

REFINITIV

## DELTA REPORT

### 10-Q

GMRE PR A - GLOBAL MEDICAL REIT INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS 1116**

■ CHANGES	373
■ DELETIONS	446
■ ADDITIONS	297

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** **March 31, 2024**

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)

**Maryland**

**46-4757266**

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

**7373 Wisconsin Avenue, Suite 800**

**Bethesda, MD**

**20814**

(Address of principal executive offices)

(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:

<b>Title of each class:</b>	<b>Trading Symbol(s):</b>	<b>Name of each exchange on which registered:</b>
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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 May 6, 2024 was 65,564,943 65,587,648

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

	As of		As of	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
<b>Assets</b>				
Investment in real estate:				
Land	\$ 164,315	\$ 168,308	\$ 164,315	\$ 164,315
Building	1,034,822	1,079,781	1,036,224	1,035,705
Site improvements	21,480	22,024	21,984	21,974
Tenant improvements	65,772	65,987	67,021	66,358
Acquired lease intangible assets	138,617	148,077	138,617	138,617
	1,425,006	1,484,177	1,428,161	1,426,969
Less: accumulated depreciation and amortization	(232,518)	(198,218)	(262,287)	(247,503)
Investment in real estate, net	1,192,488	1,285,959	1,165,874	1,179,466
Cash and cash equivalents	1,281	4,016	1,333	1,278
Restricted cash	6,331	10,439	6,473	5,446
Tenant receivables, net	7,527	8,040	7,743	6,762
Due from related parties	289	200	363	193
Escrow deposits	9,861	7,833	737	673
Deferred assets	26,748	29,616	27,995	27,132
Derivative asset	38,379	34,705	29,285	25,125
Goodwill	5,903	5,903	5,903	5,903
Other assets	13,713	6,550	17,874	15,722
Total assets	<u>\$ 1,302,520</u>	<u>\$ 1,393,261</u>	<u>\$ 1,263,580</u>	<u>\$ 1,267,700</u>
<b>Liabilities and Equity</b>				
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 \$337 and \$452 at September 30, 2023 and December 31, 2022, respectively	56,823	57,672		
Credit Facility, net of unamortized debt issuance costs of \$6,518 and \$7,067 at March 31, 2024 and December 31, 2023, respectively			\$ 592,082	\$ 585,333
Notes payable, net of unamortized debt issuance costs of \$53 and \$66 at March 31, 2024 and December 31, 2023, respectively			25,682	25,899
Accounts payable and accrued expenses	13,300	13,819	10,520	12,781
Dividends payable	16,055	15,821	16,157	16,134
Security deposits	3,913	5,461	4,376	3,688
Other liabilities	12,138	7,363	12,952	12,770
Acquired lease intangible liability, net	5,860	7,613	4,713	5,281
Total liabilities	<u>668,872</u>	<u>744,196</u>	<u>666,482</u>	<u>661,886</u>
Commitments and Contingencies				



<b>Equity:</b>				
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		
Preferred stock, \$0.001 par value, 10,000 shares authorized; 3,105 issued and outstanding at March 31, 2024 and December 31, 2023, respectively (liquidation preference of \$77,625 at March 31, 2024 and December 31, 2023, respectively)			74,959	74,959
Common stock, \$0.001 par value, 500,000 shares authorized; 65,587 shares and 65,565 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			66	66
Additional paid-in capital	722,418	721,991	722,623	722,418
Accumulated deficit	(224,375)	(198,706)	(251,963)	(238,984)
Accumulated other comprehensive income	38,379	34,674	29,285	25,125
Total Global Medical REIT Inc. stockholders' equity	611,447	632,984	574,970	583,584
Noncontrolling interest	22,201	16,081	22,128	22,230
<b>Total equity</b>	<b>633,648</b>	<b>649,065</b>	<b>597,098</b>	<b>605,814</b>
<b>Total liabilities and equity</b>	<b>\$ 1,302,520</b>	<b>\$ 1,393,261</b>	<b>\$1,263,580</b>	<b>\$1,267,700</b>

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

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

	Three Months Ended September		Nine Months Ended September		Three Months Ended	
	30,		30,		March 31,	
	2023	2022	2023	2022	2024	2023
<b>Revenue</b>						
Rental revenue	\$ 35,487	\$ 35,347	\$ 108,003	\$ 100,877	\$35,069	\$36,199
Other income	20	59	85	100	49	31
<b>Total revenue</b>	<b>35,507</b>	<b>35,406</b>	<b>108,088</b>	<b>100,977</b>	<b>35,118</b>	<b>36,230</b>
<b>Expenses</b>						
General and administrative	4,367	3,961	12,633	12,494	4,446	3,804
Operating expenses	7,231	6,679	21,989	18,050	7,384	7,536
Depreciation expense	10,100	10,128	31,062	29,428	10,113	10,494
Amortization expense	4,095	4,287	12,828	12,202	3,971	4,395
Interest expense	7,170	6,963	23,909	17,166	6,890	8,271
Preacquisition expense	—	112	44	242	—	42
<b>Total expenses</b>	<b>32,963</b>	<b>32,130</b>	<b>102,465</b>	<b>89,582</b>	<b>32,804</b>	<b>34,542</b>
<b>Income before gain on sale of investment properties</b>						
Income before gain on sale of investment properties	2,544	3,276	5,623	11,395		
Gain on sale of investment properties	2,289	6,753	15,560	6,753		
<b>Income before gain on sale of investment property</b>					<b>2,314</b>	<b>1,688</b>
<b>Gain on sale of investment property</b>					<b>—</b>	<b>485</b>

Net income	\$ 4,833	\$ 10,029	\$ 21,183	\$ 18,148	\$ 2,314	\$ 2,173
Less: Preferred stock dividends	(1,455)	(1,455)	(4,366)	(4,366)	(1,455)	(1,455)
Less: Net income attributable to noncontrolling interest	(240)	(517)	(1,187)	(830)	(65)	(45)
<b>Net income attributable to common stockholders</b>	<b>\$ 3,138</b>	<b>\$ 8,057</b>	<b>\$ 15,630</b>	<b>\$ 12,952</b>	<b>\$ 794</b>	<b>\$ 673</b>
Net income attributable to common stockholders per share – basic and diluted	\$ 0.05	\$ 0.12	\$ 0.24	\$ 0.20	\$ 0.01	\$ 0.01
Weighted average shares outstanding – basic and diluted	65,565	65,518	65,545	65,443	65,573	65,525

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

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

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 4,833	\$ 10,029	\$ 21,183	\$ 18,148	\$ 2,314	\$ 2,173
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		
Other comprehensive income (loss):						
Increase (decrease) in fair value of interest rate swap agreements					4,160	(7,264)
Total other comprehensive income (loss)					4,160	(7,264)
Comprehensive income (loss)					6,474	(5,091)
Less: Preferred stock dividends	(1,455)	(1,455)	(4,366)	(4,366)	(1,455)	(1,455)
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		
Less: Comprehensive (income) loss attributable to noncontrolling interest					(379)	412
Comprehensive income (loss) attributable to common stockholders					\$ 4,640	\$ (6,134)

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

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

For the Nine **Three** Months Ended **September 30, 2023** **March 31, 2024**:

	Global												Accumulate												
	Accumulated						Medical						Additional						Other						
	Common Stock		Preferred Stock		Paid-in	Accumulated	Other		REIT Inc.	Non-	Total	Common Stock		Preferred Stock		Paid-in	Accumulated	Comprehe		Other					
	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Equity	Stockholders'	controlling	Total	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Equity	Stockholders'	controlling	Total	Shares	Amount	
Balances, December 31, 2022	65,518	\$ 66	3,105	\$ 74,959	\$ 721,991	\$ (198,706)	\$ 34,674	\$ 632,984	\$ 16,081	\$ 649,065															
Balances, December 31, 2023												65,565	\$ 66	3,105	\$ 74,959	\$ 722,418	\$ (238,984)	\$ 25,1							
Net income	—	—	—	—	—	19,996	—	19,996	1,187	21,183	—	—	—	—	—	—	—	—	—	—	—	—	—	2,249	
LTIP Units redeemed for common stock	47	—	—	—	427	—	—	427	(427)	—	22	—	—	—	—	—	—	—	—	—	—	—	—	205	
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	—	—	—	—	—	—	—	—	—	—	—	—	—	4,10	
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 common stockholders (\$0.21 per share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13,773)	
Dividends to preferred stockholders (\$0.46875 per share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,455)	

