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# News Release

## HEALTHCARE REALTY TRUST REPORTS RESULTS FOR THE SECOND QUARTER

**NASHVILLE, Tennessee, August 4, 2021 -** Healthcare Realty Trust Incorporated (NYSE:HR) today announced results for the second quarter ended June 30, 2021. The Company reported net income of $23.1 million, or $0.16 per diluted common share, for the quarter ended June 30, 2021. Normalized FFO for the three months ended June 30, 2021 totaled $60.8 million, or $0.43 per diluted common share.

**Salient quarterly highlights include:**

- Normalized FFO per share totaled $0.43, an increase from $0.42 in the second quarter of 2020.
- Same store cash NOI for the second quarter increased 2.9% over the second quarter of 2020. For the trailing twelve months ended June 30, 2021, same store cash NOI grew 2.3%.
- Predictive growth measures in the same store portfolio include:
  - Average in-place rent increases of 2.87%
  - Future annual contractual increases of 3.1% for leases commencing in the quarter
  - Weighted average cash leasing spreads of 2.8% on 285,000 square feet renewed:
    - 8% (<0% spread)
    - 9% (0-3%)
    - 59% (3-4%)
    - 24% (>4%)
  - Tenant retention of 74.9%
- Portfolio leasing activity in the second quarter totaled 485,000 square feet related to 141 leases:
  - 331,000 square feet of renewals
  - 154,000 square feet of new and expansion leases
- During the second quarter, the Company acquired eight medical office buildings for $216.9 million totaling 467,000 square feet.
  - In San Diego, a 160,000 square foot building for $102.7 million on BBB rated Palomar Health's Medical Center Poway campus, the Company's fourth property in the San Diego market.
  - In Los Angeles, two buildings totaling 131,000 square feet for $55.9 million on AA- rated MemorialCare Health System's Saddleback Medical Center campus. The buildings were acquired under the TIAA joint venture. The Company now owns five buildings on or near this campus and nineteen properties in the Los Angeles market.
  - In Baltimore, an off campus 33,000 square foot building for $14.6 million located near A rated University of Maryland Medical System's Upper Chesapeake Medical Center. The Company owns two other buildings on this campus.
  - In San Antonio, an off campus 45,000 square foot building for $13.6 million leased to a diverse mix of specialty and primary care providers, including Baptist Health System, and acquired under the TIAA joint venture. The Company now owns seven buildings in the San Antonio market.

HEALTHCARE REALTY

- In Houston, a 45,000 square foot building for $13.5 million adjacent to AA rated Houston Methodist Willowbrook Hospital, the Company's eleventh property in the Houston market.
- In Greensboro, an off campus 25,000 square foot building for $9.4 million anchored by AA- rated Cone Health. The Company owns four other buildings adjacent to the nearby Moses H. Cone Memorial Hospital campus.
- In Colorado Springs, an off campus, 28,000 square foot building for $7.2 million leased to a diverse mix of tenants. This property was acquired through the TIAA joint venture.
- The Company funded $178.5 million in these properties, net of TIAA's 50% joint venture contribution.

- Subsequent to the end of the quarter, the Company acquired six medical office buildings for $119.4 million totaling 371,000 square feet.
  - In Denver, three buildings totaling 260,000 square feet for $70.4 million on AA- rated AdventHealth's Porter Adventist Hospital campus, operated by Centura Health. The Company now owns sixteen properties in the Denver market.
  - In Colorado Springs, a 70,000 square foot building for $33.4 million on BBB+ rated CommonSpirit Health's Penrose Hospital campus, operated by Centura Health.
  - In Colorado Springs, an off campus 24,000 square foot property for $9.1 million, which included a three-acre land parcel for future development. The building is anchored by Centura Health and is located near the Penrose Hospital campus. The investment was made through the TIAA joint venture and is the Company's eighth property in the Colorado Springs market.
  - In Greensboro, an 18,000 square foot building for $6.4 million adjacent to AA- rated Cone Health's Alamance Regional Medical Center campus. The Company owns one other building on this campus and now owns eight buildings in the Greensboro market.
  - The Company funded $114.8 million in these properties, net of TIAA's 50% joint venture contribution.
- Year-to-date, the Company acquired twenty-one buildings totaling 1.1 million square feet for $412.8 million ($362.7 million net of joint venture contributions) at a weighted average cap rate of 5.3%.
- Year-to-date, the Company sold eleven medical office buildings totaling 547,000 square feet for $114.6 million at a weighted average cap rate of 4.1%.
- In July, the Company commenced the development of a new 106,000 square foot medical office building located on AA+ rated Ascension Health's St. Thomas Midtown Hospital campus in Nashville. The project consists of the demolition of an existing building, and construction of a new medical office building, parking garage and shared hospital front entrance. The project has a total budget of $44 million, including a $5 million non-cash allocation for the existing land value. The Company owns an additional 333,000 square feet on or adjacent to this campus.
- During the second quarter, the Company settled 3.8 million shares through its forward equity program, generating $116.1 million in net proceeds.
  - The Company currently has approximately 3.7 million shares to be settled through forward equity contracts and expects gross proceeds of approximately $114.8 million, before cost of borrowing under the forward contracts.

