

News Release

HEALTHCARE REALTY TRUST REPORTS RESULTS FOR THE FIRST QUARTER

NASHVILLE, Tennessee, May 6, 2020 - Healthcare Realty Trust Incorporated (NYSE:HR) today announced results for the first quarter ended March 31, 2020. The Company reported net income of \$4.3 million, or \$0.03 per diluted common share, for the quarter ended March 31, 2020. Normalized FFO for the three months ended March 31, 2020 totaled \$54.5 million, or \$0.41 per diluted common share.

The Company has provided a separate disclosure regarding its COVID-19 business update which can be found on the Company's website, www.healthcarerealty.com/investor-relations/.

Salient highlights for the first quarter include:

- Normalized FFO per share increased 4.4% over first quarter of 2019.
- For the trailing twelve months ended March 31, 2020, same store cash NOI grew 2.4%.
 - Revenues increased 2.7% and revenue per average occupied square foot increased 2.8%.
 - Average occupancy was stable at 89.2%.
- Predictive growth measures in the same store multi-tenant portfolio include:
 - Average in-place rent increases of 2.89%
 - Future annual contractual increases of 3.11% for leases commencing in the quarter
 - Weighted average cash leasing spreads of 4.4% on 289,000 square feet renewed:
 - 12% (<0% spread)
 - 6% (0-3%)
 - 51% (3-4%)
 - 31% (>4%)
 - Tenant retention of 84.0%
- Portfolio leasing activity in the first quarter totaled 459,000 square feet related to 141 leases:
 - 343,000 square feet of renewals
 - 116,000 square feet of new and expansion leases
- During the first quarter, the Company acquired seven medical office buildings for \$102.0 million totaling 339,000 square feet. Each of these acquisitions expands an existing relationship or market presence and was acquired on or before March 13, 2020. Acquisitions included:
 - In Los Angeles, an 87,000 square foot building adjacent to AA- rated MemorialCare Health's Saddleback Medical Center for \$42.0 million.
 - In Atlanta, a 65,000 square foot building adjacent to A-rated Wellstar Health System's Kennestone Hospital for \$12.0 million.
 - In Raleigh, a 16,000 square foot building adjacent to A2 rated WakeMed's North Hospital for \$6.3 million.
 - In Colorado Springs, a 34,000 square foot off campus building near BBB+ rated CommonSpirit Health's St. Francis Medical Center for \$8.2 million.



- In Denver, three buildings totaling 137,000 square feet adjacent to AA rated UCHealth's Highlands Ranch Hospital for \$33.5 million.
- In February, the first lease commenced at the Company's 151,000 square foot development on the campus of AA+ rated UW Medicine's Valley Medical Center in Seattle. The medical office building is currently 60% leased.
- On March 18, 2020, the Company issued \$300 million of Senior Notes due March 2030 with a coupon rate of 2.40%.
- Net debt to adjusted EBITDA was 5.3 times at the end of the quarter.
- A dividend of \$0.30 per share was declared for the first quarter. Dividends paid totaled \$40.4 million, which equaled 74.2% of normalized FFO and 88.7% of FAD.

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 March 31, 2020, the Company owned 212 real estate properties in 25 states totaling 15.8 million square feet and was valued at approximately \$5.3 billion. The Company provided leasing and property management services to 12.0 million square feet nationwide.

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, 2019 under the heading "Risk Factors," and as updated in its Quarterly Reports on Form 10-Q filed thereafter. 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

	MARCH 31, 2020	DECEMBER 31, 2019
Real estate properties		
Land	\$319,882	\$289,751
Buildings, improvements and lease intangibles	4,126,046	3,986,326
Personal property	10,783	10,538
Construction in progress	—	48,731
Land held for development	24,647	24,647
Total real estate properties	4,481,358	4,359,993
Less accumulated depreciation and amortization	(1,164,462)	(1,121,102)
Total real estate properties, net	3,316,896	3,238,891
Cash and cash equivalents	103,370	657
Assets held for sale, net	20	37
Operating lease right-of-use assets	125,040	126,177
Financing lease right-of-use assets	12,615	12,667
Other assets, net	189,708	185,426
Total assets	\$3,747,649	\$3,563,855

