition represents an asset acquisition. Accordingly, transaction costs for these acquisitions were capitalized.

A rollforward of the gross investment in land, building, improvements, and acquired lease intangible assets as of December 31, 2022 is as follows:

| | Land | Building | Site Improvements | Tenant Improvements | Acquired Lease Intangible Assets | Gross Investment in Real Estate |
|------------------------------------|------------------|--------------------|----------------------|------------------------|-------------------------------------|------------------------------------|
| Balances as of December 31, 2021 | <u>\$152,060</u> | <u>\$ 985,091</u> | <u>\$ 19,021</u> | <u>\$ 58,900</u> | <u>\$ 127,931</u> | <u>\$ 1,343,003</u> |
| Facility Acquired – Date Acquired: | | | | | | |
| Gainesville – 2/4/22 | 555 | 3,899 | 76 | 199 | 575 | 5,304 |
| Grand Rapids – 2/28/22 | 1,238 | 4,976 | 221 | 270 | 595 | 7,300 |
| Sarasota – 3/29/22 | 747 | 3,703 | 84 | 331 | 1,263 | 6,128 |
| Greenwood – 3/30/22 | 929 | 4,332 | 194 | 360 | 426 | 6,241 |
| Fairbanks – 4/1/22 | 1,782 | 12,262 | 215 | 753 | 7,946 | 22,958 |
| Rocky Point – 4/8/22 | 613 | 6,243 | 223 | 317 | 589 | 7,985 |
| Fairfax – 5/11/22 | 4,012 | 13,238 | 399 | 310 | 3,304 | 21,263 |
| Lee's Summit – 5/19/22 | 1,349 | 4,101 | 83 | 410 | 674 | 6,617 |
| Lexington – 5/27/22 | 1,760 | 11,350 | 289 | 556 | 3,036 | 16,991 |
| Toledo – 7/8/22 | 2,999 | 11,366 | 581 | 1,247 | 2,044 | 18,237 |
| Lake Geneva – 7/26/22 | 444 | 4,612 | 141 | 230 | 725 | 6,152 |
| Glenview – 9/1/22 | 1,448 | 6,258 | 241 | 279 | 912 | 9,138 |
| Canandaigua – 9/16/22 | 578 | 11,118 | 370 | 489 | 1,493 | 14,048 |
| Hermitage – 9/20/22 | 353 | 3,891 | 194 | 227 | 674 | 5,339 |
| Capitalized costs ⁽¹⁾ | <u>141</u> | <u>1,419</u> | <u>41</u> | <u>1,416</u> | <u>396</u> | <u>3,413</u> |
| Total Additions: | 18,948 | 102,768 | 3,352 | 7,394 | 24,652 | 157,114 |
| Disposition of Germantown – 7/1/22 | <u>(2,700)</u> | <u>(8,078)</u> | <u>(349)</u> | <u>(307)</u> | <u>(4,506)</u> | <u>(15,940)</u> |
| Balances as of December 31, 2022 | <u>\$168,308</u> | <u>\$1,079,781</u> | <u>\$ 22,024</u> | <u>\$ 65,987</u> | <u>\$ 148,077</u> | <u>\$ 1,484,177</u> |

(1) Represents capital projects that were completed and placed in service during the year ended December 31, 2022 related to the Company's existing facilities.

Lease Intangible Assets and Liabilities

The following is a summary of the carrying amount of lease intangible assets and liabilities as of the dates presented:

| As of September 30, 2023 | | | |
|--------------------------|-------------------|--------------------------|------------------|
| | Cost | Accumulated Amortization | Net |
| Assets | | | |
| In-place leases | \$ 77,037 | \$ (41,487) | \$ 35,550 |
| Above market leases | 24,961 | (9,499) | 15,462 |
| Leasing costs | 36,619 | (17,345) | 19,274 |
| | <u>\$ 138,617</u> | <u>\$ (68,331)</u> | <u>\$ 70,286</u> |
| Liability | | | |
| Below market leases | \$ 13,595 | \$ (7,735) | \$ 5,860 |
| As of December 31, 2022 | | | |
| | Cost | Accumulated Amortization | Net |
| Assets | | | |
| In-place leases | \$ 82,374 | \$ (34,898) | \$ 47,476 |
| Above market leases | 26,054 | (7,321) | 18,733 |
| Leasing costs | 39,649 | (14,683) | 24,966 |
| | <u>\$ 148,077</u> | <u>\$ (56,902)</u> | <u>\$ 91,175</u> |
| Liability | | | |
| Below market leases | \$ 13,595 | \$ (5,982) | \$ 7,613 |

The following is a summary of the acquired lease intangible amortization:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Amortization expense related to in-place leases | \$ 2,809 | \$ 3,003 | \$ 8,850 | \$ 8,537 |
| Amortization expense related to leasing costs | \$ 1,230 | \$ 1,262 | \$ 3,868 | \$ 3,599 |
| Decrease in rental revenue related to above market leases | \$ 818 | \$ 805 | \$ 2,565 | \$ 2,396 |
| Increase in rental revenue related to below market leases | \$ (584) | \$ (584) | \$ (1,753) | \$ (1,661) |

As of September 30, 2023, scheduled future aggregate net amortization of the acquired lease intangible assets and liabilities for each year ended December 31 is listed below:

| | Net Decrease in Revenue | Net Increase in Expenses |
|-------------------------------|-------------------------|--------------------------|
| 2023 (three months remaining) | \$ (238) | \$ 3,968 |
| 2024 | (1,151) | 14,211 |
| 2025 | (1,697) | 10,524 |
| 2026 | (1,803) | 8,701 |
| 2027 | (1,376) | 6,116 |
| Thereafter | (3,337) | 11,304 |
| Total | <u>\$ (9,602)</u> | <u>\$ 54,824</u> |

As of September 30, 2023, the weighted average amortization periods for asset lease intangibles and liability lease intangibles were 3.6 years and 2.5 years, respectively.

Note 4 – Credit Facility, Notes Payable and Derivative Instruments

Credit Facility

The Company, the Operating Partnership, as borrower, and certain of its subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) are parties to an amended and restated \$900 million unsecured syndicated credit facility with JPMorgan Chase Bank, N.A. (“JPMorgan”), as administrative agent (the “Credit Facility”). The Credit Facility consists of (i) \$500 million of term loans, which include (a) a \$350 million term loan (“Term Loan A”) and (b) a \$ 150 million term loan (“Term Loan B,” and, together with Term Loan A, the “Term Loans”), and (ii) a \$400 million revolver (the “Revolver”). The Credit Facility also includes a \$ 500 million accordion feature. Term Loan A matures in May 2026, Term Loan B matures in February 2028, and the Revolver matures in August 2026, with two six-month extension options. Interest rates on amounts outstanding under the Credit Facility equal the term Secured Overnight Financing Rate (“SOFR”) plus a related spread adjustment of 10 basis points and a borrowing spread based on the current pricing grid in the Credit Facility. The Company may be entitled to a temporary reduction in the interest rate of two basis points provided it meets certain to be agreed upon sustainability goals.

The Operating Partnership is subject to a number of financial covenants under the Credit Facility, including, among other things, the following as of the end of each fiscal quarter, (i) a maximum consolidated unsecured leverage ratio of less than 60%, (ii) a maximum consolidated secured leverage ratio of less than 30%, (iii) a maximum consolidated secured recourse leverage ratio of less than 10%, (iv) a minimum fixed charge coverage ratio of 1.50:1.00, (v) a minimum unsecured interest coverage ratio of 1.50:1.00, (vi) a maximum consolidated leverage ratio of less than 60%, and (vii) a minimum net worth of \$ 573 million plus 75% of all net proceeds raised through equity offerings subsequent to March 31, 2022. As of September 30, 2023, management believed it complied with all of the financial and non-financial covenants contained in the Credit Facility.

The Company has entered into interest rate swaps to hedge its interest rate risk on the Term Loans through their respective maturities. For additional information related to the interest rate swaps, see the “Derivative Instruments - Interest Rate Swaps” section herein.

During the nine months ended September 30, 2023, the Company borrowed \$ 38,100 under the Credit Facility and repaid \$115,400, for a net amount repaid of \$77,300. During the nine months ended September 30, 2022, the Company borrowed \$ 127,100 under the Credit Facility and repaid \$5,000, for a net amount borrowed of \$122,100. Interest expense incurred on the Credit Facility was \$5,878 and \$20,047 for the three and nine months ended September 30, 2023, respectively, and \$ 5,689 and \$13,512 for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023 and December 31, 2022, the Company had the following outstanding borrowings under the Credit Facility:

| | September 30, 2023 | December 31, 2022 |
|---------------------------------------|--------------------|-------------------|
| Revolver | \$ 68,400 | \$ 145,700 |
| Term Loan A | 350,000 | 350,000 |
| Term Loan B | 150,000 | 150,000 |
| Less: Unamortized debt issuance costs | (7,617) | (9,253) |
| Credit Facility, net | <u>\$ 560,783</u> | <u>\$ 636,447</u> |

Costs incurred related to the Credit Facility, net of accumulated amortization, are netted against the Company's “Credit Facility, net of unamortized debt issuance costs” balance in the accompanying Condensed Consolidated Balance Sheets. The Company paid \$13 and \$3,215 related to amendments and modifications to the Credit Facility during the nine months ended September 30, 2023 and 2022, respectively. Amortization expense incurred related to debt issuance costs was \$551 and \$1,649 for the three and nine months ended September 30, 2023, respectively, and \$519 and \$1,446 for the three and nine months ended September 30, 2022, respectively, and is included in the “Interest Expense” line item in the accompanying Condensed Consolidated Statements of Operations.

Notes Payable, Net of Debt Issuance Costs

The Company's notes payable, net, includes four loans: (1) the Rosedale Loan, (2) the Dumfries Loan, (3) the Cantor Loan, and (4) the Toledo Loan, each described in detail herein. The following table sets forth the aggregate balances of these loans as of September 30, 2023 and December 31, 2022:

| | September 30, 2023 | December 31, 2022 |
|---------------------------------|--------------------|-------------------|
| Notes payable | \$ 57,160 | \$ 58,124 |
| Unamortized debt issuance costs | (337) | (452) |
| Notes payable, net | <u>\$ 56,823</u> | <u>\$ 57,672</u> |

Amortization expense incurred related to the debt issuance costs was \$ 38 and \$115 for the three and nine months ended September 30, 2023, respectively, and \$39 and \$116 for the three and nine months ended September 30, 2022, respectively, and is included in the "Interest Expense" line item in the accompanying Condensed Consolidated Statements of Operations.