- In June, the Company repriced its $150 million term loan due June 2026, reducing the interest rate to LIBOR plus 95 basis points, representing a savings of 65 basis points. The Company also added a sustainability-linked incentive.
- As of June 30, 2021 the Company had cash of $18.7 million and $687 million available on its revolver.
- Net debt to adjusted EBITDA was 5.1 times at the end of the quarter, down from 5.3 times at the end of the first quarter.
- A dividend of $0.3025 per share was paid during the quarter, which equaled 90.2% of FAD. Year to date, dividends paid equaled 85.3% of FAD.
- A dividend of $0.3025 per share is payable on August 31, 2021 for stockholders of record on August 16, 2021.

Healthcare Realty Trust is a real estate investment trust that integrates owning, managing, financing and developing income-producing real estate properties associated primarily with the delivery of outpatient healthcare services throughout the United States. As of June 30, 2021, the Company was invested in 236 real estate properties in 24 states totaling 16.9 million square feet and had an enterprise value of approximately $6.0 billion, defined as equity market capitalization plus the principal amount of debt less cash. The Company provided leasing and property management services to 13.4 million square feet nationwide.

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Additional information regarding the Company, including this quarter's operations, can be found at www.healthcarerealty.com. Please contact the Company at 615.269.8175 to request a printed copy of this information.

In addition to the historical information contained within, the matters discussed in this press release may contain forward-looking statements that involve risks and uncertainties. These risks are discussed in filings with the Securities and Exchange Commission by Healthcare Realty Trust, including its Annual Report on Form 10-K for the year ended December 31, 2020 under the heading "Risk Factors," and other risks described from time to time thereafter in the Company's SEC filings. Forward-looking statements represent the Company's judgment as of the date of this release. The Company disclaims any obligation to update forward-looking statements. A reconciliation of all non-GAAP financial measures in this release is included herein.

# Consolidated Balance Sheets [1]

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA

## ASSETS

| | JUNE 30, 2021 | DECEMBER 31, 2020 |
|---|---|---|
| **Real estate properties** | | |
| Land | $375,374 | $362,695 |
| Buildings, improvements and lease intangibles | 4,249,352 | 4,220,297 |
| Personal property | 11,589 | 11,195 |
| Investment in financing receivable, net | 104,642 | — |
| Construction in progress | 1,147 | — |
| Land held for development | 27,226 | 27,226 |
| **Total real estate properties** | **4,769,330** | **4,621,413** |
| Less accumulated depreciation and amortization | (1,285,251) | (1,239,224) |
| **Total real estate properties, net** | **3,484,079** | **3,382,189** |
| Cash and cash equivalents | 18,739 | 15,303 |
| Assets held for sale, net | 21,065 | 20,646 |
| Operating lease right-of-use assets | 121,288 | 125,198 |
| Financing lease right-of-use assets | 19,450 | 19,667 |
| Investments in unconsolidated joint ventures | 117,935 | 73,137 |
| Other assets, net | 182,123 | 176,120 |
| **Total assets** | **$3,964,679** | **$3,812,260** |

## LIABILITIES AND STOCKHOLDERS' EQUITY

| | JUNE 30, 2021 | DECEMBER 31, 2020 |
|---|---|---|
| **Liabilities** | | |
| Notes and bonds payable | $1,614,479 | $1,602,769 |
| Accounts payable and accrued liabilities | 74,927 | 81,174 |
| Liabilities of properties held for sale | 942 | 1,216 |
| Operating lease liabilities | 92,110 | 92,273 |
| Financing lease liabilities | 18,648 | 18,837 |
| Other liabilities | 67,319 | 67,615 |
| **Total liabilities** | **1,868,425** | **1,863,884** |
| Commitments and contingencies | | |
| **Stockholders' equity** | | |
| Preferred stock, $.01 par value; 50,000 shares authorized; none issued and outstanding | — | — |
| Common stock, $.01 par value; 300,000 shares authorized; 145,530 and 139,487 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively | 1,455 | 1,395 |
| Additional paid-in capital | 3,818,592 | 3,635,341 |
| Accumulated other comprehensive loss | (13,580) | (17,832) |
| Cumulative net income attributable to common stockholders | 1,246,617 | 1,199,499 |
| Cumulative dividends | (2,956,830) | (2,870,027) |
| **Total stockholders' equity** | **2,096,254** | **1,948,376** |
| **Total liabilities and stockholders' equity** | **$3,964,679** | **$3,812,260** |