Dividends to noncontrolling interest	—	—	—	—	—	—	—	(3,142)	(3,142)	—	—	—	—	—		
Balances, September 30, 2023	65,565	\$ 66	3,105	\$ 74,959	\$ 722,418	\$ (224,375)	\$ 38,379	\$ 611,447	\$ 22,201	\$ 633,648						
Balances, March 31, 2024											65,587	\$ 66	3,105	\$ 74,959	\$ 722,623	
															\$ (251,963)	\$ 29,2

For the Three Months Ended **September 30, 2023**:

	Global											
					Accumulated		Medical			REIT Inc.	Non-	Total
	Common Stock		Preferred Stock		Paid-in	Accumulated	Comprehensive	Stockholders'	controlling			
	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Equity	Interest			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	65,565	\$ 66	3,105	\$ 74,959	\$ 722,418	\$ (224,375)	\$ 38,379	\$ 611,447	\$ 22,201	\$ 633,648		

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

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**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 March 31, 2023:

	Global				Accumulated				Medical				Additional				Accumulated			
	Additional		Other		REIT Inc.		Non-		Additional		Other		REIT Inc.		Non-		Additional		Accumulated	

	Statement of Stockholders' Equity										Statement of Comprehensive Income														
	Common Stock		Preferred Stock		Paid-in Capital		Accumulated Deficit		Comprehensive Income (Loss)		Stockholders' Equity		controlling Interest		Total Equity		Common Stock		Preferred Stock		Paid-in Capital		Accumulated Deficit		Comprehensive Income
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Equity	Interest	Equity	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Shares	Amount	Shares	Amount	Capital	Deficit	Income	
Balances, December 31, 2021																									
2021	64,880	\$ 65	3,105	\$ 74,959	\$ 711,414	\$ (157,017)	\$ (6,636)	\$ 622,785	\$ 14,792	\$ 637,577	65,518	\$ 66	3,105	\$ 74,959	\$ 721,991	\$ (198,706)	\$ 34,6								
Balances, December 31, 2022											65,518	\$ 66	3,105	\$ 74,959	\$ 721,991	\$ (198,706)	\$ 34,6								
Net income	—	—	—	—	—	17,318	—	17,318	830	18,148	—	—	—	—	—	—	—	—	—	—	—	2,128			
Issuance of shares of common stock, net	598	1	—	—	9,978	—	—	9,979	—	9,979	12	—	—	—	—	—	—	122	—	—	—	—			
LTIP Units and OP Units redeemed for common stock	40	—	—	—	682	—	—	682	(682)	—	—	—	—	—	—	—	—	—	—	—	—	—			
Change in fair value of interest rate swap agreements	—	—	—	—	—	—	43,519	43,519	—	43,519	—	—	—	—	—	—	—	—	—	—	—	(7,2)			
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	3,615	3,615	—	—	—	—	—	—	—	—	—	—			
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 common stockholders (\$0.21 per share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13,761)			
Dividends to preferred stockholders (\$0.46875 per share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,455)			
Dividends to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(2,637)	(2,637)	—	—	—	—	—	—	—	—	—	—			
Balances, September 30, 2022	65,518	\$ 66	3,105	\$ 74,959	\$ 722,074	\$ (185,316)	\$ 36,883	\$ 648,666	\$ 15,918	\$ 664,584	65,518	\$ 66	3,105	\$ 74,959	\$ 721,991	\$ (198,706)	\$ 34,6								

Balances, March 31, 2023	65,530	\$ 66	3,105	\$ 74,959	\$ 722,113	\$ (211,794)	\$ 27,4
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**For the Three Months Ended September 30, 2022:**

	Global									
					Accumulated		Medical			
	Common Stock		Preferred Stock		Paid-in	Accumulated	Other	REIT Inc.	Non-controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Equity	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	65,518	\$ 66	3,105	\$ 74,959	\$ 722,074	\$ (185,316)	\$ 36,883	\$ 648,666	\$ 15,918	\$ 664,584

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

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

Operating activities	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023		2024	
	\$	21,183	\$	18,148
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)

<b>Gain on sale of investment property</b>			<b>—</b>	<b>(485)</b>
Other	285	68	169	—
Changes in operating assets and liabilities:				
Tenant receivables	513	(1,312)	(981)	638
Deferred assets	(2,478)	(3,390)	(863)	(811)
Other assets and liabilities	(787)	(810)	(1,033)	(210)
Accounts payable and accrued expenses	(855)	3,560	(2,057)	(1,223)
Security deposits	(1,548)	864	688	(773)
<b>Net cash provided by operating activities</b>	<b>50,315</b>	<b>58,233</b>	<b>14,293</b>	<b>15,771</b>
<b>Investing activities</b>				
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		
Net proceeds from sale of investment property			<b>—</b>	<b>4,175</b>
Escrow deposits for purchase of properties	—	(302)	—	(153)
Advances made to related parties	(89)	(174)	(170)	(121)
Payment received on loan made to a tenant	—	1,000		
Capital expenditures on existing real estate investments	(5,778)	(3,663)	(2,004)	(809)
Leasing commissions	(890)	—	(542)	—
<b>Net cash provided by (used in) investing activities</b>	<b>70,730</b>	<b>(135,842)</b>		
Net cash (used in) provided by investing activities			<b>(2,716)</b>	<b>3,092</b>
<b>Financing activities</b>				
Net proceeds received from common equity offerings	—	9,979		
Escrow deposits required by third party lenders	(1,038)	(1,401)	(64)	(639)
Repayment of notes payable	(964)	(873)	(230)	(344)
Proceeds from Credit Facility	38,100	127,100	14,000	12,600
Repayment of Credit Facility	(115,400)	(5,000)	(7,800)	(14,800)
Payment of debt issue costs	(13)	(3,215)		
Dividends paid to common stockholders, and OP Unit and LTIP Unit holders	(44,207)	(43,779)	(14,946)	(14,699)
Dividends paid to preferred stockholders	(4,366)	(4,366)	(1,455)	(1,455)
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		
Net cash used in financing activities			<b>(10,495)</b>	<b>(19,337)</b>
Net increase (decrease) in cash and cash equivalents and restricted cash			<b>1,082</b>	<b>(474)</b>
Cash and cash equivalents and restricted cash—beginning of period	14,455	12,759	6,724	14,455
Cash and cash equivalents and restricted cash—end of period	\$ 7,612	\$ 13,595	\$ 7,806	\$ 13,981
<b>Supplemental cash flow information:</b>				
Cash payments for interest	\$ 23,290	\$ 15,252	\$ 6,407	\$ 8,139
<b>Noncash financing and investing activities:</b>				
Accrued dividends payable	\$ 16,055	\$ 15,777	\$ 16,156	\$ 15,854
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		
Interest rate swap agreements fair value change recognized in other comprehensive income (loss)			\$ (4,160)	\$ 7,264
LTIP Units redeemed for common stock			\$ 205	\$ 122
Accrued capital expenditures and leasing commissions included in accounts payable and accrued expenses			\$ 1,946	\$ 778

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**GLOBAL MEDICAL REIT INC.**

**Notes to the Unaudited Condensed Consolidated Financial Statements**  
**(dollars 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** **March 31, 2024**, the Company was the **92.91%** **92.44%** limited partner of the Operating Partnership, with an aggregate of **7.09%** **7.56%** 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** **December 31, 2023**. 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 **affiliates** 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

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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; leases 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,		As of March 31,	
	2023	2022	2024	2023
Cash and cash equivalents	\$ 1,281	\$ 3,199	\$ 1,333	\$ 4,603
Restricted cash	6,331	10,396	6,473	9,378
<b>Total cash and cash equivalents and restricted cash</b>	<b>\$ 7,612</b>	<b>\$ 13,595</b>	<b>\$ 7,806</b>	<b>\$13,981</b>

### Tenant Receivables, Net

The tenant receivable balance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$7,527 \$7,743 and \$8,040 \$6,762, respectively. The balance as of September 30, 2023 March 31, 2024 consisted of \$2,142 \$3,444 in funds owed from the Company's tenants for rent that the Company had earned but had not yet received, \$5,181 \$3,886 of tenant reimbursements, \$134 \$128 for a loan that was made to one of the Company's tenants, and \$70 \$285 of miscellaneous receivables. The balance as of December 31, 2022 December 31, 2023 consisted of \$1,348 \$2,062 in

funds owed from the Company's tenants for rent that the Company had earned but had not yet received, ~~\$5,520~~ \$4,372 of tenant reimbursements, ~~\$143~~ \$131 for a loan that was made to one of the Company's tenants, and ~~\$1,029~~ \$197 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.