Rosedale Loan

On July 31, 2020, in connection with its acquisition of the Rosedale Facilities, the Company, through certain of its subsidiaries, as borrowers, entered into a loan with FVCbank with a principal balance of \$14,800 (the "Rosedale Loan"). The Rosedale Loan has an annual interest rate of 3.85% and matures on July 31, 2025 with principal and interest payable monthly based on a 25-year amortization schedule. The Company, at its option, may prepay the loan.

The Company made principal payments of \$291 and \$281 during the nine months ended September 30, 2023 and 2022, respectively. The loan balance as of September 30, 2023 and December 31, 2022 was \$13,663 and \$13,954, respectively. Interest expense incurred on this loan was \$135 and \$403 for the three and nine months ended September 30, 2023, respectively, and \$ 139 and \$414 for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023, scheduled principal payments due for each year ended December 31 were as follows:

| | |
|-------------------------------|------------------|
| 2023 (three months remaining) | \$ 100 |
| 2024 | 405 |
| 2025 | 13,158 |
| Total | <u>\$ 13,663</u> |

Dumfries Loan

On April 27, 2020, in connection with its acquisition of the Dumfries Facility, the Company, through a subsidiary, assumed a CMBS loan with a principal amount of \$12,074 (the "Dumfries Loan"). The Dumfries Loan has an annual interest rate of 4.68% and matures on June 1, 2024 with principal and interest payable monthly based on a ten-year amortization schedule. Prepayment can occur only within three months prior to the maturity date and the loan can be defeased at any time prior to the prepayment period.

The Company made principal payments of \$225 and \$214 during the nine months ended September 30, 2023 and 2022, respectively. The loan balance as of September 30, 2023 and December 31, 2022 was \$11,111 and \$11,336, respectively. Interest expense incurred on this loan was \$132 and \$393 for the three and nine months ended September 30, 2023, respectively, and \$ 135 and \$403 for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023, scheduled principal payments due for each year ended December 31 were as follows:

| | |
|-------------------------------|------------------|
| 2023 (three months remaining) | \$ 77 |
| 2024 | 11,034 |
| Total | <u>\$ 11,111</u> |

Cantor Loan

On March 31, 2016, through certain of its subsidiaries (the "GMR Loan Subsidiaries"), the Company entered into a \$ 32,097 CMBS loan (the "Cantor Loan"). The Cantor Loan has a maturity date of April 6, 2026 and an annual interest rate of 5.22%. The Cantor Loan required interest-only payments through March 31, 2021 and thereafter principal and interest based on a 30-year amortization schedule. Prepayment can only occur within four months prior to the maturity date and the loan can be defeased at any time prior to the prepayment period. The Cantor Loan is secured by the assets of the GMR Loan Subsidiaries.

The Company made principal payments of \$350 and \$331 during the nine months ended September 30, 2023 and 2022, respectively. The loan balance as of September 30, 2023 and December 31, 2022 was \$31,018 and \$31,368, respectively. Interest expense incurred on this loan was \$414 and \$1,235 for the three and nine months ended September 30, 2023, respectively, and \$ 420 and \$1,253 for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023, scheduled principal payments due for each year ended December 31 were as follows:

| | | |
|-------------------------------|----|---------------|
| 2023 (three months remaining) | \$ | 121 |
| 2024 | | 492 |
| 2025 | | 523 |
| 2026 | | 29,882 |
| Total | \$ | <u>31,018</u> |

Toledo Loan

On July 8, 2022, in connection with its acquisition of the Toledo Facility, the Company, through its subsidiary GMR Toledo LLC, assumed a loan with a principal amount of \$1,513 ("the Toledo Loan"). The Toledo Loan has an annual interest rate of 5.0% with semi-annual principal and interest payments. The Company made principal payments of \$98 and \$47 during the nine months ended September 30, 2023 and 2022, respectively. The loan balance as of September 30, 2023 and December 31, 2022 was \$1,368 and \$1,466, respectively. Interest expense incurred on this loan was \$22 and \$67 for the three and nine months ended September 30, 2023, respectively, and \$22 for each of the three and nine months ended September 30, 2022. The Toledo Loan matures on July 30, 2033.

Derivative Instruments - Interest Rate Swaps

The Company has ten interest rate swaps and three forward starting interest rate swaps that are used to manage its interest rate risk by fixing the SOFR component of the Term Loans through their maturities. A description of these swaps is below:

Term Loan A Swaps

As of September 30, 2023, six of the Company's interest rate swaps related to Term Loan A. The combined notional value of these swaps is \$350 million, with \$200 million of the swaps maturing in August 2024 and the remaining \$ 150 million maturing in April 2026. In addition, the Company has three forward starting interest rate swaps with a combined notional value of \$ 200 million, each with a maturity date of April 2026, that will become effective on the August 2024 maturity date of the existing swaps noted above. Currently, the Term Loan A swaps fix the SOFR component of Term Loan A at a rate of 1.50% through August 2024. From August 2024 to April 2026 the SOFR component of Term Loan A will be fixed at 1.36%.

Term Loan B Swaps

As of September 30, 2023, four of the Company's interest rate swaps related to Term Loan B with a combined notional value of \$150 million that fix the SOFR component on Term Loan B through January 2028 at 2.54%.

The Company records the swaps either as an asset or a liability measured at its fair value at each reporting period. When hedge accounting is applied, the change in the fair value of derivatives designated and that qualify as cash flow hedges is (i) recorded in accumulated other comprehensive loss in the equity section of the Company's Condensed Consolidated Balance Sheets and (ii) subsequently reclassified into earnings as interest expense for the period that the hedged forecasted transactions affect earnings. If specific hedge accounting criteria are not met, changes in the Company's derivative instruments' fair value are recognized currently as an adjustment to net income.

The Company's interest rate swaps are not traded on an exchange. The Company's interest rate swaps are recorded at fair value based on a variety of observable inputs including contractual terms, interest rate curves, yield curves, measure of volatility, and correlations of such inputs. The Company measures its derivatives at fair value on a recurring basis based on the expected size of future cash flows on a discounted basis and incorporates a measure of non-performance risk. The fair values are based on Level 2 inputs within the framework of ASC Topic 820. The Company considers its own credit risk, as well as the credit risk of its counterparties, when evaluating the fair value of its derivative instruments.

The fair value of the Company's interest rate swaps was an asset of \$ 38,379 and \$34,705 as of September 30, 2023 and December 31, 2022, respectively. The gross asset balances are included in the "Derivative Asset" line item on the Company's Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, respectively.

The table below details the components of the amounts presented on the accompanying Condensed Consolidated Statements of Comprehensive Income recognized on the Company's interest rate swaps designated as cash flow hedges for the three and nine months ended September 30, 2023 and 2022:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------------------|------------------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Amount of gain recognized in other comprehensive income | \$ (6,801) | \$ (20,612) | \$ (14,824) | \$ (41,246) |
| Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense | 4,281 | 256 | 11,119 | (2,273) |
| Total change in accumulated other comprehensive income | <u>\$ (2,520)</u> | <u>\$ (20,356)</u> | <u>\$ (3,705)</u> | <u>\$ (43,519)</u> |

During the next twelve months, the Company estimates that an additional \$ 17,226 will be reclassified as a decrease to interest expense. Additionally, during the three and nine months ended September 30, 2023, the Company recorded total interest expense in its Condensed Consolidated Statements of Operations of \$7,170 and \$23,909, respectively.

Weighted-Average Interest Rate and Term

The weighted average interest rate and term of the Company's debt was 3.78% and 3.1 years at September 30, 2023, compared to 4.20% and 3.9 years as of December 31, 2022.

Note 5 – Equity

Preferred Stock

The Company's charter authorizes the issuance of 10,000 shares of preferred stock, par value \$ 0.001 per share. As of September 30, 2023 and December 31, 2022, there were 3,105 shares of Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), issued and outstanding. The Series A Preferred Stock has a liquidation preference of \$25 per share.

Preferred stock dividend activity for the nine months ended September 30, 2023 is summarized in the following table:

| Date Announced | Record Date | Applicable Quarter | Payment Date | Quarterly Dividend | Dividends per Share |
|-------------------|------------------|-----------------------|------------------|-------------------------|------------------------|
| December 7, 2022 | January 15, 2023 | Q4 2022 | January 31, 2023 | \$ 1,455 | \$ 0.46875 |
| March 10, 2023 | April 15, 2023 | Q1 2023 | May 1, 2023 | \$ 1,455 | \$ 0.46875 |
| June 9, 2023 | July 15, 2023 | Q2 2023 | July 31, 2023 | \$ 1,455 | \$ 0.46875 |
| September 8, 2023 | October 15, 2023 | Q3 2023 | October 31, 2023 | \$ 1,455 ⁽¹⁾ | \$ 0.46875 |

⁽¹⁾ Two months of this amount, equal to \$ 970, was accrued at September 30, 2023.

The holders of the Series A Preferred Stock are entitled to receive dividend payments only when, as and if declared by the Company's board of directors (the "Board") (or a duly authorized committee of the Board). Dividends will accrue or be payable in cash from the original issue date, on a cumulative basis, quarterly in arrears on each dividend payment date at a fixed rate per annum equal to 7.50% of the liquidation preference of \$25.00 per share (equivalent to \$1.875 per share on an annual basis). The Series A Preferred Stock may be partially or fully redeemed by the Company. Dividends on the Series A Preferred Stock are cumulative and accrue whether or not (i) funds are legally available for the payment of those dividends, (ii) the Company has earnings or (iii) those dividends are declared by the Board. The quarterly dividend payment dates on the Series A Preferred Stock are January 31, April 30, July 31 and October 31 of each year. During each of the nine-month periods ended September 30, 2023 and 2022, the Company paid preferred dividends of \$4,366.

Common Stock

The Company has 500,000 authorized shares of common stock, \$0.001 par value. As of September 30, 2023 and December 31, 2022, there were 65,565 and 65,518 outstanding shares of common stock, respectively.

Common stock dividend activity for the nine months ended September 30, 2023 is summarized in the following table:

| Date Announced | Record Date | Applicable Quarter | Payment Date | Dividend Amount ⁽¹⁾ | Dividends per Share |
|-------------------|--------------------|--------------------|------------------|--------------------------------|---------------------|
| December 7, 2022 | December 22, 2022 | Q4 2022 | January 9, 2023 | \$ 14,642 | \$ 0.21 |
| March 10, 2023 | March 24, 2023 | Q1 2023 | April 11, 2023 | \$ 14,688 | \$ 0.21 |
| June 9, 2023 | June 23, 2023 | Q2 2023 | July 11, 2023 | \$ 14,819 | \$ 0.21 |
| September 8, 2023 | September 22, 2023 | Q3 2023 | October 10, 2023 | \$ 14,819 | \$ 0.21 |

(1) Includes distributions on outstanding LTIP Units and OP Units.

