

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

or

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

For the transition period from _____ to _____

Commission file number: 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of Incorporation)

34-1096634

(IRS Employer
Identification No.)

4500 Dorr Street Toledo, Ohio

(Address of principal executive office)

43615

(Zip Code)

(419) - 247-2800

(Registrant's telephone number, including area code)

Not Applicable

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$1.00 par value per share	WELL	New York Stock Exchange
Guarantee of 4.800% Notes due 2028 issued by Welltower OP LLC	WELL/28	New York Stock Exchange
Guarantee of 4.500% Notes due 2034 issued by Welltower OP LLC	WELL/34	New York Stock Exchange

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, if any, 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 and post 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 Emerging growth 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

As of October 27, 2023, Welltower Inc. had 535,969,121 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

**CONSOLIDATED BALANCE SHEETS
WELLTOWER INC. AND SUBSIDIARIES**

(In thousands)

	September 30, 2023 (Unaudited)	December 31, 2022 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	\$ 4,373,058	\$ 4,249,834
Buildings and improvements	35,010,855	33,651,336
Acquired lease intangibles	1,961,799	1,945,458
Real property held for sale, net of accumulated depreciation	355,380	133,058
Construction in progress	1,338,076	1,021,080
Less accumulated depreciation and amortization	(8,868,627)	(8,075,733)
Net real property owned	34,170,541	32,925,033
Right of use assets, net	338,693	323,942
Real estate loans receivable, net of credit allowance	1,181,265	890,844
Net real estate investments	35,690,499	34,139,819
Other assets:		
Investments in unconsolidated entities	1,568,096	1,499,790
Goodwill	68,321	68,321
Cash and cash equivalents	2,582,037	631,681
Restricted cash	104,674	90,611
Straight-line rent receivable	405,154	322,173
Receivables and other assets	1,235,921	1,140,838
Total other assets	5,964,203	3,753,414
Total assets	\$ 41,654,702	\$ 37,893,233
Liabilities and equity		
Liabilities:		
Unsecured credit facility and commercial paper	\$ —	\$ —
Senior unsecured notes	13,453,985	12,437,273
Secured debt	2,380,253	2,110,815
Lease liabilities	365,115	415,824
Accrued expenses and other liabilities	1,636,730	1,535,325
Total liabilities	17,836,083	16,499,237
Redeemable noncontrolling interests	244,793	384,443
Equity:		
Common stock	533,918	491,919
Capital in excess of par value	30,056,076	26,742,750
Treasury stock	(112,313)	(111,001)
Cumulative net income	9,061,133	8,804,950
Cumulative dividends	(16,435,416)	(15,514,097)
Accumulated other comprehensive income (loss)	(149,362)	(119,707)
Total Welltower Inc. stockholders' equity	22,954,036	20,294,814
Noncontrolling interests	619,790	714,739
Total equity	23,573,826	21,009,553
Total liabilities and equity	\$ 41,654,702	\$ 37,893,233