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In addition, as of ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023, 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~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023 was ~~\$9,861~~ \$737 and ~~\$7,833~~ \$673, 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, insurance.~~

### **Deferred Assets**

The deferred assets balance as of ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023 was ~~\$26,748~~ \$27,995 and ~~\$29,616~~ \$27,132, respectively. The balance as of ~~September 30, 2023~~ March 31, 2024 consisted of ~~\$26,484~~ \$27,157 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and ~~\$264~~ \$838 of other deferred costs. The balance as of ~~December 31, 2022~~ December 31, 2023 consisted of ~~\$29,467~~ \$26,757 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and ~~\$149~~ \$375 of other deferred costs.

### **Other Assets**

The other assets balance as of ~~September 30, 2023~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023 was ~~\$13,713~~ \$17,874 and ~~\$6,550~~ \$15,722, respectively. The balance as of ~~September 30, 2023~~ March 31, 2024 consisted of ~~\$7,887~~ \$7,613 in right of use assets, ~~\$2,064~~ \$3,854 in capitalized construction in process costs, ~~\$2,154~~ \$2,538 in prepaid assets, ~~\$1,110~~ \$3,445 in net capitalized leasing commissions, and ~~\$498~~ \$424 in net capitalized software costs and miscellaneous assets. The balance as of ~~December 31, 2022~~ December 31, 2023 consisted of ~~\$3,480~~ \$7,627 in right of use assets, ~~\$1,552~~ \$3,346 in capitalized construction in process costs, ~~\$1,380~~ \$1,379 in prepaid assets, ~~\$2,894~~ in net capitalized leasing commissions, and ~~\$138~~ \$476 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~~ March 31, 2024 and ~~December 31, 2022~~ December 31, 2023, 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~~ \$29,285 and ~~\$34,705~~ \$25,125, 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** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, 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

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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** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

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

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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** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$12,138** **\$12,952** and **\$7,363** **\$12,770**, respectively. The balance as of **September 30, 2023** **March 31, 2024** consisted of **\$7,614** **\$7,835** for right of use liabilities and **\$4,524** **\$5,117** of prepaid rent. The balance as of **December 31, 2022** **December 31, 2023** consisted of **\$2,922** **\$7,680** for right of use liabilities and **\$4,441** **\$5,090** 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~~ Three Months Ended **September 30, 2023** **March 31, 2024****

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, the Company completed no acquisitions or dispositions. A rollforward of the gross investment in land, building, improvements, and acquired lease intangible assets as of March 31, 2024 is as follows:

	Site		Tenant		Acquired Lease		Gross Investment in	
	Land	Building	Improvements	Improvements	Intangible Assets	Real Estate		
Balances as of December 31, 2023	\$ 164,315	\$ 1,035,705	\$ 21,974	\$ 66,358	\$ 138,617	\$ 1,426,969		
Capitalized costs <sup>(1)</sup>	—	519	10	663	—	—	1,192	
Total Additions:	—	519	10	663	—	—	1,192	
Balances as of March 31, 2024	\$ 164,315	\$ 1,036,224	\$ 21,984	\$ 67,021	\$ 138,617	\$ 1,428,161		

(1) Represents capital projects that were completed and placed in service during the three months ended March 31, 2024 related to the Company's existing facilities.

Depreciation expense was \$10,113 and \$10,494 for the three months ended March 31, 2024 and 2023, respectively.

As of March 31, 2024, the Company had aggregate capital improvement commitments and obligations to improve, expand, and maintain the Company's existing facilities of approximately \$19,600. 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 \$13,900.

#### Summary of Properties Acquired and Sold During the Year Ended December 31, 2023

During the year ended December 31, 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** **this** **acquisition** **represented** **represents** an asset acquisition. Accordingly, transaction costs for this acquisition were capitalized.

During the **nine** months **year** ended **September 30, 2023** **December 31, 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:

	Site		Tenant		Acquired Lease		Gross Investment in	
	Land	Building	Improvements	Improvements	Intangible Assets	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 <sup>(1)</sup>	—	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	Tenant	Acquired Lease	Gross Investment in
			Improvements	Improvements	Intangible Assets	Real Estate
Balances as of December 31, 2021	\$ 152,060	\$ 985,091	\$ 19,021	\$ 58,900	\$ 127,931	\$ 1,343,003
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 <sup>(1)</sup>	141	1,419	41	1,416	396	3,413
Total Additions:	18,948	102,768	3,352	7,394	24,652	157,114
Disposition of Germantown – 7/1/22	(2,700)	(8,078)	(349)	(307)	(4,506)	(15,940)
Balances as of December 31, 2022	\$ 168,308	\$ 1,079,781	\$ 22,024	\$ 65,987	\$ 148,077	\$ 1,484,177

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

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A rollforward of the gross investment in land, building, improvements, and acquired lease intangible assets as of December 31, 2023 is as follows:

	Land	Building	Site	Tenant	Acquired Lease	Gross Investment in
			Improvements	Improvements	Intangible Assets	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 <sup>(1)</sup>	—	3,146	1,009	2,356	172	6,683
Total Additions:	771	6,944	1,183	2,677	1,044	12,619
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 December 31, 2023	\$ 164,315	\$ 1,035,705	\$ 21,974	\$ 66,358	\$ 138,617	\$ 1,426,969

<sup>(1)</sup> Represents capital projects that were completed and placed in service during the year ended December 31, 2023 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			As of March 31, 2024		
	Accumulated		Net	Accumulated		Net
	Cost	Amortization		Cost	Amortization	
<b>Assets</b>						
In-place leases	\$ 77,037	\$ (41,487)	\$ 35,550	\$ 77,037	\$ (46,924)	\$ 30,113
Above market leases	24,961	(9,499)	15,462	24,961	(11,137)	13,824
Leasing costs	36,619	(17,345)	19,274	36,619	(19,744)	16,875
	<b>\$ 138,617</b>	<b>\$ (68,331)</b>	<b>\$ 70,286</b>	<b>\$ 138,617</b>	<b>\$ (77,805)</b>	<b>\$ 60,812</b>
<b>Liability</b>						
Below market leases	\$ 13,595	\$ (7,735)	\$ 5,860	\$ 13,595	\$ (8,882)	\$ 4,713

	As of December 31, 2022			As of December 31, 2023		
	Accumulated		Net	Accumulated		Net
	Cost	Amortization		Cost	Amortization	
<b>Assets</b>						
In-place leases	\$ 82,374	\$ (34,898)	\$ 47,476	\$ 77,037	\$ (44,249)	\$ 32,788
Above market leases	26,054	(7,321)	18,733	24,961	(10,318)	14,643
Leasing costs	39,649	(14,683)	24,966	36,619	(18,556)	18,063
	<b>\$ 148,077</b>	<b>\$ (56,902)</b>	<b>\$ 91,175</b>	<b>\$ 138,617</b>	<b>\$ (73,123)</b>	<b>\$ 65,494</b>
<b>Liability</b>						
Below market leases	\$ 13,595	\$ (5,982)	\$ 7,613	\$ 13,595	\$ (8,314)	\$ 5,281