1 The Consolidated Balance Sheets do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

# Consolidated Statements of Income [1]

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Revenues** | | | | |
| Rental income | $128,486 | $122,358 | $256,874 | $245,001 |
| Interest from financing receivable, net | 510 | — | 510 | — |
| Other operating | 2,427 | 1,332 | 4,378 | 3,496 |
| | **131,423** | **123,690** | **261,762** | **248,497** |
| **Expenses** | | | | |
| Property operating | 51,509 | 46,580 | 103,724 | 96,134 |
| General and administrative | 8,545 | 7,434 | 17,044 | 16,199 |
| Acquisition and pursuit costs | 670 | 431 | 1,414 | 1,181 |
| Depreciation and amortization | 49,826 | 47,691 | 99,905 | 95,188 |
| | **110,550** | **102,136** | **222,087** | **208,702** |
| **Other income (expense)** | | | | |
| Gain on sales of real estate assets | 20,970 | 68,267 | 39,860 | 68,218 |
| Interest expense | (13,261) | (14,442) | (26,523) | (28,402) |
| Impairment of real estate assets | (5,078) | — | (5,912) | — |
| Equity loss from unconsolidated joint ventures | (146) | (116) | (220) | (127) |
| Interest and other income (expense), net | (262) | 250 | 238 | 344 |
| | **2,223** | **53,959** | **7,443** | **40,033** |
| **Net Income** | **$23,096** | **$75,513** | **$47,118** | **$79,828** |
| | | | | |
| Basic earnings per common share - Net income | $0.16 | $0.56 | $0.33 | $0.59 |
| Diluted earnings per common share - Net income | $0.16 | $0.56 | $0.33 | $0.59 |
| | | | | |
| Weighted average common shares outstanding - basic | 141,917 | 133,634 | 140,354 | 133,335 |
| Weighted average common shares outstanding - diluted | 142,049 | 133,696 | 140,468 | 133,420 |

1 The Consolidated Statements of Income do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

# Reconciliation of FFO, Normalized FFO and FAD

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA - UNAUDITED

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | $23,096 | $75,513 | $47,118 | $79,828 |
| Gain on sales of real estate assets | (20,970) | (68,267) | (39,860) | (68,218) |
| Impairment of real estate asset | 5,078 | — | 5,912 | — |
| Real estate depreciation and amortization | 51,199 | 48,577 | 102,510 | 97,109 |
| Proportionate share of unconsolidated joint venture adjustments | 1,354 | 80 | 2,168 | 160 |
| **Funds from operations (FFO)** | **$59,757** | **$55,903** | **$117,848** | **$108,879** |
| Acquisition and pursuit costs [1] | 670 | 431 | 1,414 | 1,181 |
| Lease intangible amortization | (6) | (16) | (78) | 729 |
| Forfeited earnest money received | — | — | (500) | — |
| Debt financing costs | 283 | — | 283 | — |
| Proportionate share of unconsolidated joint ventures | 55 | — | 82 | — |
| **Normalized FFO** | **$60,759** | **$56,318** | **$119,049** | **$110,789** |
| Non-real estate depreciation and amortization | 641 | 822 | 1,314 | 1,645 |
| Non-cash interest amortization [2] | 897 | 1,035 | 1,791 | 1,781 |
| Provision for bad debt, net | 57 | 945 | (22) | 862 |
| Straight-line rent income, net | (1,194) | (390) | (2,289) | (1,057) |
| Stock-based compensation | 2,627 | 2,405 | 5,647 | 5,003 |
| Proportionate share of unconsolidated joint venture | (354) | 8 | (711) | 15 |
| Normalized FFO adjusted for non-cash items | 63,433 | 61,143 | 124,779 | 119,038 |
| 2nd generation TI | (4,748) | (6,005) | (9,937) | (12,045) |
| Leasing commissions paid | (3,804) | (2,258) | (4,997) | (5,082) |
| Capital additions | (6,077) | (4,777) | (8,096) | (8,247) |
| Maintenance cap ex | (14,629) | (13,040) | (23,030) | (25,374) |
| **Funds available for distribution (FAD)** | **$48,804** | **$48,103** | **$101,749** | **$93,664** |
| FFO per common share - diluted | $0.42 | $0.42 | $0.83 | $0.81 |
| Normalized FFO per common share - diluted | $0.43 | $0.42 | $0.84 | $0.83 |
| FFO weighted average common shares outstanding - diluted [3] | 142,914 | 134,464 | 141,323 | 134,221 |

1 Acquisition and pursuit costs include third party and travel costs related to the pursuit of acquisitions and developments.