During the nine months ended September 30, 2023 and 2022, the Company paid total dividends on its common stock, LTIP Units and OP Units in the aggregate amount of \$44,207 and \$43,779, respectively.

As of September 30, 2023 and December 31, 2022, the Company had accrued dividend balances of \$ 266 and \$209 for dividends payable on the aggregate annual and long-term LTIP Units that are subject to retroactive receipt of dividends on the amount of LTIP Units ultimately earned. During the nine months ended September 30, 2023, \$115 of dividends were accrued and \$58 of dividends were paid related to these units. During the nine months ended September 30, 2022, the dividend accrual was reversed by \$7 and \$471 of dividends were paid related to these units.

The amount of the dividends paid to the Company's stockholders is determined by the Board and is dependent on a number of factors, including funds available for payment of dividends, the Company's financial condition and capital expenditure requirements except that, in accordance with the Company's organizational documents and Maryland law, the Company may not make dividend distributions that would: (i) cause it to be unable to pay its debts as they become due in the usual course of business; (ii) cause its total assets to be less than the sum of its total liabilities plus senior liquidation preferences; or (iii) jeopardize its ability to maintain its qualification as a REIT.

In March 2022, the Company and the Operating Partnership entered into a Sales Agreement with certain sales agents, pursuant to which the Company may offer and sell, from time to time, up to \$300 million of its common stock (the "ATM Program"). No shares were sold under the ATM Program during the nine months ended September 30, 2023.

OP Units

During the nine months ended September 30, 2023, the Operating Partnership issued 577 OP Units with a value of \$ 5,482 in connection with a facility acquisition and did not redeem any OP Units. During the year ended December 31, 2022, the Operating Partnership did not issue any OP Units and redeemed 35 OP Units for shares of the Company's common stock with an aggregate redemption value of \$600.

As of September 30, 2023 and December 31, 2022, there were 2,244 and 1,667 OP Units issued and outstanding, respectively, with an aggregate value of \$13,962 and \$8,480, respectively. The OP Unit value at issuance and redemption is based on the Company's closing share price on the date of the respective transaction and is included as a component of noncontrolling interest equity in the Company's Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022. The Company has sufficient shares of common stock authorized pursuant to its charter to cover the redemption of outstanding OP Units.

Note 6 – Related Party Transactions

Related Party Balances

The amounts due from related parties as of September 30, 2023 and December 31, 2022 were \$ 289 and \$200, respectively. These balances primarily consist of taxes paid on behalf of LTIP Unit and OP Unit holders that are reimbursable to the Company. The Company had no amounts due to related parties as of September 30, 2023 and December 31, 2022.

Note 7 – Stock-Based Compensation

2016 Equity Incentive Plan

The 2016 Equity Incentive Plan, as amended (the "Plan"), is intended to assist the Company and its affiliates in recruiting and retaining employees of the Company, members of the Board, executive officers of the Company, and individuals who provide services to the Company and its affiliates.

The Plan is intended to permit the grant of both qualified and non-qualified options and the grant of stock appreciation rights, restricted stock, unrestricted stock, awards of restricted stock units, performance awards and other equity-based awards (including LTIP Units). Based on the grants outstanding as of September 30, 2023, there were 844 shares of common stock that remain available to be granted under the Plan. Units subject to awards under the Plan that are forfeited, cancelled, lapsed, or otherwise expired (excluding shares withheld to satisfy exercise prices or tax withholding obligations) are available for grant.

Time-Based Grants

During the nine months ended September 30, 2023, the following LTIP Units were issued by the Company:

| Date | Description | Number of Units Issued | Vesting Dates |
|-------------------|---|---------------------------|--|
| February 23, 2023 | Final awards under the 2022 Annual Incentive Plan | 68 | 50% on February 23, 2023; and 50% on February 23, 2024 |
| February 23, 2023 | Time-based awards under the 2023 Long-Term Incentive Plan | 165 | 100% on February 23, 2026 |
| May 10, 2023 | Annual awards to independent directors | 45 | 100% on May 10, 2024 |
| May 10, 2023 | Discretionary awards | 11 | 33.33% on May 10, 2024; 33.33% on May 10, 2025; and 33.33% on May 10, 2026 |

During the nine months ended September 30, 2023, certain participants redeemed an aggregate of 47 vested LTIP Units for the Company's common stock and forfeited an aggregate of 25 LTIP Units. A detail of the Company's outstanding time-based LTIP Units as of September 30, 2023 is as follows:

| | |
|---|--------------|
| Vested units | 2,270 |
| Unvested units | 486 |
| LTIP Units outstanding as of September 30, 2023 | <u>2,756</u> |

Performance Based Awards

The Board has approved annual performance-based LTIP awards ("Annual Awards") and long-term performance-based LTIP awards ("Long-Term Awards" and together with the Annual Awards, "Performance Awards") to the executive officers and other employees of the Company. As described below, the Annual Awards have one-year performance periods and the Long-Term Awards have three-year performance periods. In addition to meeting specified performance metrics, vesting in both the Annual Awards and the Long-Term Awards is subject to service requirements.

During the nine months ended September 30, 2023, certain participants forfeited an aggregate of 16 Performance Awards. Additionally, none of the 2020 Long-Term Awards were earned. A detail of the Performance Awards under the 2021, 2022 and 2023 programs as of September 30, 2023 is as follows:

| | |
|--|-----|
| 2021 Long-Term Awards | 67 |
| 2022 Long-Term Awards | 96 |
| 2023 Annual Awards ⁽¹⁾ | 151 |
| 2023 Long-Term Awards ⁽²⁾ | 154 |
| Total target performance awards as of September 30, 2023 | 468 |

(1) Approved by the Board on May 10, 2023. The number of target LTIP Units was based on the average closing price of the Company's common stock reported on the New York Stock Exchange ("NYSE") over the 15 trading days preceding the award date.

(2) Approved by the Board on February 23, 2023. The number of target LTIP Units was based on the fair value of the Long-Term Awards as determined by an independent valuation consultant.

Annual Awards. The Annual Awards are subject to the terms and conditions of LTIP Annual Award Agreements ("LTIP Annual Award Agreements") between the Company and each grantee.

The Compensation Committee of the Board (the "Compensation Committee") and Board established performance goals for the year ending December 31, 2023, as set forth in the 2023 LTIP Annual Award Agreements (the "Performance Goals") that will be used to determine the number of LTIP Units earned by each grantee. As of September 30, 2023, management estimated that the Performance Goals would be met at a 100% level and, accordingly, cumulative stock-based compensation expense during the three and nine months ended September 30, 2023 reflects management's estimate that 100% of these awards will be earned. As soon as reasonably practicable following the end of the performance period, the Compensation Committee and Board will determine the extent to which the Company has achieved each of the Performance Goals (expressed as a percentage) and, based on such determination, will calculate the number of LTIP Units that each grantee is entitled to receive. Each grantee may earn up to 150% of the number of his/her target LTIP Units. Any 2023 Annual Award LTIP Units that are not earned will be forfeited and cancelled.

Vesting. LTIP Units that are earned as of the end of the applicable performance period will vest in two installments as follows: 50% of the earned LTIP Units will become vested on the valuation date of the awards (which is expected to occur in February 2024) and 50% of the earned LTIP Units become vested on the one year anniversary of the initial vesting date. Vesting may be accelerated under certain circumstances such as a "change-in-control" transaction or a "qualified termination" event.

Distributions. Distributions equal to the dividends declared and paid by the Company will accrue during the applicable performance period on the maximum number of LTIP Units that the grantee could earn and will be paid with respect to all of the earned LTIP Units at the conclusion of the applicable performance period, in cash or by the issuance of additional LTIP Units at the discretion of the Compensation Committee.

Long-Term Awards. The Long-Term Awards are subject to the terms and conditions of their related LTIP Long-Term Award Agreements (collectively the "LTIP Long-Term Award Agreements") between the Company and each grantee. The number of LTIP Units that each grantee earns under the LTIP Long-Term Award Agreements will be determined following the conclusion of a three-year performance period based on the Company's total stockholder return ("TSR"), which is determined based on a combination of appreciation in stock price and dividends paid during the performance period. Each grantee may earn up to 200% of the number of target LTIP Units covered by the grantee's Long-Term Award. Any target LTIP Units that are not earned will be forfeited and cancelled. The number of LTIP Units earned under the Long-Term Awards will be determined as soon as reasonably practicable following the end of the applicable three-year performance period based on the Company's TSR on an absolute basis (as to 50% of the Long-Term Award) and relative to the companies that comprised the Dow Jones U.S. Real Estate Health Care Index (the "Index") (as to 50% of the Long-Term Award).

Vesting. LTIP Units that are earned as of the end of the applicable three-year performance period will vest in two installments as follows; 50% of the earned LTIP Units will vest upon the day prior to the third anniversary of the respective grant dates and the remaining 50% will vest on the one year anniversary of the initial vesting date. Vesting may be accelerated under certain circumstances such as a "change-in-control" transaction or a "qualified termination" event.

Distributions. Pursuant to the LTIP Long-Term Award Agreements, distributions equal to the dividends declared and paid by the Company will accrue during the applicable performance period on the maximum number of LTIP Units that the grantee could earn and will be paid with respect to all of the earned LTIP Units at the conclusion of the applicable performance period, in cash or by the issuance of additional LTIP Units at the discretion of the Compensation Committee.

Stock-Based Compensation Expense

Compensation expense for LTIP Unit grants, Annual Awards, and Long-Term Awards is based on the grant date fair value of the units/awards, with no subsequent remeasurement required.

As the Long-Term Awards involve market-based performance conditions, the Company utilizes a Monte Carlo simulation to provide a grant date fair value for expense recognition. The Monte Carlo simulation is a generally accepted statistical technique used, in this instance, to simulate a range of possible future stock prices for the Company and the members of the Index over the Performance Periods. The purpose of this modeling is to use a probabilistic approach for estimating the fair value of the performance share award.

The assumptions used in the Monte Carlo simulation include beginning average stock price, valuation date stock price, expected volatilities, correlation coefficients, risk-free rate of interest, and expected dividend yield. The beginning average stock price is the beginning average stock price for the Company and each member of the Index for the 15 trading days leading up to the grant date of the Long-Term Award. The valuation date stock price is the closing stock price of the Company and each of the peer companies in the Index on the grant dates of the Long-Term Awards. The expected volatilities are modeled using the historical volatilities for the Company and the members of the Index. The correlation coefficients are calculated using the same data as the historical volatilities. The risk-free rate of interest is taken from the U.S. Treasury website and relates to the expected life of the remaining performance period on valuation or revaluation. Lastly, the dividend yield assumption is 0.0%, which is mathematically equivalent to reinvesting dividends in the issuing entity, which is part of the Company's award agreement assumptions.