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

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Amortization expense related to in-place leases	\$ 2,809	\$ 3,003	\$ 8,850	\$ 8,537	\$ 2,675	\$ 3,048
Amortization expense related to leasing costs	\$ 1,230	\$ 1,262	\$ 3,868	\$ 3,599	\$ 1,188	\$ 1,325
Decrease in rental revenue related to above market leases	\$ 818	\$ 805	\$ 2,565	\$ 2,396	\$ 819	\$ 876
Increase in rental revenue related to below market leases	\$ (584)	\$ (584)	\$ (1,753)	\$ (1,661)	\$ (568)	\$ (585)

As of **September 30, 2023** **March 31, 2024**, 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	Net Decrease in Revenue	Net Increase in Expenses
2023 (three months remaining)	\$ (238)	\$ 3,968		
2024	(1,151)	14,211		
2024 (nine months remaining)			\$ (903)	\$ 10,347
2025	(1,697)	10,524	(1,696)	10,526
2026	(1,803)	8,701	(1,802)	8,700
2027	(1,376)	6,116	(1,375)	6,114
2028			(1,091)	4,805
Thereafter	(3,337)	11,304	(2,244)	6,496
<b>Total</b>	<b>\$ (9,602)</b>	<b>\$ 54,824</b>	<b>\$ (9,111)</b>	<b>\$ 46,988</b>

As of **September 30, 2023** **March 31, 2024**, the weighted average amortization periods for asset lease intangibles and liability lease intangibles were **3.6** **3.3** years and **2.5** **2.1** years, respectively.

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### **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** **March 31, 2024**, 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** **three** months ended **September 30, 2023** **March 31, 2024**, the Company borrowed **\$38,100** **\$14,000** under the Credit Facility and repaid **\$115,400**, **\$7,800**, for a net amount borrowed of **\$6,200**. During the **three** months ended **March 31, 2023**, the Company borrowed **\$12,600** under the Credit Facility and repaid **\$14,800**, 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**. **\$2,200**. Interest expense incurred on the Credit Facility was **\$5,878** **\$6,055** and **\$20,047** **\$6,988** for the **three** and **nine** months ended **September 30, 2023**, respectively, **March 31, 2024** and **\$5,689** and **\$13,512** for the **three** and **nine** months ended **September 30, 2022, 2023**, 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.

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As of March 31, 2024 and December 31, 2023, the Company had the following outstanding borrowings under the Credit Facility:

	March 31, 2024	December 31, 2023
Revolver	\$ 98,600	\$ 92,400
Term Loan A	350,000	350,000
Term Loan B	150,000	150,000
Credit Facility, gross	598,600	592,400
Less: Unamortized debt issuance costs	(6,518)	(7,067)
Credit Facility, net	<u>\$ 592,082</u>	<u>\$ 585,333</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. Amortization expense incurred related to debt issuance costs was \$549 for each of the three months ended March 31, 2024 and 2023 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) Company, through certain of its wholly owned subsidiaries, entered into or assumed loans in connection with the acquisitions of the Rosedale, Loan, (2) Dumfries, and Toledo facilities. As of March 31, 2024 and December 31, 2023, the Dumfries Loan, (3) Company had the Cantor Loan, and (4) the Toledo Loan, each described in detail herein. The following table sets forth the aggregate balances of outstanding borrowings under these loans as of September 30, 2023 and December 31, 2022: loans:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Notes payable	\$ 57,160	\$ 58,124		
Rosedale loan (1)			\$ 13,462	\$ 13,563
Dumfries loan (2)			10,957	11,034
Toledo loan (3)			1,316	1,368
Notes payable, gross			25,735	25,965
Unamortized debt issuance costs	(337)	(452)	(53)	(66)
Notes payable, net	<u>\$ 56,823</u>	<u>\$ 57,672</u>	<u>\$ 25,682</u>	<u>\$ 25,899</u>

(1) The Rosedale loan has an annual interest rate of 3.85% and matures on July 31, 2025.

(2) The Dumfries loan has an annual interest rate of 4.68% and matures on June 1, 2024.

(3) The Toledo loan has an annual interest rate of 5.0% and matures on July 30, 2033.

Amortization expense incurred related to the debt issuance costs was \$38 \$13 and \$115 \$39 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$39 and \$116 for the three and nine months ended September 30, 2022, 2023, 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 \$230 and \$281 \$344 during the nine three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The loan balance as of September 30, 2023 and December 31, 2022 was \$13,663 and \$13,954, 2023, respectively. Interest expense incurred on this loan was \$135 \$273 and \$403 \$695 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$139 and \$414 for the three and nine months ended September 30, 2022, 2023, respectively.

As of September 30, 2023 March 31, 2024, scheduled principal payments due for each year ended December 31 were as follows:

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

#### **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
2024 (nine months remaining)	\$11,314
2025	13,268
2026	117
2027	124
2028	131
Thereafter	781
<b>Total</b>	<b>\$ 11,111 \$25,735</b>

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	<u>29,882</u>
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** **March 31, 2024**, 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** **March 31, 2024**, 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 of 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/income 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. **As of March 31, 2024 and December 31, 2023, all of the Company's swaps meet the criteria for hedge accounting.**

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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 \$29,285 and \$34,705 \$25,125 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 March 31, 2024 and December 31, 2022 December 31, 2023, 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 March 31, 2024 and 2022 2023:

	Three Months Ended		Nine Months Ended		Three Months Ended March 31,	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
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)		
Amount of (gain) loss recognized in other comprehensive income (loss)					\$ (8,610)	\$ 4,157
Amount of gain reclassified from accumulated other comprehensive income into interest expense					4,450	3,107
Total change in accumulated other comprehensive income	\$ (2,520)	\$ (20,356)	\$ (3,705)	\$ (43,519)	\$ (4,160)	\$ 7,264

During the next twelve months, the Company estimates that an additional \$17,226 \$15,576 will be reclassified as a decrease to interest expense. Additionally, during the three and nine months ended September 30, 2023 March 31, 2024, the Company recorded total interest expense in its Condensed Consolidated Statements of Operations of \$7,170 and \$23,909, respectively. \$6,890.

#### Weighted-Average Interest Rate and Term

The weighted average interest rate and term of the Company's debt was 3.78% 3.85% and 3.1 2.7 years at September 30, 2023 March 31, 2024, compared to 4.20% 3.83% and 3.9 2.9 years as of December 31, 2022 December 31, 2023.

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#### 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 March 31, 2024 and December 31, 2022 December 31, 2023, 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 three months ended September 30, 2023 March 31, 2024 is summarized in the following table:

Date Announced	Applicable				Quarterly Dividends	Applicable				Quarterly Dividends
	Record Date	Quarter	Payment Date	Dividend per Share		Record Date	Quarter	Payment Date	Dividend 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	\$ 0.46875	(1)					
December											
12, 2023							January 15, 2024	Q4 2023	January 31, 2024	\$ 1,455	\$ 0.46875
March 7,											
2024							April 15, 2024	Q1 2024	April 30, 2024	\$ 1,455	\$ 0.46875

(1) Two months of this amount, equal to \$970, was accrued at **September 30, 2023** **March 31, 2024**.

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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** **three-month** periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company paid preferred dividends of **\$4,366** **\$1,455**.

## Common Stock

The Company has 500,000 authorized shares of common stock, \$0.001 par value. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were **65,565** **65,587** and **65,518** **65,565** outstanding shares of common stock, respectively.

Common stock dividend activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** is summarized in the following table:

Date Announced	Applicable				Dividend Amount(1)	Dividends per Share	Applicable				Dividend Amount(1)	Dividends per Share
	Record Date	Quarter	Payment Date	Amount(1)			Record Date	Quarter	Payment Date	Amount(1)		
<b>December</b>												
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							
<b>December</b>												
12, 2023							December 27, 2023	Q4 2023	January 9, 2024	\$14,819	\$ 0.21	
March 7,												
2024							March 22, 2024	Q1 2024	April 9, 2024	\$14,901	\$ 0.21	

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

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the Company paid total dividends on its common stock, LTIP Units and OP Units in the aggregate amount of **\$44,207** **\$14,946** and **\$43,779**, **\$14,699**, respectively.