2 Includes the amortization of deferred financing costs and discounts and premiums.

3 The Company utilizes the treasury stock method which includes the dilutive effect of nonvested share-based awards outstanding of 865,304 and 854,797, respectively for the three and six months ended June 30, 2021.

# Reconciliation of Non-GAAP Measures

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA - UNAUDITED

Management considers funds from operations ("FFO"), FFO per share, normalized FFO, normalized FFO per share, funds available for distribution ("FAD") to be useful non-GAAP measures of the Company's operating performance. A non-GAAP financial measure is generally defined as one that purports to measure historical 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. Set forth below are descriptions of the non-GAAP financial measures management considers relevant to the Company's business and useful to investors.

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 (determined in accordance with GAAP), as indicators of the Company's financial performance, or as alternatives to cash flow from operating activities (determined in accordance with GAAP) 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.

FFO and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"). NAREIT defines FFO as "net income (computed in accordance with GAAP) excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, and impairment write-downs of certain real assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity." The Company defines Normalized FFO as FFO excluding acquisition-related expenses, lease intangible amortization and other normalizing items that are unusual and infrequent in nature. FAD is presented by adding to Normalized FFO non-real estate depreciation and amortization, deferred financing fees amortization, share-based compensation expense and provision for bad debts, net; and subtracting maintenance capital expenditures, including second generation tenant improvements and leasing commissions paid and straight-line rent income, net of expense. The Company's definition of these terms may not be comparable to that of other real estate companies as they may have different methodologies for computing these amounts. FFO, Normalized FFO and FAD do not represent cash generated from operating activities determined in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs. FFO, Normalized FFO and FAD should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. FFO, Normalized FFO and FAD should be reviewed in connection with GAAP financial measures.

Management believes FFO, FFO per share, Normalized FFO, Normalized FFO per share, and FAD provide an understanding of the operating performance of the Company's properties without giving effect to certain significant non-cash items, including depreciation and amortization expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions. The Company believes that by excluding the effect of depreciation, amortization, gains or losses from sales of real estate, and other normalizing items that are unusual and infrequent, FFO, FFO per share, Normalized FFO, Normalized FFO per share and FAD can facilitate comparisons of operating performance between periods. The Company reports these measures because they have been observed by management to be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because these measures are consistently reported, discussed, and compared by research analysts in their notes and publications about REITs.

Cash NOI and Same Store Cash NOI are key performance indicators. Management considers these to be supplemental measures that allow investors, analysts and Company management to measure unlevered property-level operating results. The Company defines Cash NOI as rental income and less property operating expenses. Cash NOI excludes non-cash items such as above and below market lease intangibles, straight-line rent, lease inducements, lease termination fees, tenant improvement amortization and leasing commission amortization. Cash NOI is historical and not necessarily indicative of future results.

Same Store Cash NOI compares Cash NOI for stabilized properties. Stabilized properties are properties that have been included in operations for the duration of the year-over-year comparison period presented and include redevelopment projects of existing same store properties. Accordingly, stabilized properties exclude properties that were recently acquired or disposed of, properties classified as held for sale, reposition properties and newly developed properties. The Company utilizes the reposition classification for properties experiencing a shift in strategic direction. Such a shift can occur for a variety of reasons, including a substantial change in the use of the asset, a change in strategy or closure of a neighboring hospital, or significant property damage. Such properties may require enhanced management, leasing, capital needs or a disposition strategy that differs from the rest of the portfolio. To identify properties exhibiting these reposition characteristics, the Company applies the following Company-defined criteria:

- Properties having less than 60% occupancy that is expected to last at least two quarters;
- Properties that experience a loss of occupancy over 30% in a single quarter; or
- Properties with negative net operating income that is expected to last at least two quarters.

Any recently acquired property will be included in the same store pool once the Company has owned the property for eight full quarters. Newly developed properties will be included in the same store pool eight full quarters after substantial completion. Any additional square footage created by redevelopment projects at a same store property is included in the same store pool immediately upon completion. Any property included in the reposition property group will be included in the same store analysis once occupancy has increased to 60% or greater with positive net operating income and has remained at that level for eight full quarters.