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 2020	DECEMBER 31, 2019
Liabilities		
Notes and bonds payable	\$1,644,454	\$1,414,069
Accounts payable and accrued liabilities	64,574	78,517
Liabilities of properties held for sale	74	145
Operating lease liabilities	91,093	91,574
Financing lease liabilities	17,953	18,037
Other liabilities	70,073	61,504
Total liabilities	1,888,221	1,663,846
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; 134,932 and 134,706 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	1,349	1,347
Additional paid-in capital	3,494,123	3,485,003
Accumulated other comprehensive loss	(19,777)	(6,175)
Cumulative net income attributable to common stockholders	1,131,619	1,127,304
Cumulative dividends	(2,747,886)	(2,707,470)
Total stockholders' equity	1,859,428	1,900,009
Total liabilities and stockholders' equity	\$3,747,649	\$3,563,855

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 MARCH 31,	
	2020	2019
Revenues		
Rental income ²	\$122,644	\$110,696
Other operating	2,163	1,961
	124,807	112,657
Expenses		
Property operating	49,552	42,725
General and administrative	8,766	8,510
Acquisition and pursuit costs	750	305
Depreciation and amortization	47,497	42,662
	106,565	94,202
Other income (expense)		
Gain (loss) on sales of real estate assets	(49)	15
Interest expense	(13,960)	(13,588)
Interest and other income (expense), net	82	9
	(13,927)	(13,564)
Net Income	\$4,315	\$4,891
Basic earnings per common share - Net income	\$0.03	\$0.04
Diluted earnings per common share - Net income	\$0.03	\$0.04
Weighted average common shares outstanding - basic	133,036	124,130
Weighted average common shares outstanding - diluted	133,150	124,232

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.

2 Beginning in the first quarter of 2019 with the adoption of Accounting Standards Codification Topic 842, bad debts, net of recoveries associated with lease revenue was recorded within rental income.

Reconciliation of FFO, Normalized FFO and FAD

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA - UNAUDITED

	THREE MONTHS ENDED MARCH 31,	
	2020	2019
Net income	\$4,315	\$4,891
(Gain) loss on sales of real estate assets	49	(15)
Impairment of real estate asset	—	—
Real estate depreciation and amortization	48,611	43,383
Funds from operations (FFO)	\$52,975	\$48,259
Acquisition and pursuit costs ¹	750	305
Lease intangible amortization ²	745	84
Normalized FFO	\$54,470	\$48,648
Non-real estate depreciation and amortization	823	763
Non-cash interest expense amortization ⁴	746	702
Provision for bad debt, net	(83)	(75)
Straight-line rent income, net	(660)	(270)
Stock-based compensation	2,599	2,639
Normalized FFO adjusted for non-cash items	57,895	52,407
2nd generation TI	(6,040)	(4,326)
Leasing commissions paid	(2,824)	(1,347)
Capital additions	(3,470)	(3,462)
Funds available for distribution (FAD)	\$45,561	\$43,272
FFO per common share - diluted	\$0.40	\$0.39
Normalized FFO per common share - diluted	\$0.41	\$0.39
FFO weighted average common shares outstanding - diluted ⁵	133,980	124,928

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

2 The Company adopted the 2018 NAREIT FFO White Paper Restatement during the first quarter of 2019. This amended definition specifically includes the impact of acquisition related market lease intangible amortization in the calculation of NAREIT FFO. The Company historically included this amortization in the real estate depreciation and amortization line item which is added back in the calculation of NAREIT FFO. Prior periods were not restated for the adoption.

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

4 Diluted weighted average common shares outstanding for the three months ended March 31, 2020 includes the dilutive effect of nonvested share-based awards outstanding of 830,024 shares.

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 accounting principles generally accepted in the United States of America and is 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 property lease guaranty income less property operating expenses. Cash NOI excludes non-cash items such as above and below market lease intangibles, straight-line rent, lease inducements, lease terminations, 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. 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.