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had accrued dividend balances of **\$266** **\$285** and **\$209** **\$345** 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** **three** months ended **September 30, 2023** **March 31, 2024**, **\$115** **\$67** of dividends were accrued and **\$58** **\$127** of dividends were paid related to these units. During the **nine** **three** months ended **September 30, 2022** **March 31, 2023**, the dividend accrual was reversed by **\$7** **\$44** of dividends were accrued and **\$471** **\$57** 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

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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**, **January 2024**, the Company and the Operating Partnership **entered into** **implemented** a **Sales Agreement** with certain sales **agents**, **\$300 million** "at-the-market" equity offering program, pursuant to which the Company may offer and sell **(including through forward sales)**, from time to time, **up to \$300 million** shares of its common stock (the **"ATM" "2024 ATM Program"**). No shares were sold under the **2024 ATM Program** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

### **OP Units**

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Operating Partnership did not issue or redeem any OP Units. During the **year ended December 31, 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.

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As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were 2,244 and 1,667 OP Units issued and outstanding, **respectively**, with an aggregate value of \$13,962 and \$8,480, **respectively**, **\$13,962**. 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** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. 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** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were **\$289** **\$363** and **\$200**, **\$193**, 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** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

#### 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** **March 31, 2024**, there were **844,455** 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.

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##### Time-Based Grants

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the following LTIP Units were issued by the Company:

Date	Description	Number of Units Issued	Vesting Dates
February 23, 2023	21, 2024 Final awards under the 2022/2023 Annual Incentive Plan	68,151	50% on February 23, 2023 February 21, 2024; and 50% on February 23, 2024 February 21, 2025
February 23, 2023	21, 2024 Time-based awards under the 2023/2024 Long-Term Incentive Plan	165,238	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 February 21, 2027

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, certain participants redeemed an aggregate of **47,22** vested LTIP Units for the Company's common stock and forfeited an aggregate of 25 LTIP Units stock. A detail of the Company's outstanding time-based LTIP Units as of **September 30, 2023** **March 31, 2024** is as follows:

Vested units	2,270,2403
Unvested units	486,720
LTIP Units outstanding as of September 30, 2023	2,756,3123

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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 Performance 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, 2023 and 2023 2024 programs as of September 30, 2023 March 31, 2024 is as follows:

2021 2022 Long-Term Awards	67 96
2022 2023 Long-Term Awards	96 154
2023 2024 Annual Awards (1)	151 147
2023 2024 Long-Term Awards (2)	154 228
Total target performance awards Performance Awards as of September 30, 2023 March 31, 2024	468 625

(1) Approved by the Board on May 10, 2023 February 21, 2024. 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 February 21, 2024. 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 the Board established performance goals for the year ending December 31, 2023 December 31, 2024, as set forth in the 2023 2024 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 Cumulative stock-based compensation expense during the three and nine months ended September 30, 2023 March 31, 2024 reflects management's estimate that 100% of the probability of the number of these awards that will be earned. As soon as reasonably practicable following the end of the performance period, the Compensation Committee and the 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 2024 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) 2025)

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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 estimated 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.

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*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 (i) total stockholder return ("TSR"), which is determined based on a combination of appreciation in stock price and dividends paid during the performance period, and (ii) relative stockholder return ("RSR"), which is determined by comparing the Company's TSR with the TSRs of the companies that comprise the Dow Jones U.S. Real Estate Health Care Index (the "Index"). 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") RSR (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 estimated 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.

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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	2024 Long-Term Awards	2023 Long-Term Awards	2022 Long-Term Awards
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Fair value	\$ 11.67	\$ 16.39	\$ 14.86	\$ 9.37	\$ 11.67	\$ 16.39
Target awards	154	96	67	228	154	96
Volatility	43.54 %	41.65 %	42.37 %	28.12 %	43.54 %	41.65 %
Risk-free rate	4.35 %	1.72 %	0.26 %	4.38 %	4.35 %	1.72 %
Dividend assumption	reinvested	reinvested	reinvested	reinvested	reinvested	reinvested
Expected term in years	3	3	3	3	3	3

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The Company incurred stock compensation expense of \$1,185 \$1,233 and \$3,020 \$688 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$1,039 and \$3,615 for the three and nine months ended September 30, 2022, 2023, 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 March 31, 2024, total unamortized compensation expense related to these awards of approximately \$6.0 million \$9.1 million is expected to be recognized over a weighted average remaining period of 1.5 1.7 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.

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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.

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The Company recognized \$35,487 \$35,069 and \$108,003 \$36,199 of rental revenue related to operating lease payments for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$35,347 and \$100,877 of rental revenue related to operating lease payments for the three and nine months ended September 30, 2022, 2023, respectively. Of these amounts, \$1,704 \$1,963 and \$5,563 \$2,003 relate to variable rental revenue for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$1,950 and \$5,816 relate to variable rental revenue for the three and nine months ended September 30, 2022, 2023, 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 March 31, 2024 is as follows for the subsequent years ended December 31:

2023 (three months remaining)	\$	29,396	
2024		113,130	
2024 (nine months remaining)			\$ 85,074
2025		100,853	105,522
2026		91,721	97,031
2027		79,323	85,748
2028			75,271
Thereafter		316,961	274,599
Total	\$	731,384	\$723,245

**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 in May 2023 on May 1, 2023, the commencement date of the lease, for its corporate headquarters in Bethesda, Maryland. The Company used a discount rate of approximately 6.5% to record the right of use asset and liability, 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 42 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 \$55 and \$234 \$65 of ground lease expense during the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively, of which \$43 \$22 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 \$42 was paid in cash.

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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** **March 31, 2024**, and a reconciliation of those cash flows to the operating lease liability at **September 30, 2023** **March 31, 2024**:

2023 (three months remaining)	\$	39
2024		679
2024 (nine months remaining)	\$	543
2025		740
2026		757
2027		772
2028		794
Thereafter		10,450
<b>Total</b>		<b>13,437</b>
Discount		(5,823)
<b>Lease liability</b>	<b>\$</b>	<b>7,614</b>
		\$ 7,835

#### **Tenant Concentration**

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, 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.

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#### **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.

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**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 statements 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 December 31, 2023, that was filed with the U.S. Securities and Exchange Commission (the "SEC" or the "Commission") on March 1, 2023 February 28, 2024. 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 changes in current healthcare and will depend upon future developments, healthcare real estate trends and costs, 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; wage inflation;
- an epidemic or pandemic (such as the COVID-19 pandemic), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it;
- 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;

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- 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 real estate investment trust ("REIT") for U.S. federal income tax purposes;
- our ability to qualify for the safe harbor from the "100% Prohibited Transactions Tax" 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 December 31, 2023 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.

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**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~~ March 31, 2024, we owned ~~92.91%~~ 92.44% of the outstanding common operating partnership units ("OP Units") of our Operating Partnership, with an aggregate of ~~7.09%~~ 7.56% 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.

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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**, **during 2023 and into the first quarter of 2024**. 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%**. **May 2024**. 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 the Credit Facility**. **From During the first quarter of 2024, SOFR remained elevated and only decreased moderately from 5.40%** at the beginning of **July 2023 through November 6, 2023**, one-month term SOFR has increased from **5.06%** the quarter to **5.32%**, and the current forward curve anticipates that rates will be higher for a longer period of time than previous expectations, **5.34%** at quarter end. Such elevated SOFR results in higher interest costs on our

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

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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 Healthcare Wage Inflation**

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** **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 **cost** **costing** contract nursing labor to sustain their businesses. **This** **Although** **reliance on contract nursing and overall healthcare wage inflation may moderate during 2024, the overall** **increase in healthcare labor costs among various other factors, contributed** **remains**. Whether enhanced technology and cost-saving measures and increased reimbursements from payors will help offset these costs remains to the rapid increase in inflation during 2022, which remained elevated through the third quarter of 2023, be seen.