Note: The consolidated balance sheet at December 31, 2022 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenues:				
Resident fees and services	\$ 1,199,808	\$ 1,068,706	\$ 3,490,942	\$ 3,073,040
Rental income	384,507	361,983	1,152,005	1,079,784
Interest income	42,220	37,791	117,335	113,925
Other income	35,478	5,364	127,938	75,335
Total revenues	<u>1,662,013</u>	<u>1,473,844</u>	<u>4,888,220</u>	<u>4,342,084</u>
Expenses:				
Property operating expenses	995,273	912,180	2,911,698	2,619,932
Depreciation and amortization	339,314	353,699	1,020,371	968,082
Interest expense	156,532	139,682	453,272	389,128
General and administrative expenses	46,106	34,811	134,764	109,071
Loss (gain) on derivatives and financial instruments, net	2,885	6,905	5,095	8,076
Loss (gain) on extinguishment of debt, net	1	2	7	593
Provision for loan losses, net	4,059	490	7,292	(149)
Impairment of assets	7,388	4,356	21,103	4,356
Other expenses	38,220	15,481	72,034	76,716
Total expenses	<u>1,589,778</u>	<u>1,467,606</u>	<u>4,625,636</u>	<u>4,175,805</u>
Income (loss) from continuing operations before income taxes and other items	72,235	6,238	262,584	166,279
Income tax (expense) benefit	(4,584)	(3,257)	(11,132)	(11,335)
Income (loss) from unconsolidated entities	(4,031)	(6,698)	(51,434)	(16,640)
Gain (loss) on real estate dispositions, net	71,102	1,064	69,681	20,466
Income (loss) from continuing operations	<u>134,722</u>	<u>(2,653)</u>	<u>269,699</u>	<u>158,770</u>
Net income (loss)	134,722	(2,653)	269,699	158,770
Less: Net income (loss) attributable to noncontrolling interests ⁽¹⁾	7,252	4,114	13,516	13,828
Net income (loss) attributable to common stockholders	<u>\$ 127,470</u>	<u>\$ (6,767)</u>	<u>\$ 256,183</u>	<u>\$ 144,942</u>
Weighted average number of common shares outstanding:				
Basic	521,848	463,366	504,420	455,074
Diluted	525,138	463,366	507,353	457,999
Earnings per share:				
Basic:				
Income (loss) from continuing operations	<u>\$ 0.26</u>	<u>\$ (0.01)</u>	<u>\$ 0.53</u>	<u>\$ 0.35</u>
Net income (loss) attributable to common stockholders	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ 0.51</u>	<u>\$ 0.32</u>
Diluted:				
Income (loss) from continuing operations	<u>\$ 0.26</u>	<u>\$ (0.01)</u>	<u>\$ 0.53</u>	<u>\$ 0.35</u>
Net income (loss) attributable to common stockholders ⁽²⁾	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ 0.50</u>	<u>\$ 0.32</u>
Dividends declared and paid per common share	\$ 0.61	\$ 0.61	\$ 1.83	\$ 1.83

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

⁽²⁾ Includes adjustment to the numerator for income (loss) attributable to OP Units and DownREIT Units.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**WELLTOWER INC. AND SUBSIDIARIES**

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 134,722	\$ (2,653)	\$ 269,699	\$ 158,770
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(165,186)	(372,494)	35,098	(746,165)
Derivative and financial instruments designated as hedges gain (loss)	106,449	417,567	(49,173)	753,588
Total other comprehensive income (loss)	(58,737)	45,073	(14,075)	7,423
Total comprehensive income (loss)	75,985	42,420	255,624	166,193
Less: Total comprehensive income (loss) attributable to noncontrolling interests ⁽¹⁾	2,283	(20,741)	16,410	(24,798)
Total comprehensive income (loss) attributable to common stockholders	\$ 73,702	\$ 63,161	\$ 239,214	\$ 190,991

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	Nine Months Ended September 30, 2023							
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2023	\$ 491,919	\$ 26,742,750	\$ (111,001)	\$ 8,804,950	\$ (15,514,097)	\$ (119,707)	\$ 714,739	\$ 21,009,553
Comprehensive income:								
Net income (loss)				25,673			2,688	28,361
Other comprehensive income (loss)						8,148	3,023	11,171
Total comprehensive income								39,532
Net change in noncontrolling interests		(8,304)					29,648	21,344
Adjustment to members' interest from change in ownership in Welltower OP		(6,139)					6,139	—
Redemption of OP Units and DownREIT Units	272	17,515					(432)	17,355
Amounts related to stock incentive plans, net of forfeitures	134	9,330	(1,924)					7,540
Net proceeds from issuance of common stock	5,603	404,862						410,465
Dividends paid:								
Common stock dividends					(301,829)			(301,829)
Balances at March 31, 2023	<u>\$ 497,928</u>	<u>\$ 27,160,014</u>	<u>\$ (112,925)</u>	<u>\$ 8,830,623</u>	<u>\$ (15,815,926)</u>	<u>\$ (111,559)</u>	<u>\$ 755,805</u>	<u>\$ 21,203,960</u>
Comprehensive income:								
Net income (loss)				103,040			3,505	106,545
Other comprehensive income (loss)						28,651	4,410	33,061
Total comprehensive income								139,606
Net change in noncontrolling interests		8,579				(12,686)	(149,013)	(153,120)
Adjustment to members' interest from change in ownership in Welltower OP		(4,794)					4,794	—
Redemption of OP Units and DownREIT Units	1	18					(19)	—
Amounts related to stock incentive plans, net of forfeitures	43	11,088	893					12,024
Net proceeds from issuance of common stock	11,833	910,392						922,225
Dividends paid:								
Common stock dividends					(300,772)			(300,772)
Balances at June 30, 2023	<u>\$ 509,805</u>	<u>\$ 28,085,297</u>	<u>\$ (112,032)</u>	<u>\$ 8,933,663</u>	<u>\$ (16,116,698)</u>	<u>\$ (95,594)</u>	<u>\$ 619,482</u>	<u>\$ 21,823,923</u>
Comprehensive income:								
Net income (loss)				127,470			6,586	134,056
Other comprehensive income (loss)						(53,768)	(4,330)	(58,098)
Total comprehensive income								75,958
Net change in noncontrolling interests		56,824					(2,829)	53,995
Adjustment to members' interest from change in ownership in Welltower OP		(3,431)					3,431	—
Redemption of OP Units and DownREIT Units	62	2,488					(2,550)	—
Amounts related to stock incentive plans, net of forfeitures	8	8,810	(281)					8,537
Net proceeds from issuance of common stock	24,043	1,906,088						1,930,131
Dividends paid:								
Common stock dividends					(318,718)			(318,718)
Balances at September 30, 2023	<u>\$ 533,918</u>	<u>\$ 30,056,076</u>	<u>\$ (112,313)</u>	<u>\$ 9,061,133</u>	<u>\$ (16,435,416)</u>	<u>\$ (149,362)</u>	<u>\$ 619,790</u>	<u>\$ 23,573,826</u>