Below are details regarding certain of the assumptions for the Long-Term Awards using Monte Carlo simulations:

| | 2023 Long-Term Awards | 2022 Long-Term Awards | 2021 Long-Term Awards |
|------------------------|--------------------------|--------------------------|--------------------------|
| Fair value | \$ 11.67 | \$ 16.39 | \$ 14.86 |
| Target awards | 154 | 96 | 67 |
| Volatility | 43.54 % | 41.65 % | 42.37 % |
| Risk-free rate | 4.35 % | 1.72 % | 0.26 % |
| Dividend assumption | reinvested | reinvested | reinvested |
| Expected term in years | 3 | 3 | 3 |

The Company incurred stock compensation expense of \$ 1,185 and \$3,020 for the three and nine months ended September 30, 2023, respectively, and \$1,039 and \$3,615 for the three and nine months ended September 30, 2022, respectively, related to the grants awarded under the Plan. Compensation expense is included within "General and Administrative" expense in the Company's Condensed Consolidated Statements of Operations.

As of September 30, 2023, total unamortized compensation expense related to these awards of approximately \$ 6.0 million is expected to be recognized over a weighted average remaining period of 1.5 years.

Note 8 – Leases

The Company operates as both a lessor and a lessee. As a lessor, the Company is required under ASC Topic 842 to account for leases using an approach that is substantially similar to ASC Topic 840's guidance for operating leases and other leases such as sales-type leases and direct financing leases. In addition, ASC Topic 842 requires lessors to capitalize and amortize only incremental direct leasing costs. As a lessee, the Company is required under the new standard to apply a dual approach, classifying leases, such as ground leases, as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC Topic 842 also requires lessees to record a right of use asset and a lease liability for all leases with an initial term of greater than a year regardless of their classification. The Company has also elected the practical expedient not to recognize right of use assets and lease liabilities for leases with a term of a year or less.

Information as Lessor

To generate positive cash flow, as a lessor, the Company leases its facilities to tenants in exchange for fixed monthly payments that cover rent, property taxes, insurance and certain cost recoveries, primarily common area maintenance ("CAM"). The Company's leases were determined to be operating leases and have a portfolio-average-lease-years remaining of approximately 10 years. Payments from the Company's tenants for CAM are considered nonlease components that are separated from lease components and are generally accounted for in accordance with the revenue recognition standard. However, the Company qualified for and elected the practical expedient related to combining the components because the lease component is classified as an operating lease and the timing and pattern of transfer of CAM income, which is not the predominant component, is the same as the lease component, for all asset classes. As such, consideration for CAM is accounted for as part of the overall consideration in the lease. Payments from customers for property taxes and insurance are considered non-components of the lease and therefore no consideration is allocated to them because they do not transfer a good or service to the customer. Fixed contractual payments from the Company's leases are recognized on a straight-line basis over the terms of the respective leases. This means that, with respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue is commenced when the tenant assumes control of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

Some of the Company's leases are subject to annual changes in the Consumer Price Index ("CPI"). Although increases in CPI are not estimated as part of the Company's measurement of straight-line rental revenue, for leases with base rent increases based on CPI, the amount of rent revenue recognized is adjusted in the period the changes in CPI are measured and effective. Additionally, some of the Company's leases have extension options.

Initial direct costs, primarily commissions related to the leasing of our facilities are capitalized when material as incurred. Capitalized leasing costs are amortized on a straight-line basis over the remaining useful life of the respective leases. All other costs to negotiate or arrange a lease are expensed as incurred.

Lease-related receivables, which include accounts receivable and accrued straight-line rents receivable, are reduced for credit losses, if applicable. The Company regularly evaluates the collectability of its lease-related receivables. The Company's evaluation of collectability primarily consists of reviewing past due account balances and considering such factors as the credit quality of our tenant, historical trends of the tenant and changes in tenant payment terms. If the Company's assumptions regarding the collectability of lease-related receivables prove incorrect, the Company could experience credit losses in excess of what was recognized in rental and other revenues.

The Company recognized \$35,487 and \$108,003 of rental revenue related to operating lease payments for the three and nine months ended September 30, 2023, respectively, and \$35,347 and \$100,877 of rental revenue related to operating lease payments for the three and nine months ended September 30, 2022, respectively. Of these amounts, \$1,704 and \$5,563 relate to variable rental revenue for the three and nine months ended September 30, 2023, respectively, and \$1,950 and \$5,816 relate to variable rental revenue for the three and nine months ended September 30, 2022, respectively.

The aggregate annual cash to be received by the Company on the noncancelable operating leases related to its portfolio as of September 30, 2023 is as follows for the subsequent years ended December 31:

| | | |
|-------------------------------|----|----------------|
| 2023 (three months remaining) | \$ | 29,396 |
| 2024 | | 113,130 |
| 2025 | | 100,853 |
| 2026 | | 91,721 |
| 2027 | | 79,323 |
| Thereafter | | 316,961 |
| Total | \$ | <u>731,384</u> |

Information as Lessee

The Company entered into a new lease agreement for its corporate headquarters in Bethesda, Maryland. The lease had a commencement date of May 1, 2023 and expires on October 31, 2034. The Company's total lease payment obligation over the life of the lease is approximately \$7 million. The Company recorded a right of use asset and liability of \$4,634 on May 1, 2023, the commencement date of the lease. The Company used a discount rate of approximately 6.5% which represented its incremental borrowing rate at the lease commencement date. Additionally, the Company has seven buildings located on land that is subject to operating ground leases with a weighted average remaining term of approximately 43 years. Rental payments on these leases are adjusted periodically based on either the CPI or on a pre-determined schedule. The monthly payments on a pre-determined schedule are recognized on a straight-line basis over the terms of the respective leases. Changes in the CPI are not estimated as part of our measurement of straight-line rental expense. The Company used a weighted average discount rate of approximately 7.5% to record the right of use assets and liabilities, which was derived, using a portfolio approach, from our assessment of the credit quality of the Company and adjusted to reflect secured borrowing, estimated yield curves and long-term spread adjustments over appropriate tenors. Some of the Company's ground leases contain extension options and, where we determined it was reasonably certain that an extension would occur, they were included in our calculation of the right of use asset and liability. The Company recognized approximately \$81 and \$234 of ground lease expense during the three and nine months ended September 30, 2023, respectively, of which \$43 and \$124 was paid in cash. The Company recognized approximately \$60 and \$169 of ground lease expense during the three and nine months ended September 30, 2022, respectively, of which \$32 and \$104 was paid in cash.

The following table sets forth the undiscounted cash flows of our scheduled obligations for future lease payments on operating ground leases at September 30, 2023, and a reconciliation of those cash flows to the operating lease liability at September 30, 2023:

| | | |
|-------------------------------|----|---------------|
| 2023 (three months remaining) | \$ | 39 |
| 2024 | | 679 |
| 2025 | | 740 |
| 2026 | | 757 |
| 2027 | | 772 |
| Thereafter | | 10,450 |
| Total | | <u>13,437</u> |
| Discount | | (5,823) |
| Lease liability | \$ | <u>7,614</u> |

Tenant Concentration

During the nine months ended September 30, 2023, the Company's rental revenues were derived from 268 tenants leasing 185 buildings. During this period there were no tenants with rental revenue that exceeded 10% of the Company's rental revenue.

Note 9 – Commitments and Contingencies

Litigation

The Company is not presently subject to any material litigation nor, to its knowledge, is any material litigation threatened against the Company, which if determined unfavorably to the Company, would have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Environmental Matters

The Company follows a policy of monitoring its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at its properties, the Company is not currently aware of any environmental liability with respect to its properties that would have a material effect on its financial position, results of operations, or cash flows. Additionally, the Company is not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that management believes would require additional disclosure or the recording of a loss contingency.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements, including the notes to those financial statements, included elsewhere in this Quarterly Report on Form 10-Q (this "Report"). Some of the comments we make in this section are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section below entitled "Special Note Regarding Forward-Looking Statements." Certain risk factors may cause actual results, performance, or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2022, that was filed with the U.S. Securities and Exchange Commission (the "SEC" or the "Commission") on March 1, 2023. Unless otherwise indicated, all dollar and share amounts in the following discussion are presented in thousands.

Special Note Regarding Forward-Looking Statements

This Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). In particular, statements pertaining to our trends, liquidity, capital resources, and the healthcare industry and the healthcare real estate markets and opportunity, among others, contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- difficulties in identifying healthcare facilities to acquire (due to increased cost of capital, competition or otherwise) and completing such acquisitions;
- defaults on or non-renewal of leases by tenants;
- our ability to collect rents;
- increases in interest rates and increased operating costs;
- macroeconomic and geopolitical factors, including, but not limited to, inflationary pressures, interest rate volatility, distress in the banking sector, global supply chain disruptions and ongoing geopolitical conflicts and war;
- the effects of the ongoing coronavirus ("COVID-19") epidemic (including any related variants of the COVID-19 virus such as the Delta variant, Omicron variant, or others), which are highly uncertain, cannot be predicted and will depend upon future developments, including the severity of COVID-19, the duration of the outbreak and potential resurgences, plateaued or stagnant vaccination and booster rates, adequate testing and treatments and the prevalence of widespread immunity to COVID-19;
- our ability to satisfy the covenants in our existing and any future debt agreements;
- decreased rental rates or increased vacancy rates, including expected rent levels on acquired properties;
- adverse economic or real estate conditions or developments, either nationally or in the markets in which our facilities are located;
- our failure to generate sufficient cash flows to service our outstanding obligations;
- our ability to satisfy our short and long-term liquidity requirements;

- our ability to deploy the debt and equity capital we raise;
- our ability to hedge our interest rate risk;
- our ability to raise additional equity and debt capital on terms that are attractive or at all;
- our ability to make distributions on shares of our common and preferred stock or to redeem our preferred stock;
- expectations regarding the timing and/or completion of any acquisition;
- expectations regarding the timing and/or completion of dispositions, and the expected use of proceeds therefrom;
- general volatility of the market price of our common and preferred stock;
- changes in our business or our investment or financing strategy;
- our dependence upon key personnel, whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- changes in healthcare laws, governmental regulations, tax laws and similar matters;
- changes in current healthcare and healthcare real estate trends;
- changes in expected trends in Medicare, Medicaid and commercial insurance reimbursement trends;
- competition for investment opportunities;
- our failure to successfully integrate acquired healthcare facilities;
- our expected capital and tenant improvement expenditures;
- changes in accounting policies generally accepted in the United States of America ("GAAP");
- lack of, or insufficient amounts of, insurance;
- other factors affecting the real estate industry generally;
- changes in the tax treatment of our distributions;
- our failure to maintain our qualification as a REIT for U.S. federal income tax purposes;
- our ability to qualify for the safe harbor from the "100% Prohibited Transactions Tax" under the REIT rules with respect to our property dispositions; and
- limitations imposed on our business due to, and our ability to satisfy, complex rules relating to REIT qualification for U.S. federal income tax purposes.

See Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion of these and other risks, as well as the risks, uncertainties and other factors discussed in this Report and identified in other documents we may file with the SEC from time to time. You should carefully consider these risks before making any investment decisions in our company. New risks and uncertainties may also emerge from time to time that could materially and adversely affect us. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this Report, except as required by applicable law. You should not place undue reliance

on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements.

Objective of MD&A

Management's Discussion and Analysis ("MD&A") is a narrative explanation of the financial statements and other statistical data that we believe will enhance a reader's understanding of our financial condition, changes in financial condition and results of operations.

The objectives of MD&A are:

- a. To provide a narrative explanation of our financial statements that enables investors to see the Company from management's perspective;
- b. To enhance the overall financial disclosure and provide the context within which financial information should be analyzed; and
- c. To provide information about the quality of, and potential variability of, our earnings and cash flow so that investors can ascertain the likelihood that past performance is indicative of future performance.

Overview

Global Medical REIT Inc. (the "Company," "us," "we," or "our") is a Maryland corporation and internally managed REIT that owns and acquires healthcare facilities and leases those facilities to physician groups and regional and national healthcare systems. We hold our facilities and conduct our operations through a Delaware limited partnership subsidiary named Global Medical REIT L.P. (the "Operating Partnership"). Our wholly owned subsidiary, Global Medical REIT GP LLC, is the sole general partner of our Operating Partnership and, as of September 30, 2023, we owned 92.91% of the outstanding common operating partnership units ("OP Units") of our Operating Partnership, with an aggregate of 7.09% of the Operating Partnership owned by holders of long-term incentive plan units ("LTIP Units") and third-party limited partners who contributed properties or services to the Operating Partnership in exchange for OP Units.

Our revenues are derived from the rental and operating expense reimbursement payments we receive from our tenants, and most of our leases are medium to long-term triple net leases with contractual rent escalation provisions. Our primary expenses are depreciation, interest, and general and administrative expenses. We finance our acquisitions with a mixture of debt and equity primarily from our cash from operations, borrowings under our Second Amended and Restated Credit Facility (the "Credit Facility"), and stock issuances.

Business Overview and Strategy

Our business strategy is to invest in healthcare properties that provide an attractive rate of return relative to our cost of capital and are operated by profitable physician groups, regional or national healthcare systems or combinations thereof. We believe this strategy allows us to attain our goals of providing stockholders with (i) reliable dividends and (ii) stock price appreciation. To implement this strategy, we seek to invest:

- in medical office buildings and other de-centralized components of the healthcare delivery system because we believe that healthcare delivery trends in the U.S. are increasingly moving away from centralized hospital locations;
- in small to mid-sized healthcare facilities located in secondary markets and suburbs of primary markets and that provide services needed for an aging population, such as cardiovascular treatment, rehabilitation, eye surgery, gastroenterology, oncology treatment and orthopedics. We believe these facilities and markets are typically overlooked by larger REITs and other healthcare investors but contain tenant credit profiles that are like those of larger, more expensive facilities in primary markets; and
- to a lesser extent, in opportunistic acquisitions, including (i) certain acute-care hospitals and long-term acute care facilities (LTACs) that we believe provide premium, risk-adjusted returns, (ii) health system corporate office and administrative buildings, which we believe will help us develop relationships with larger health systems and (iii) behavioral and mental health facilities that are operated by national or regional operators and are located in markets that demonstrate a need for such services.

Most of our healthcare facilities are leased to single-tenants under triple-net leases. As we continue to grow our portfolio and the competition for single-tenant, triple-net leased properties has intensified, we have added to our portfolio some multi-tenant properties with gross lease or modified gross lease structures.

Corporate Sustainability and Social Responsibility

Our business values integrate environmental sustainability, social responsibility, and strong governance practices throughout our Company.

Our Board of Directors (the “Board”) continues to lead our environmental, social and governance (“ESG”) efforts through a standing ESG committee. The primary purpose of the ESG committee is to assist the Board in fulfilling its responsibilities to provide oversight and support of our commitment to ESG matters by overseeing: (1) our general ESG strategy and policies as set by our management, (2) communications with our employees, investors, and other stakeholders with respect to ESG matters, (3) developments relating to, and improving our understanding of, ESG matters, (4) our compliance with certain ESG-related legal and regulatory requirements, and (5) coordination with our other Board committees on ESG matters of common import.

In June 2023, we released our second Corporate Social Responsibility Report, which detailed our progress and areas of focus in the ESG realm. The contents of our Corporate Social Responsibility Report are not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC.

Our commitment to employee engagement remains a high-priority, as we continue to make accommodations for health, safety, and work-life balance, including at our headquarters which is LEED platinum certified and includes a fitness center, café and roof-top lounge.

Climate Change Risk

We take climate change and the risks associated with climate change seriously, including both physical and transitional risks. We utilize software to help us identify and measure the potential climate risk exposure for our properties. The software analysis summarizes the climate change-related risks, groups them by onset potential and identifies opportunities for risk mitigation. We prioritize energy efficiency and sustainability when evaluating investment opportunities and have begun to monitor our portfolio for climate risk factors. We utilize utility and energy audits that are performed by third-party engineering consultants during the due diligence phase of our acquisitions. The energy consumption data that we collect is used to assess our facilities’ carbon emission levels. Capturing and tracking this information may help inform future mitigation and remediation efforts when possible. To that end, we continue to explore ways to mitigate climate risk, should it be present, in our acquisition strategy, as well as ways to contribute to the reduction of climate impact through proactive asset management that looks for ways to incorporate renewable energy resources and energy utilization reduction.

We stand with our communities, tenants, and stockholders in supporting meaningful solutions that address this global challenge and contribute to the sustainability of our business objectives.

Impact of Increased Interest Rates and Inflation

After many years of low inflation, the U.S. inflation rate increased substantially during 2022 and has remained elevated in 2023. In response to elevated inflation, the U.S. Federal Reserve (the “Fed”) increased the target range for the Federal Funds Rate from 0.25% – 0.50% in the first quarter of 2022 to 5.25% – 5.50% as of June 2023. As of the Fed’s most recent meetings in September and November 2023, due primarily to a continued high rate of inflation as well as positive U.S. economic performance, the Fed maintained the target range for the Federal Funds Rate of 5.25% – 5.50%. Many market participants had anticipated that the high trajectory of interest rates during 2022 and throughout 2023 would lead to an economic recession towards the end of 2023 that would have caused the Fed to begin lowering the Federal Funds Rate. However, certain components of the U.S. economy have outperformed expectations and inflation continues to remain higher than the Fed’s target rate, which has caused the Fed to take a “wait-and-see” approach to monetary policy rather than beginning a process of lowering the Federal Funds Rate. The increase in the Federal Funds Rate, along with other actions taken by the Fed, had a ripple effect on other benchmark interest rates, including one-month term Secured Overnight Financing Rate (“SOFR”), which is the reference rate for our indebtedness under our Credit Facility. From the beginning of July 2023 through November 6, 2023, one-month term SOFR has increased from 5.06% to 5.32%, and the current forward curve anticipates that rates will be higher for a longer period of time than previous expectations. Such elevated SOFR results in higher interest costs on our

floating rate borrowings, which negatively effects our operating profits and contributes to the delay in our ability to grow our investment portfolio.

Additionally, as most of our leases are triple-net leases, we are somewhat insulated from the effects of inflation on our operating expenses. However, due to the longer-term nature of our leases, we are not able to quickly increase rents to offset fully the effects of increased interest rates and inflation on our interest expense and other costs. Also, we may not be able to renew expiring leases at lease rates that reflect increases in inflation.

Continuing Impact of COVID-19

The COVID-19 epidemic has affected the healthcare industry in many ways. Many stories exist about U.S. healthcare workers, especially nurses, experiencing burnout due to the length and severity of the epidemic, and this has caused many nurses and other medical professionals to switch jobs within the medical profession or quit the profession altogether. This phenomenon has led to material increases in labor costs for healthcare systems, especially hospital systems, as some employers have had to rely on higher cost contract nursing labor to sustain their businesses. This increase in labor costs, among various other factors, contributed to the rapid increase in inflation during 2022, which remained elevated through the third quarter of 2023.

Furthermore, the continued spread of variants and subvariants of COVID-19 in the U.S. has prolonged the COVID-19 epidemic, which could continue to disrupt our operations and the operations of our tenants and third-party service providers.

Executive Summary

The following table summarizes the primary changes in our business and operations during the periods presented.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-----------|---------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands, except per share and unit amounts) | | | |
| Rental revenue | \$ 35,487 | \$ 35,347 | \$ 108,003 | \$ 100,877 |
| Depreciation and amortization expense | \$ 14,195 | \$ 14,415 | \$ 43,890 | \$ 41,630 |
| Interest expense | \$ 7,170 | \$ 6,963 | \$ 23,909 | \$ 17,166 |
| General and administrative expense | \$ 4,367 | \$ 3,961 | \$ 12,633 | \$ 12,494 |
| Gain on sale of investment properties | \$ 2,289 | \$ 6,753 | \$ 15,560 | \$ 6,753 |
| Net income attributable to common stockholders per share | \$ 0.05 | \$ 0.12 | \$ 0.24 | \$ 0.20 |
| FFO per share and unit ⁽¹⁾ | \$ 0.22 | \$ 0.23 | \$ 0.64 | \$ 0.70 |
| AFFO per share and unit ⁽¹⁾ | \$ 0.23 | \$ 0.25 | \$ 0.69 | \$ 0.74 |
| Dividends per share of common stock | \$ 0.21 | \$ 0.21 | \$ 0.63 | \$ 0.63 |
| Weighted average common stock outstanding | 65,565 | 65,518 | 65,545 | 65,443 |
| Weighted average OP Units outstanding | 2,244 | 1,668 | 2,020 | 1,669 |
| Weighted average LTIP Units outstanding | 2,757 | 2,539 | 2,697 | 2,442 |
| Total weighted average shares and units outstanding | 70,566 | 69,725 | 70,262 | 69,554 |

(1) See "—Non-GAAP Financial Measures," for a description of our non-GAAP financial measures and a reconciliation of our non-GAAP financial measures.

| | As of | |
|--|------------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| | (dollars in thousands) | |
| Investment in real estate, gross | \$ 1,425,006 | \$ 1,484,177 |
| Total debt, net | \$ 617,606 | \$ 694,119 |
| Weighted average interest rate | 3.78 % | 4.20 % |
| Total equity (including noncontrolling interest) | \$ 633,648 | \$ 649,065 |
| Net leasable square feet | 4,747,336 | 4,895,635 |

Our Properties

Completed Acquisitions

During the nine months ended September 30, 2023 we completed one acquisition encompassing 18,698 leasable square feet for a contractual purchase price of \$6.7 million with annualized base rent of \$0.5 million. We funded this acquisition primarily through the issuance of OP Units to the seller. As of September 30, 2023, our portfolio consisted of gross investment in real estate of \$1.4 billion, with an aggregate of 4.7 million leasable square feet and an aggregate \$111.4 million of annualized base rent.