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,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands, except per share and unit amounts)					
Rental revenue	\$ 35,487	\$ 35,347	\$ 108,003	\$ 100,877	\$ 35,069	\$ 36,199
Depreciation and amortization expense	\$ 14,195	\$ 14,415	\$ 43,890	\$ 41,630	\$ 14,084	\$ 14,889
Interest expense	\$ 7,170	\$ 6,963	\$ 23,909	\$ 17,166	\$ 6,890	\$ 8,271
General and administrative expense	\$ 4,367	\$ 3,961	\$ 12,633	\$ 12,494	\$ 4,446	\$ 3,804
Gain on sale of investment properties	\$ 2,289	\$ 6,753	\$ 15,560	\$ 6,753		
Gain on sale of investment property					\$ —	\$ 485
Net income attributable to common stockholders per share	\$ 0.05	\$ 0.12	\$ 0.24	\$ 0.20	\$ 0.01	\$ 0.01
FFO per share and unit <sup>(1)</sup>	\$ 0.22	\$ 0.23	\$ 0.64	\$ 0.70	\$ 0.21	\$ 0.22
AFFO per share and unit <sup>(1)</sup>	\$ 0.23	\$ 0.25	\$ 0.69	\$ 0.74	\$ 0.23	\$ 0.23
Dividends per share of common stock	\$ 0.21	\$ 0.21	\$ 0.63	\$ 0.63	\$ 0.21	\$ 0.21
Weighted average common stock outstanding	65,565	65,518	65,545	65,443	65,573	65,525
Weighted average OP Units outstanding	2,244	1,668	2,020	1,669	2,244	1,667

Weighted average LTIP Units outstanding	2,757	2,539	2,697	2,442	2,940	2,638
Total weighted average shares and units outstanding	70,566	69,725	70,262	69,554	70,757	69,830

(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		As of	
	September 30, 2023		December 31, 2022	
(dollars in thousands)				
Investment in real estate, gross	\$ 1,425,006	\$ 1,484,177	\$ 1,428,161	\$ 1,426,969
Total debt, net	\$ 617,606	\$ 694,119	\$ 617,764	\$ 611,232
Weighted average interest rate	3.78 %	4.20 %	3.85 %	3.83 %
Total equity (including noncontrolling interest)	\$ 633,648	\$ 649,065	\$ 597,098	\$ 605,814
Net leasable square feet	4,747,336	4,895,635	4,750,640	4,748,626

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### 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 March 31, 2024, our portfolio consisted of gross investment in real estate of \$1.4 billion, with an aggregate of 4.7 million 4.8 million leasable square feet and an aggregate \$111.4 million \$110.5 million of annualized base rent.

#### **Completed Property Dispositions Properties Under Contract to Acquire**

In May 2024, the Company entered into a purchase agreement to acquire a 15-property portfolio of outpatient medical real estate for an aggregate purchase price of \$81.3 million. The properties are fully occupied and leased under triple-net or absolute triple-net leases.

During The Company expects to complete this acquisition in two tranches, with the nine months ended September 30, 2023, first tranche (approximately \$30 million - \$35 million) closing in the third quarter of 2024 and the remainder closing in the fourth quarter of 2024. The Company's obligation to close the acquisition is subject to certain customary terms and conditions, including due diligence reviews. Accordingly, there is no assurance that the Company completed three dispositions that generated aggregate gross proceeds of \$80.5 million, resulting in an aggregate gain of \$15.6 million. will close this acquisition on a timely basis, or at all.

#### **Capital Raising Activity**

In March 2022, January 2024, the Company and the Operating Partnership entered into implemented a Sales Agreement with certain sales agents, \$300 million "at-the-market" equity offering program, pursuant to which we may offer and sell (including through forward sales), from time to time, up to \$300 million shares of our common stock (the "ATM" 2024 ATM Program"). No shares were sold under the 2024 ATM Program during the nine three months ended September 30, 2023 March 31, 2024.

## Debt Activity

During the **nine** three months ended **September 30, 2023** **March 31, 2024**, we borrowed **\$38.1 million** **\$14.0 million** under the Credit Facility and repaid **\$115.4 million** **\$7.8 million**, for a net amount borrowed of **\$6.2 million**. During the three months ended **March 31, 2023**, we borrowed **\$12.6 million** under the Credit Facility and repaid **\$14.8 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** **\$2.2 million**. As of **September 30, 2023** **March 31, 2024**, the net outstanding Credit Facility balance was **\$560.8 million** **\$592.1 million** and as of **November 6, 2023** **May 6, 2024**, we had unutilized borrowing capacity under the Revolver of **\$317.6 million** **\$290 million**.

## Recent Developments

### Chapter 11 Reorganization Filing of Steward Health Care

On May 6, 2024, one of the Company's tenants, Steward Health Care ("Steward"), announced that it filed for Chapter 11 bankruptcy reorganization. As of March 31, 2024, Steward represented 2.8% of the Company's annualized base rent, primarily in one facility located in Beaumont, Texas (the "Beaumont Facility"). Steward was current in its rental payments through February 2024 and as of March 31, 2024, the Company's receivable balance from Steward was \$0.5 million, including \$0.2 million of deferred rent. The Company was actively pursuing re-leasing opportunities at the Beaumont Facility prior to the Steward bankruptcy announcement and is optimistic about its long term prospects at this location. There can be no assurances that the Company will receive any amounts owed to it by Steward or that the Company will be able to successfully re-lease the Beaumont Facility.

## 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.

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- *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 Fed's "wait-and-see" approach could cause interest rate and inflation environment and cost of capital rates to remain elevated for longer than previously expected.* Due to market reaction to components of the U.S. economy outperforming and persistently high inflation, Fed's commentary after its May 2024 meeting, where it maintained target range for the Federal Funds Rate at 5.25% to 5.50% during a period when many were expecting, indicated that the Fed does not plan to begin lowering the Federal Funds Rate. Due to interest rates until it has more time to analyze whether previous interest rate environment, increases have had the desired effect on inflation, which could result in continued elevated interest rates in 2024, if not longer. Although term SOFR, which is the reference rate for our floating rate debt, is not expected to reach its peak rate decrease during 2024 and 2025, any action or inaction by the Fed in the coming months could affect the timing and amounts 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), such decreases.

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

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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 Healthcare Wage Inflation.** 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 Although reliance on contract nursing and overall healthcare wage inflation may moderate during 2024, the overall increase in healthcare labor costs among various other factors, contributed remains. Whether enhanced technology and cost-saving measures and increased reimbursements from payors will help offset these costs remains 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. be seen.
- **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 These trends will only be were exacerbated by the COVID-19 epidemic, as medical expenditures increased significantly during the epidemic. epidemic and have not yet returned to pre-COVID-19 levels. 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 December 31, 2023, filed with the Commission on March 1, 2023 February 28, 2024, 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 March 31, 2024, compared to the same periods period in 2022, 2023, were higher lower interest rates significantly due to lower acquisition activity leverage and increased disposition activity. Regarding acquisitions, we completed one acquisition for a contractual purchase price the impact of \$6.7 million during our interest rate swaps, lower average borrowings, and 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 impact resulting from three property dispositions disposition transactions that were completed 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, 2023. Our total investment

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in real estate, net of accumulated depreciation and amortization, was \$1.2 billion as of September 30, 2023 March 31, 2024 compared to \$1.3 billion as of September 30, 2022 March 31, 2023.