Completed Property Dispositions

During the nine months ended September 30, 2023, the Company completed three dispositions that generated aggregate gross proceeds of \$80.5 million, resulting in an aggregate gain of \$15.6 million.

Capital Raising Activity

In March 2022, the Company and the Operating Partnership entered into a Sales Agreement with certain sales agents, pursuant to which we may offer and sell, from time to time, up to \$300 million of our common stock (the "ATM Program"). No shares were sold under the ATM Program during the nine months ended September 30, 2023.

Debt Activity

During the nine months ended September 30, 2023, we borrowed \$38.1 million under the Credit Facility and repaid \$115.4 million, for a net amount repaid of \$77.3 million. During the nine months ended September 30, 2022, we borrowed \$127.1 million under the Credit Facility and repaid \$5.0 million, for a net amount borrowed of \$122.1 million. As of September 30, 2023, the net outstanding Credit Facility balance was \$560.8 million and as of November 6, 2023, we had unutilized borrowing capacity under the Revolver of \$317.6 million.

Trends Which May Influence Our Results of Operations

We believe the following trends may positively impact our results of operations:

- *An aging population*. According to the 2020 U.S. Census, the nation's 65-and-older population has grown rapidly since 2010, driven by the aging of Baby Boomers born between 1946 and 1964. The 65-and-older population grew by over a third during the past decade, and by 3.2% from 2018 to 2019. We believe this segment of the U.S. population will utilize many of the services provided at our healthcare facilities such as orthopedics, cardiac, gastroenterology and rehabilitation.
- *A continuing shift towards outpatient care*. According to the American Hospital Association, patients are demanding more outpatient operations. We believe this shift in patient preference from inpatient to outpatient facilities will benefit our tenants as most of our properties consist of outpatient facilities.
- *Physician practice group and hospital consolidation*. We believe the trend towards physician group consolidation will serve to strengthen the credit quality of our tenants if our tenants merge or are consolidated with larger health systems.

We believe the following trends may negatively impact our results of operations:

- *Increased interest rate and inflation environment and cost of capital*. Due to components of the U.S. economy outperforming and persistently high inflation, the Fed has maintained the Federal Funds Rate at 5.25% to 5.50% during a period when many were expecting the Fed to begin lowering the Federal Funds Rate. Due to this interest rate environment, term SOFR, which is the reference rate for our floating rate debt, is not expected to reach its peak rate of 5.39% until February 2024 (based on the term SOFR forward curve as of November 1, 2023) as opposed to November 2023 (which was the projected peak rate time based on the SOFR forward curve as of August 2, 2023).

Continued elevated inflation and interest rates have contributed to a continued lull in the common stock prices of many REITs, including the price of the Company's common stock. A continued low stock price and elevated interest rates have

caused the Company's cost of capital to remain elevated, which, in turn, has significantly reduced the ability to acquire assets that meet the Company's investment requirements.

- *Continuation of the COVID-19 epidemic.* The COVID-19 epidemic has affected the healthcare industry in many ways. Many stories exist about U.S. healthcare workers, especially nurses, experiencing burnout due to the length and severity of the epidemic, and this has caused many nurses and other medical professionals to switch jobs within the medical profession or quit their professions altogether. This phenomenon has led to material increases in labor costs for healthcare systems, especially hospital systems, as some employers have had to rely on higher costing contract nursing labor to sustain their businesses. The increase in labor costs, among various other factors, contributed to the rapid increase in inflation during 2022 and remained elevated through the third quarter of 2023. Furthermore, the continued spread of variants and subvariants of COVID-19 in the U.S. has prolonged the COVID-19 epidemic.
- *Changes in third party reimbursement methods and policies.* The price of healthcare services has been increasing, and, as a result, we believe that third-party payors, such as Medicare and commercial insurance companies, will continue to scrutinize and reduce the types of healthcare services eligible for, and the amounts of, reimbursement under their health insurance plans. Additionally, many employer-based insurance plans continue to increase the percentage of insurance premiums for which covered individuals are responsible, which makes healthcare services more expensive for individuals. We expect these trends will only be exacerbated by the COVID-19 epidemic, as medical expenditures increased significantly during the epidemic. If these trends continue, our tenants' businesses will continue to be negatively affected, which may impact their ability to pay rent to us.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires our management to use judgment in the application of accounting policies, including making estimates and assumptions. We base estimates on the best information available to us at the time, our experience and on various other assumptions believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our financial statements. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Commission on March 1, 2023, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our condensed consolidated financial statements included in Part I, Item 1 of this Report.

Consolidated Results of Operations

The major factors that resulted in differences in our financial results for the three and nine months ended September 30, 2023, compared to the same periods in 2022, were higher interest rates, significantly lower acquisition activity and increased disposition activity. Regarding acquisitions, we completed one acquisition for a contractual purchase price of \$6.7 million during the current nine month period compared to 14 completed acquisitions for an aggregate contractual purchase price of \$148.9 million in the comparable prior year period. Regarding dispositions, we had three property dispositions during the current nine month period that generated aggregate gross proceeds of \$80.5 million compared to one property disposition in the comparable prior year period that generated gross proceeds of \$17.9 million. Our total investment in real estate, net of accumulated depreciation and amortization, was \$1.2 billion as of September 30, 2023 compared to \$1.3 billion as of September 30, 2022.

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

| | Three Months Ended September 30, | | \$ Change |
|---|---|------------------|------------------|
| | 2023 | 2022 | |
| | (in thousands) | | |
| Revenue | | | |
| Rental revenue | \$ 35,487 | \$ 35,347 | \$ 140 |
| Other income | 20 | 59 | (39) |
| Total revenue | <u>35,507</u> | <u>35,406</u> | 101 |
| Expenses | | | |
| General and administrative | 4,367 | 3,961 | 406 |
| Operating expenses | 7,231 | 6,679 | 552 |
| Depreciation expense | 10,100 | 10,128 | (28) |
| Amortization expense | 4,095 | 4,287 | (192) |
| Interest expense | 7,170 | 6,963 | 207 |
| Preacquisition expense | — | 112 | (112) |
| Total expenses | <u>32,963</u> | <u>32,130</u> | 833 |
| Income before gain from sale of investment properties | 2,544 | 3,276 | (732) |
| Gain on sale of investment properties | 2,289 | 6,753 | (4,464) |
| Net income | <u>\$ 4,833</u> | <u>\$ 10,029</u> | \$ (5,196) |

Revenue
Total Revenue

Total revenue for the three months ended September 30, 2023 was \$35.5 million, compared to \$35.4 million for the same period in 2022, an increase of \$0.1 million. The increase resulted primarily from the recognition of a full three months of rental revenue in the three months ended September 30, 2023 from acquisitions that were completed during the three months ended September 30, 2022, partially offset by the impact of property dispositions. Within that increase, \$5.3 million in revenue was recognized from net lease expense recoveries during the three months ended September 30, 2023, compared to \$5.0 million for the same period in 2022.

Expenses
General and Administrative

General and administrative expenses for the three months ended September 30, 2023 were \$4.4 million, compared to \$4.0 million for the same period in 2022, an increase of \$0.4 million. The increase resulted from an increase in non-cash LTIP compensation expense, which was \$1.2 million for the three months ended September 30, 2023, compared to \$1.0 million for the same period in 2022, and an increase in cash compensation and general corporate expenses.

Operating Expenses

Operating expenses for the three months ended September 30, 2023 were \$7.2 million, compared to \$6.7 million for the same period in 2022, an increase of \$0.5 million. The increase resulted primarily from \$5.3 million of recoverable property operating expenses incurred during the three months ended September 30, 2023, compared to \$5.0 million for the same period in 2022. In addition, our operating expenses included \$1.4 million of property operating expenses from gross leases for the three months ended September 30, 2023 and 2022.

Depreciation Expense

Depreciation expense for the three months ended September 30, 2023 and 2022 was \$10.1 million. The recognition of a full three months of depreciation expense in the three months ended September 30, 2023 from acquisitions that were completed during the three months ended September 30, 2022 was offset by the impact of property dispositions.

Amortization Expense

Amortization expense for the three months ended September 30, 2023 was \$4.1 million, compared to \$4.3 million for the same period in 2022, a decrease of \$0.2 million. The decrease resulted primarily from the impact of property dispositions, partially offset by the recognition of a full three months of amortization expense in the three months ended September 30, 2023 from acquisitions that were completed during the three months ended September 30, 2022.

Interest Expense

Interest expense for the three months ended September 30, 2023 was \$7.2 million, compared to \$7.0 million for the same period in 2022, an increase of \$0.2 million. This increase was due to higher interest rates during the three months ended September 30, 2023, compared to the same period in 2022.

The weighted average interest rate of our debt for the three months ended September 30, 2023 was 3.98% compared to 3.65% for the same period in 2022. Additionally, the weighted average interest rate and term of our debt was 3.78% and 3.1 years at September 30, 2023.

Income Before Gain on Sale of Investment Properties

Income before gain on sale of investment properties for the three months ended September 30, 2023 was \$2.5 million, compared to \$3.3 million for the same period in 2022, a decrease of \$0.8 million.

Gain on Sale of Investment Properties

In August 2023, we sold a medical office building located in North Charleston, South Carolina receiving gross proceeds of \$10.1 million, resulting in a gain of \$2.3 million.

In July 2022, we sold a medical office building located in Germantown, Tennessee receiving gross proceeds of \$17.9 million, resulting in a gain of \$6.8 million.