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Three Months Ended **September 30, 2023** **March 31, 2024** Compared to Three Months Ended **September 30, 2022** **March 31, 2023**

	Three Months Ended September 30,			Three Months Ended March 31,		
	2023	2022	\$ Change	2024	2023	\$ Change
<b>Revenue</b>						
Rental revenue	\$ 35,487	\$ 35,347	\$ 140	\$ 35,069	\$ 36,199	\$ (1,130)
Other income	20	59	(39)	49	31	18
Total revenue	<u>35,507</u>	<u>35,406</u>	<u>101</u>	<u>35,118</u>	<u>36,230</u>	<u>(1,112)</u>
<b>Expenses</b>						
General and administrative	4,367	3,961	406	4,446	3,804	642
Operating expenses	7,231	6,679	552	7,384	7,536	(152)
Depreciation expense	10,100	10,128	(28)	10,113	10,494	(381)
Amortization expense	4,095	4,287	(192)	3,971	4,395	(424)
Interest expense	7,170	6,963	207	6,890	8,271	(1,381)
Preacquisition expense	—	112	(112)	—	42	(42)
Total expenses	<u>32,963</u>	<u>32,130</u>	<u>833</u>	<u>32,804</u>	<u>34,542</u>	<u>(1,738)</u>
Income before gain from sale of investment properties	2,544	3,276	(732)			
Gain on sale of investment properties	<u>2,289</u>	<u>6,753</u>	<u>(4,464)</u>			
Income before gain from sale of investment property				2,314	1,688	626
Gain on sale of investment property				—	485	(485)
Net income	<b>\$ 4,833</b>	<b>\$ 10,029</b>	<b>\$ (5,196)</b>	<b>\$ 2,314</b>	<b>\$ 2,173</b>	<b>\$ 141</b>

**Revenue**

**Total Revenue**

Total revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$35.5 million** **\$35.1 million**, compared to **\$35.4 million** **\$36.2 million** for the same period in **2022**, an **increase** **2023**, a **decrease** of **\$0.1 million** **\$1.1 million**. The **increase** **decrease** primarily resulted 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 three property dispositions. disposition transactions during 2023. Within that increase, \$5.3 million decrease, \$5.0 million in revenue was recognized from net lease expense recoveries during the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$5.0 million** **\$5.2 million** for the same period in **2022** **2023**.

**Expenses**

**General and Administrative**

General and administrative expenses for the three months ended September 30, 2023 March 31, 2024 were \$4.4 million, compared to \$4.0 million \$3.8 million for the same period in 2022, 2023, an increase of \$0.4 million \$0.6 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 March 31, 2024, compared to \$1.0 million \$0.7 million for the same period in 2022, 2023, and an increase in cash compensation and general corporate expenses.

#### **Operating Expenses**

Operating expenses for the three months ended September 30, 2023 March 31, 2024 were \$7.2 million \$7.4 million, compared to \$6.7 million \$7.5 million for the same period in 2022, an increase 2023, a decrease of \$0.5 million \$0.1 million. The increase decrease resulted primarily from \$5.3 million \$5.0 million of recoverable property operating expenses incurred during the three months ended September 30, 2023 March 31, 2024, compared to \$5.0 million \$5.2 million for the same period in 2022, 2023. In addition, our operating expenses included \$1.4 million \$1.5 million of property operating expenses from gross leases for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023.

#### **Depreciation Expense**

Depreciation expense for the three months ended September 30, 2023 and 2022 March 31, 2024 was \$10.1 million, compared to \$10.5 million for the same period in 2023, a decrease of \$0.4 million. The recognition of a full three months of depreciation expense in the three months ended September 30, 2023 decrease primarily resulted from acquisitions that were completed during the three months ended September 30, 2022 was offset by the impact of three property dispositions, disposition transactions during 2023.

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#### **Amortization Expense**

Amortization expense for the three months ended September 30, 2023 March 31, 2024 was \$4.1 million \$4.0 million, compared to \$4.3 million \$4.4 million for the same period in 2022, 2023, a decrease of \$0.2 million \$0.4 million. The decrease primarily resulted primarily from the impact of three 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 disposition transactions during the three months ended September 30, 2022, 2023.

#### **Interest Expense**

Interest expense for the three months ended September 30, 2023 March 31, 2024 was \$7.2 million \$6.9 million, compared to \$7.0 million \$8.3 million for the same period in 2022, an increase 2023, a decrease of \$0.2 million \$1.4 million. This increase decrease was due to higher lower interest rates and lower average borrowings during the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, 2023.

The weighted average interest rate of our debt for the three months ended September 30, 2023 March 31, 2024 was 3.98% 3.90% compared to 3.65% 4.27% for the same period in 2022, 2023. Additionally, the weighted average interest rate and term of our debt was 3.78% 3.85% and 3.1 2.7 years at September 30, 2023 March 31, 2024.

#### **Income Before Gain on Sale of Investment Properties Property**

Income before gain on sale of investment properties property for the three months ended September 30, 2023 March 31, 2024 was \$2.5 million \$2.3 million, compared to \$3.3 million \$1.7 million for the same period in 2022, a decrease 2023, an increase of \$0.8 million \$0.6 million.

#### **Gain on Sale of Investment Properties Property**

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 During the three months ended September 30, 2023 was \$4.8 million, compared to \$10.0 million for March 31, 2024 we had no property sales. During the same period in 2022, a decrease of \$5.2 million.

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

	Nine Months Ended September 30,		
			\$ Change
	2023	2022	
(in thousands)			
<b>Revenue</b>			
Rental revenue	\$ 108,003	\$ 100,877	\$ 7,126
Other income	85	100	(15)
<b>Total revenue</b>	<b>108,088</b>	<b>100,977</b>	<b>7,111</b>
<b>Expenses</b>			
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)
<b>Total expenses</b>	<b>102,465</b>	<b>89,582</b>	<b>12,883</b>
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
<b>Net income</b>	<b>\$ 21,183</b>	<b>\$ 18,148</b>	<b>\$ 3,035</b>

**Revenue**

**Total Revenue**

Total revenue for the nine three months ended September 30, 2023 was \$108.1 million March 31, 2023, 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.

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#### **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 approximately \$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** **three** months ended **September 30, 2023** **March 31, 2024** was **\$21.2 million** **\$2.3 million**, compared to **\$18.1 million** **\$2.2 million** for the same period in **2022** **2023**, an increase of **\$3.1 million** **\$0.1 million**.

#### **Assets and Liabilities**

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, our principal assets consisted of investments in real estate, net of \$1.2 billion and \$1.3 billion, respectively. We completed one acquisition no acquisitions or property sales during the **nine** **three** months ended **September 30, 2023** and sold six medical office buildings through three disposition transactions. **March 31, 2024**. Our liquid assets consisted primarily of cash and cash equivalents and restricted cash of **\$7.6 million** **\$7.8 million** and **\$14.5 million** **\$6.7 million**, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

The **decrease** **increase** in our cash and cash equivalents and restricted cash balances to **\$7.6 million** **\$7.8 million** as of **September 30, 2023** **March 31, 2024**, compared to **\$14.5 million** **\$6.7 million** as of **December 31, 2022** **December 31, 2023**, was primarily due to net **repayments** **borrowings** on our Credit Facility using funds from our property dispositions, and net cash provided by operating activities, partially offset by 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. leasing commissions.

The decrease increase in our total liabilities to \$668.9 million \$666.5 million as of September 30, 2023 March 31, 2024 compared to \$744.2 million \$661.9 million as of December 31, 2022 December 31, 2023, was primarily the result of lower higher net borrowings outstanding.

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### **Liquidity and Capital Resources**

#### **General**

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

- Interest expense and scheduled principal payments on outstanding indebtedness, including the payment of the approximately \$11 million outstanding principal balance on the Dumfries loan that matures in June 2024;

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- 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. improvements and leasing costs.

In 2023, 2024, 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 in full, we would have to pay the liquidation preference of \$77.6 million plus accrued dividends, fees and expenses.

- 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 to 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 and leasing costs at our properties, scheduled debt maturities, general and administrative expenses, operating expenses, and distributions. Beyond 2023, 2024, 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.

#### ***Equity Issuances***

In January 2024, the Company and the Operating Partnership implemented the 2024 ATM Program, pursuant to which we may offer and sell (including through forward sales), from time to time, shares of our common stock. No shares were sold under the 2024 ATM Program during the three months ended March 31, 2024 or from April 1, 2024 through May 6, 2024.

#### ***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** **May 6, 2024**, we had unutilized borrowing capacity under the Credit Facility of **\$317.6 million** **\$290 million**.

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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

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offerings subsequent to March 31, 2022. As of **September 30, 2023** **March 31, 2024**, 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** **\$25.7 million** in gross notes payable as of **September 30, 2023** **March 31, 2024**. This debt is comprised of **four** **three** instruments.

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

#### **Term Loan A Swaps**

As of **September 30, 2023** **March 31, 2024**, 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** **March 31, 2024**, 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** **\$525.7 million** on a gross basis at **September 30, 2023** **March 31, 2024**, with a weighted average interest rate of **3.42%** **3.31%** based on our interest rate swaps and at current leverage. The weighted average maturity of our fixed debt was **3.02.6** years at **September 30, 2023** **March 31, 2024**. Due to our forward swap structures, the weighted average interest rate on fixed debt outstanding as of **September 30, 2023** **March 31, 2024** 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** **three** months ended **September 30, 2023** **March 31, 2024** was **\$50.3 million** **\$14.3 million**, compared to **\$58.2 million** **\$15.8 million** for the same period in **2022**. The decrease during 2023. During the **2023** **2024** period was primarily due to the decrease non-cash depreciation and amortization expenses were lower, tenant receivables increased, and certain liabilities decreased, partially offset by an increase in income before gain on sale of investment properties, non-cash LTIP compensation expense and higher net income.

Net cash provided by used in investing activities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$70.7 million** **\$2.7 million**, compared to net cash used in provided by investing activities of **\$135.8 million** **\$3.1 million** for the same period in **2022**, **2023**. During the **2023** **2024** period, less more funds were used to complete property acquisitions for capital expenditures on existing real estate investments and leasing commissions and we received net no proceeds from the sale of investment properties.

Net cash used in financing activities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$127.9 million** **\$10.5 million**, compared to net cash provided by financing activities of **\$78.4 million** **\$19.3 million** for the same period in **2022**, **2023**. During the **2023** **2024** period we completed no common equity offerings and therefore did not receive any equity offering proceeds and we made had net repayments borrowings on our Credit Facility.

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#### **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.

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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 Report](#).

#### *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.

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A reconciliation of net income to FFO and AFFO for the three [months ended September 30, 2023](#) [March 31, 2024](#) and [2022](#) [2023](#) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(unaudited, in thousands except per share and unit amounts)					
<b>Net income</b>	\$ 4,833	\$ 10,029	\$ 21,183	\$ 18,148	\$ 2,314	\$ 2,173
Less: Preferred stock dividends	(1,455)	(1,455)	(4,366)	(4,366)	(1,455)	(1,455)
Depreciation and amortization expense	14,161	14,387	43,796	41,547	14,024	14,861
<b>Gain on sale of investment properties</b>	(2,289)	(6,753)	(15,560)	(6,753)		

(unaudited, in thousands except per share and unit amounts)

<b>Gain on sale of investment property</b>							<b>—</b>		<b>(485)</b>
<b>FFO</b>	<b>\$ 15,250</b>	<b>\$ 16,208</b>	<b>\$ 45,053</b>	<b>\$ 48,576</b>			<b>\$ 14,883</b>		<b>\$ 15,094</b>
Amortization of above market leases, net	234	221	812	735			251		291
Straight line deferred rental revenue	(721)	(1,018)	(2,363)	(3,245)			(400)		(763)
Stock-based compensation expense	1,185	1,039	3,020	3,615			1,233		688
Amortization of debt issuance costs and other	593	571	1,795	1,600			562		601
Preacquisition expense	—	112	44	242			—		42
<b>AFFO</b>	<b>\$ 16,541</b>	<b>\$ 17,133</b>	<b>\$ 48,361</b>	<b>\$ 51,523</b>			<b>\$ 16,529</b>		<b>\$ 15,953</b>
<b>Net income attributable to common stockholders per share – basic and diluted</b>	<b>\$ 0.05</b>	<b>\$ 0.12</b>	<b>\$ 0.24</b>	<b>\$ 0.20</b>			<b>\$ 0.01</b>		<b>\$ 0.01</b>
<b>FFO per share and unit</b>	<b>\$ 0.22</b>	<b>\$ 0.23</b>	<b>\$ 0.64</b>	<b>\$ 0.70</b>			<b>\$ 0.21</b>		<b>\$ 0.22</b>
<b>AFFO per share and unit</b>	<b>\$ 0.23</b>	<b>\$ 0.25</b>	<b>\$ 0.69</b>	<b>\$ 0.74</b>			<b>\$ 0.23</b>		<b>\$ 0.23</b>
Weighted Average Shares and Units Outstanding – basic and diluted	70,566	69,725	70,262	69,554			70,757		69,830
<b>Weighted Average Shares and Units Outstanding:</b>									
Weighted Average Common Shares	65,565	65,518	65,545	65,443			65,573		65,525
Weighted Average OP Units	2,244	1,668	2,020	1,669			2,244		1,667
Weighted Average LTIP Units	2,757	2,539	2,697	2,442			2,940		2,638
Weighted Average Shares and Units Outstanding – basic and diluted	<b>70,566</b>	<b>69,725</b>	<b>70,262</b>	<b>69,554</b>			<b>70,757</b>		<b>69,830</b>

*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 **loss on extinguishment of debt**, 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.

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A reconciliation of net income to EBITDAre and Adjusted EBITDAre for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
(unaudited and in thousands)						
<b>Net income</b>	\$ 4,833	10,029	21,183	18,148	\$ 2,314	2,173

Interest expense	7,170	6,963	23,909	17,166	6,890	8,271
Depreciation and amortization expense	14,195	14,415	43,890	41,630	14,084	14,889
Gain on sale of investment properties	(2,289)	(6,753)	(15,560)	(6,753)	—	(485)
Gain on sale of investment property	—	—	—	—	—	(485)
<b>EBITDAre</b>	<b>\$ 23,909</b>	<b>\$ 24,654</b>	<b>\$ 73,422</b>	<b>\$ 70,191</b>	<b>\$ 23,288</b>	<b>\$ 24,848</b>
Stock-based compensation expense	1,185	1,039	3,020	3,615	1,233	688
Amortization of above market leases, net	234	221	812	735	251	291
Preacquisition expense	—	112	44	242	—	42
<b>Adjusted EBITDAre</b>	<b>\$ 25,328</b>	<b>\$ 26,026</b>	<b>\$ 77,298</b>	<b>\$ 74,783</b>	<b>\$ 24,772</b>	<b>\$ 25,869</b>

### 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** **March 31, 2024**, we had **\$68.4 million** **\$98.6 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—Operation—Liquidity and Capital Resources**," for a detailed discussion of our Credit Facility. At **September 30, 2023** **March 31, 2024**, SOFR on our outstanding floating-rate borrowings was **5.32%** **5.33%**. 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** **\$1.0** 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** **\$1.0 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

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disclosure controls and procedures as of **September 30, 2023** **March 31, 2024** 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~~ three months ended ~~September 30, 2023~~ March 31, 2024, 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~~ December 31, 2023, filed with the SEC on ~~March 1, 2023~~ February 28, 2024.

### **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.

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### **Item 6. Exhibits**

#### **(a) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
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3.1	<a href="#">Articles of Restatement of Global Medical REIT Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on August 8, 2018).</a>
3.2	<a href="#">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).</a>
4.1	<a href="#">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).</a>
4.2	<a href="#">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).</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
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.

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**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** May 8, 2024

By: */s/ Jeffrey M. Busch*  
Jeffrey M. Busch

Date: November 7, 2023 May 8, 2024

By: */s/ Robert J. Kiernan*

Robert J. Kiernan

Chief Financial Officer (Principal Financial and Accounting Officer)

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**Exhibit 31.1**

**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** **March 31, 2024** 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 May 8, 2024

/s/ Jeffrey M. Busch

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

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Exhibit 31.2

**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 March 31, 2024 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 May 8, 2024

/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** **March 31, 2024** 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** May 8, 2024

*/s/ Jeffrey M. Busch*

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

Date: **November 7, 2023** May 8, 2024

*/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.*

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#### DISCLAIMER

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