Net Income

Net income for the three months ended September 30, 2023 was \$4.8 million, compared to \$10.0 million for the same period in 2022, a decrease of \$5.2 million.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

| | Nine Months Ended September 30, | | |
|---|---------------------------------|------------------|-----------|
| | 2023 | 2022 | \$ Change |
| | (in thousands) | | |
| Revenue | | | |
| Rental revenue | \$ 108,003 | \$ 100,877 | \$ 7,126 |
| Other income | 85 | 100 | (15) |
| Total revenue | <u>108,088</u> | <u>100,977</u> | 7,111 |
| Expenses | | | |
| General and administrative | 12,633 | 12,494 | 139 |
| Operating expenses | 21,989 | 18,050 | 3,939 |
| Depreciation expense | 31,062 | 29,428 | 1,634 |
| Amortization expense | 12,828 | 12,202 | 626 |
| Interest expense | 23,909 | 17,166 | 6,743 |
| Preacquisition expense | 44 | 242 | (198) |
| Total expenses | <u>102,465</u> | <u>89,582</u> | 12,883 |
| Income before gain from sale of investment properties | 5,623 | 11,395 | (5,772) |
| Gain on sale of investment properties | 15,560 | 6,753 | 8,807 |
| Net income | <u>\$ 21,183</u> | <u>\$ 18,148</u> | \$ 3,035 |

Revenue
Total Revenue

Total revenue for the nine months ended September 30, 2023 was \$108.1 million, compared to \$101.0 million for the same period in 2022, an increase of \$7.1 million. The increase resulted primarily from the recognition of a full nine months of rental revenue in the nine months ended September 30, 2023 from acquisitions that were completed during the nine months ended September 30, 2022, partially offset by the impact of property dispositions. Within that increase, \$15.5 million in revenue was recognized from net lease expense recoveries during the nine months ended September 30, 2023, compared to \$13.4 million for the same period in 2022.

Expenses
General and Administrative

General and administrative expenses for the nine months ended September 30, 2023 were \$12.6 million, compared to \$12.5 million for the same period in 2022, an increase of \$0.1 million. The increase resulted from an increase in cash compensation costs and general corporate expenses, partially offset by a reduction in non-cash LTIP compensation expense, which was \$3.0 million for the nine months ended September 30, 2023, compared to \$3.6 million for the same period in 2022.

Operating Expenses

Operating expenses for the nine months ended September 30, 2023 were \$22.0 million, compared to \$18.1 million for the same period in 2022, an increase of \$3.9 million. The increase resulted primarily from \$15.5 million of recoverable property operating expenses incurred during the nine months ended September 30, 2023, compared to \$13.4 million for the same period in 2022. In addition, our operating expenses included \$4.5 million of property operating expenses from gross leases for the nine months ended September 30, 2023, compared to \$3.3 million for the same period in 2022.

Depreciation Expense

Depreciation expense for the nine months ended September 30, 2023 was \$31.1 million, compared to \$29.4 million for the same period in 2022, an increase of \$1.7 million. The increase resulted primarily from the recognition of a full nine months of depreciation expense in the nine months ended September 30, 2023 from acquisitions that were completed during the nine months ended September 30, 2022, partially offset by the impact of property dispositions.

Amortization Expense

Amortization expense for the nine months ended September 30, 2023 was \$12.8 million, compared to \$12.2 million for the same period in 2022, an increase of \$0.6 million. The increase resulted primarily from the recognition of a full nine months of amortization expense in the nine months ended September 30, 2023 from acquisitions that were completed during the nine months ended September 30, 2022, partially offset by the impact of property dispositions.

Interest Expense

Interest expense for the nine months ended September 30, 2023 was \$23.9 million, compared to \$17.2 million for the same period in 2022, an increase of \$6.7 million. This increase was due to higher average borrowings as well as increased interest rates during the nine months ended September 30, 2023, compared to the same period in 2022.

The weighted average interest rate of our debt for the nine months ended September 30, 2023 was 4.22% compared to 3.18% for the same period in 2022. Additionally, the weighted average interest rate and term of our debt was 3.78% and 3.1 years at September 30, 2023.

Income Before Gain on Sale of Investment Properties

Income before gain on sale of investment properties for the nine months ended September 30, 2023 was \$5.6 million, compared to \$11.4 million for the same period in 2022, a decrease of \$5.8 million.

Gain on Sale of Investment Properties

During the nine months ended September 30, 2023, we completed three dispositions. In August 2023, we sold a medical office building located in North Charleston, South Carolina receiving gross proceeds of \$10.1 million, resulting in a gain of \$2.3 million. In June 2023, we sold a portfolio of four medical office buildings located in Oklahoma City, Oklahoma receiving gross proceeds of \$66.0 million, resulting in a gain of \$12.8 million. In March 2023, we sold a medical office building located in Jacksonville, Florida receiving gross proceeds of \$4.4 million, resulting in a gain of \$0.5 million.

During the nine months ended September 30, 2022, we sold a medical office building located in Germantown, Tennessee receiving gross proceeds of \$17.9 million, resulting in a gain of \$6.8 million.

Net Income

Net income for the nine months ended September 30, 2023 was \$21.2 million, compared to \$18.1 million for the same period in 2022, an increase of \$3.1 million.

Assets and Liabilities

As of September 30, 2023 and December 31, 2022, our principal assets consisted of investments in real estate, net, of \$1.2 billion and \$1.3 billion, respectively. We completed one acquisition during the nine months ended September 30, 2023 and sold six medical office buildings through three disposition transactions. Our liquid assets consisted primarily of cash and cash equivalents and restricted cash of \$7.6 million and \$14.5 million, as of September 30, 2023 and December 31, 2022, respectively.

The decrease in our cash and cash equivalents and restricted cash balances to \$7.6 million as of September 30, 2023, compared to \$14.5 million as of December 31, 2022, was primarily due to net repayments on our Credit Facility using funds from our property dispositions, funds used to pay dividends to our common and preferred stockholders and holders of OP Units and LTIP Units, and funds used for capital expenditures on existing real estate investments, partially offset by net proceeds received from the sale of investment properties and net cash provided by operating activities.

The decrease in our total liabilities to \$668.9 million as of September 30, 2023 compared to \$744.2 million as of December 31, 2022, was primarily the result of lower net borrowings outstanding.

Liquidity and Capital Resources

General

Our short-term (up to 12 months) liquidity requirements include:

- Interest expense and scheduled principal payments on outstanding indebtedness;
- General and administrative expenses;
- Property operating expenses;
- Property acquisitions;
- Distributions on our common and preferred stock and OP Units and LTIP Units; and
- Capital and tenant improvements.

In 2023, we are contractually obligated to pay, or have capital commitments for, principal and interest payments on our outstanding debt and ground and operating lease expenses. In addition:

- If we decide to redeem our preferred stock, we would have to pay the liquidation preference of \$77.6 million plus accrued dividends, fees and expenses.
- If we decide to defease the Cantor Loan, we would be required to purchase an amount of U.S. Treasury securities equal to the defeasance amount, which as of November 6, 2023 was estimated be \$0.4 million in excess of our loan balance, plus accrued interest, fees and expenses. Additionally, in connection with such a defeasance, approximately \$8 million of escrow deposits would be returned to us.

Our long-term (beyond 12 months) liquidity requirements consist primarily of funds necessary to pay for acquisitions, capital and tenant improvements at our properties, scheduled debt maturities, general and administrative expenses, operating expenses, and distributions. Beyond 2023, we are contractually obligated to pay, or have capital commitments for, principal and interest payments on our outstanding debt and ground and operating lease expenses.

We expect to satisfy our short and long-term liquidity needs through various internal and external sources, including cash flow from operations, debt financing, sales of additional equity securities, the issuance of OP Units in connection with acquisitions of additional properties, proceeds from select property dispositions and recapitalization transactions.

Internal Sources of Liquidity

Our primary internal sources of liquidity include cash flow from operations and proceeds from select property dispositions and recapitalization transactions.

External Sources of Liquidity

Our primary external sources of liquidity include net proceeds received from equity issuances, including the issuance of OP Units in connection with acquisitions of additional properties, and debt financing, including borrowings under our Credit Facility and secured term loans.

Debt Financing

Credit Facility. Our Credit Facility consists of (i) the \$350 million Term Loan A, (ii) the \$150 million Term Loan B, and (iii) the \$400 million Revolver. The Credit Facility also contains a \$500 million accordion feature. As of November 6, 2023, we had unutilized borrowing capacity under the Credit Facility of \$317.6 million.

The Credit Facility is an unsecured facility with a term of (i) four years (beginning on August 1, 2022) for the Revolver (subject to two, six-month extension options), (ii) five years for Term Loan A (beginning on its origination date of May 3, 2021), and (iii) five years and six months (beginning on August 1, 2022) for Term Loan B.

We are subject to a number of financial covenants under the Credit Facility, including, among other things, the following as of the end of each fiscal quarter, (i) a maximum consolidated unsecured leverage ratio of less than 60%, (ii) a maximum consolidated secured leverage ratio of less than 30%, (iii) a maximum consolidated secured recourse leverage ratio of less than 10%, (iv) a minimum fixed charge coverage ratio of 1.50:1.00, (v) a minimum unsecured interest coverage ratio of 1.50:1.00, (vi) a maximum consolidated leverage ratio of less than 60%, and (vii) a minimum net worth of \$573 million plus 75% of all net proceeds raised through equity offerings subsequent to March 31, 2022. As of September 30, 2023, management believed it complied with all of the financial and non-financial covenants contained in the Credit Facility.

Other Fixed Debt. We also have \$57.2 million in gross notes payable as of September 30, 2023. This debt is comprised of four instruments.

Hedging Instruments. We have ten interest rate swaps and three forward-starting interest rate swaps that are used to manage its interest rate risk. A description of these swaps is below:

Term Loan A Swaps

As of September 30, 2023, six of our interest rate swaps related to Term Loan A. The combined notional value of these swaps is \$350 million, with \$200 million of the swaps maturing in August 2024 and the remaining \$150 million maturing in April 2026. In addition, we have three forward starting interest rate swaps with a combined notional value of \$200 million, each with a maturity date of April 2026, that will become effective on the August 2024 maturity date of the existing swaps. Currently, the Term Loan A swaps fix the SOFR component of Term Loan A at a rate of 1.50% through August 2024. From August 2024 to April 2026 the SOFR component of Term Loan A will be fixed at 1.36%.

Term Loan B Swaps

As of September 30, 2023, four of our interest rate swaps related to Term Loan B with a combined notional value of \$150 million that fix the SOFR component on Term Loan B through January 2028 at 2.54%.

Total Fixed Debt. Our fixed debt totaled \$557.2 million on a gross basis at September 30, 2023, with a weighted average interest rate of 3.42% based on our interest rate swaps and at current leverage. The weighted average maturity of our fixed debt was 3.0 years at September 30, 2023. Due to our forward swap structures, the weighted average interest rate on fixed debt outstanding as of September 30, 2023 is expected to improve over the next two years. Weighted average interest rates on the Company's fixed debt are expected to decrease to approximately 3.35% in 2024, and 3.28% in 2025, based on the Company's leverage at the end of the third quarter of 2023.

Cash Flow Information

Net cash provided by operating activities for the nine months ended September 30, 2023 was \$50.3 million, compared to \$58.2 million for the same period in 2022. The decrease during the 2023 period was primarily due to the decrease in income before gain on sale of investment properties.

Net cash provided by investing activities for the nine months ended September 30, 2023 was \$70.7 million, compared to net cash used in investing activities of \$135.8 million for the same period in 2022. During the 2023 period less funds were used to complete property acquisitions and we received net proceeds from the sale of investment properties.

Net cash used in financing activities for the nine months ended September 30, 2023 was \$127.9 million, compared to net cash provided by financing activities of \$78.4 million for the same period in 2022. During the 2023 period we completed no common equity offerings and therefore did not receive any equity offering proceeds and we made net repayments on our Credit Facility.

Non-GAAP Financial Measures

Management considers certain non-GAAP financial measures to be useful supplemental measures of the Company's operating performance. A non-GAAP financial measure is generally defined as one that purports to measure financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable measure determined in accordance with GAAP. The Company reports non-GAAP financial measures because these measures are observed by management to also be among the most predominant measures used by the REIT industry and by industry analysts to evaluate REITs. For these reasons, management deems it appropriate to disclose and discuss these non-GAAP financial measures. Set forth below are descriptions of the non-GAAP financial measures management considers relevant to the Company's business and useful to investors, as well as reconciliations of those measures to the most directly comparable GAAP financial measure.

The non-GAAP financial measures presented herein are not necessarily identical to those presented by other real estate companies due to the fact that not all real estate companies use the same definitions. These measures should not be considered as alternatives to net income, as indicators of the Company's financial performance, or as alternatives to cash flow from operating activities as measures of the Company's liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of the Company's needs. Management believes that in order to facilitate a clear understanding of the Company's historical consolidated operating results, these measures should be examined in conjunction with net income and cash flows from operations as presented in the Condensed Consolidated Financial Statements and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP financial measures within the meaning of the rules of the SEC. The Company considers FFO and AFFO to be important supplemental measures of its operating performance and believes FFO is frequently used by securities analysts, investors, and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results.

In accordance with the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income or loss computed in accordance with GAAP before noncontrolling interests of holders of OP Units and LTIP Units, excluding gains (or losses) from sales of property and extraordinary items, less preferred stock dividends, plus real estate-related depreciation and amortization (excluding amortization of debt issuance costs and the amortization of above and below market leases), and after adjustments for unconsolidated partnerships and joint ventures. Because FFO excludes real estate-related depreciation and amortization (other than amortization of debt issuance costs and above and below market lease amortization expense), the Company believes that FFO provides a performance measure that, when compared period-over-period, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from the closest GAAP measurement, net income or loss.

AFFO is a non-GAAP measure used by many investors and analysts to measure a real estate company's operating performance by removing the effect of items that do not reflect ongoing property operations. Management calculates AFFO by modifying the NAREIT computation of FFO by adjusting it for certain cash and non-cash items and certain recurring and non-recurring items. For the Company these items include recurring acquisition and disposition costs, loss on the extinguishment of debt, recurring straight line deferred rental revenue, recurring stock-based compensation expense, recurring amortization of above and below market leases, recurring amortization of debt issuance costs, recurring lease commissions, and other items.

Management believes that reporting AFFO in addition to FFO is a useful supplemental measure for the investment community to use when evaluating the operating performance of the Company on a comparative basis.

A reconciliation of net income to FFO and AFFO for the three and nine months ended September 30, 2023 and 2022 is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|------------------|---------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited, in thousands except per share and unit amounts) | | | |
| Net income | \$ 4,833 | \$ 10,029 | \$ 21,183 | \$ 18,148 |
| Less: Preferred stock dividends | (1,455) | (1,455) | (4,366) | (4,366) |
| Depreciation and amortization expense | 14,161 | 14,387 | 43,796 | 41,547 |
| Gain on sale of investment properties | (2,289) | (6,753) | (15,560) | (6,753) |
| FFO | \$ 15,250 | \$ 16,208 | \$ 45,053 | \$ 48,576 |
| Amortization of above market leases, net | 234 | 221 | 812 | 735 |
| Straight line deferred rental revenue | (721) | (1,018) | (2,363) | (3,245) |
| Stock-based compensation expense | 1,185 | 1,039 | 3,020 | 3,615 |
| Amortization of debt issuance costs and other | 593 | 571 | 1,795 | 1,600 |
| Preacquisition expense | — | 112 | 44 | 242 |
| AFFO | \$ 16,541 | \$ 17,133 | \$ 48,361 | \$ 51,523 |
| Net income attributable to common stockholders per share – basic and diluted | \$ 0.05 | \$ 0.12 | \$ 0.24 | \$ 0.20 |
| FFO per share and unit | \$ 0.22 | \$ 0.23 | \$ 0.64 | \$ 0.70 |
| AFFO per share and unit | \$ 0.23 | \$ 0.25 | \$ 0.69 | \$ 0.74 |
| Weighted Average Shares and Units Outstanding – basic and diluted | 70,566 | 69,725 | 70,262 | 69,554 |
| Weighted Average Shares and Units Outstanding: | | | | |
| Weighted Average Common Shares | 65,565 | 65,518 | 65,545 | 65,443 |
| Weighted Average OP Units | 2,244 | 1,668 | 2,020 | 1,669 |
| Weighted Average LTIP Units | 2,757 | 2,539 | 2,697 | 2,442 |
| Weighted Average Shares and Units Outstanding – basic and diluted | 70,566 | 69,725 | 70,262 | 69,554 |

Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate (EBITDAre and Adjusted EBITDAre)

The Company calculates EBITDAre in accordance with standards established by NAREIT and defines EBITDAre as net income or loss computed in accordance with GAAP plus depreciation and amortization, interest expense, gain or loss on the sale of investment properties, and impairment loss, as applicable. The Company defines Adjusted EBITDAre as EBITDAre plus non-cash stock compensation expense, non-cash intangible amortization related to above and below market leases, preacquisition expense and other normalizing items. Management considers EBITDAre and Adjusted EBITDAre important measures because they provide additional information to allow management, investors, and our current and potential creditors to evaluate and compare our core operating results and our ability to service debt.

A reconciliation of net income to EBITDA *re* and Adjusted EBITDA *re* for the three and nine months ended September 30, 2023 and 2022 is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------------|---------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (unaudited and in thousands) | | | |
| Net income | \$ 4,833 | 10,029 | 21,183 | 18,148 |
| Interest expense | 7,170 | 6,963 | 23,909 | 17,166 |
| Depreciation and amortization expense | 14,195 | 14,415 | 43,890 | 41,630 |
| Gain on sale of investment properties | (2,289) | (6,753) | (15,560) | (6,753) |
| EBITDAre | \$ 23,909 | \$ 24,654 | \$ 73,422 | \$ 70,191 |
| Stock-based compensation expense | 1,185 | 1,039 | 3,020 | 3,615 |
| Amortization of above market leases, net | 234 | 221 | 812 | 735 |
| Preacquisition expense | — | 112 | 44 | 242 |
| Adjusted EBITDAre | \$ 25,328 | \$ 26,026 | \$ 77,298 | \$ 74,783 |

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business and investment objectives, we expect that the primary market risk to which we will be exposed is interest rate risk.

We may be exposed to the effects of interest rate changes primarily as a result of debt used to acquire healthcare facilities, including borrowings under the Credit Facility. The analysis below presents the sensitivity of the value of our variable rate financial obligations to selected changes in market interest rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period.

As of September 30, 2023, we had \$68.4 million of unhedged borrowings outstanding under the Revolver (before the netting of unamortized debt issuance costs) that bears interest at a variable rate. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources” for a detailed discussion of our Credit Facility. At September 30, 2023, SOFR on our outstanding floating-rate borrowings was 5.32%. Assuming no increase in the amount of our variable interest rate debt, if SOFR increased 100 basis points, our cash flow would decrease by approximately \$0.7 million annually. Assuming no increase in the amount of our variable rate debt, if SOFR were reduced 100 basis points, our cash flow would increase by approximately \$0.7 million annually.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we may borrow at fixed rates or floating rates. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Hedging Instruments,” for a description of our interest rate swaps.

We may enter into additional derivative financial instruments, including interest rate swaps and caps, in order to mitigate our interest rate risk on our future borrowings. We will not enter into derivative transactions for speculative purposes.

In addition to changes in interest rates, the value of our investments is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of tenants/operators and borrowers, which may affect our ability to refinance our debt if necessary.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of

disclosure controls and procedures as of September 30, 2023 pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Report, the Company's disclosure controls and procedures were effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Changes in Internal Control over Financial Reporting

No changes were made to our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are not involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our financial condition or results of operations. From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. There can be no assurance that these matters that arise in the future, individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations in any future period.

Item 1A. Risk Factors

During the nine months ended September 30, 2023, there were no material changes to the risk factors that were disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 1, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

| Exhibit No. | Description |
|--------------------|--|
| 3.1 | Articles of Restatement of Global Medical REIT Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Report on Form 10-Q as filed with the SEC on August 8, 2018). |
| 3.2 | Fourth Amended and Restated Bylaws of Global Medical REIT Inc., adopted as of December 7, 2022 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K as filed with the SEC on December 7, 2022). |
| 4.1 | Specimen of Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11/A as filed with the SEC on June 15, 2016). |
| 4.2 | Specimen of 7.50% Series A Cumulative Redeemable Preferred Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the SEC on September 14, 2017). |
| 31.1* | Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial and Accounting Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Principal Executive Officer and Principal Financial and Accounting Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS * | Inline XBRL Instance Document |
| 101.SCH * | Inline XBRL Taxonomy Schema |
| 101.CAL * | Inline XBRL Taxonomy Calculation Linkbase |
| 101.DEF * | Inline XBRL Taxonomy Definition Linkbase |
| 101.LAB * | Inline XBRL Taxonomy Label Linkbase |
| 101.PRE * | Inline XBRL Taxonomy Presentation Linkbase |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101) |

* Filed herewith.

** Furnished herewith. Such certification shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBAL MEDICAL REIT INC.

Date: November 7, 2023

By: /s/ Jeffrey M. Busch
Jeffrey M. Busch
Chief Executive Officer (Principal Executive Officer)

Date: November 7, 2023

By: /s/ Robert J. Kiernan
Robert J. Kiernan
Chief Financial Officer (Principal Financial and Accounting Officer)

CERTIFICATIONS

I, Jeffrey M. Busch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Global Medical REIT Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Jeffrey M. Busch
Jeffrey M. Busch, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Robert J. Kiernan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Global Medical REIT Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Robert J. Kiernan

Robert J. Kiernan, Chief Financial Officer
(Principal Financial and Accounting Officer)

Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q of Global Medical REIT Inc. (the "Company") for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey M. Busch, Chief Executive Officer of the Company and I, Robert J. Kiernan, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023

/s/ Jeffrey M. Busch

Jeffrey M. Busch, Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023

/s/ Robert J. Kiernan

Robert J. Kiernan, Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