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	Nine Months Ended September 30, 2022							
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2022	\$ 448,605	\$ 23,133,641	\$ (107,750)	\$ 8,663,736	\$ (14,380,915)	\$ (121,316)	\$ 960,578	\$ 18,596,579
Comprehensive income:								
Net income (loss)				61,925			2,752	64,677
Other comprehensive income (loss)						(17,156)	1,465	(15,691)
Total comprehensive income								48,986
Net change in noncontrolling interests		(63,026)					(128,305)	(191,331)
Amounts related to stock incentive plans, net of forfeitures	166	7,279	(4,768)					2,677
Net proceeds from issuance of common stock	6,605	542,218						548,823
Dividends paid:								
Common stock dividends					(273,668)			(273,668)
Balances at March 31, 2022	\$ 455,376	\$ 23,620,112	\$ (112,518)	\$ 8,725,661	\$ (14,654,583)	\$ (138,472)	\$ 836,490	\$ 18,732,066
Comprehensive income:								
Net income (loss)				89,785			4,409	94,194
Other comprehensive income (loss)						(6,724)	(15,116)	(21,840)
Total comprehensive income								72,354
Net change in noncontrolling interests		(6,760)					118,793	112,033
Adjustment to members' interest from change in ownership in Welltower OP		46,861					(46,861)	—
Amounts related to stock incentive plans, net of forfeitures	20	6,551	827					7,398
Net proceeds from issuance of common stock	9,382	798,277						807,659
Dividends paid:								
Common stock dividends					(277,615)			(277,615)
Balances at June 30, 2022	\$ 464,778	\$ 24,465,041	\$ (111,691)	\$ 8,815,446	\$ (14,932,198)	\$ (145,196)	\$ 897,715	\$ 19,453,895
Comprehensive income:								
Net income (loss)				(6,768)			2,876	(3,892)
Other comprehensive income (loss)						69,929	(23,029)	46,900
Total comprehensive income								43,008
Net change in noncontrolling interests		(2,400)					12,801	10,401
Adjustment to members' interest from change in ownership in Welltower OP		2,779					(2,779)	—
Redemption of OP Units and DownREIT Units	5	201					(206)	—
Amounts related to stock incentive plans, net of forfeitures	3	6,151	(81)					6,073
Net proceeds from issuance of common stock	9,144	817,660						826,804
Dividends paid:								
Common stock dividends					(283,496)			(283,496)
Balances at September 30, 2022	\$ 473,930	\$ 25,289,432	\$ (111,772)	\$ 8,808,678	\$ (15,215,694)	\$ (75,267)	\$ 887,378	\$ 20,056,685

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	Nine Months Ended	
	September 30,	
	2023	2022
Operating activities:		
Net income	\$ 269,699	\$ 158,770
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	1,020,371	968,082
Other amortization expenses	31,002	20,643
Provision for loan losses, net	7,292	(149)
Impairment of assets	21,103	4,356
Stock-based compensation expense	28,781	19,456
Loss (gain) on derivatives and financial instruments, net	5,095	8,076
Loss (gain) on extinguishment of debt, net	7	593
Loss (income) from unconsolidated entities	51,434	16,640
Rental income less than (in excess of) cash received	(96,345)	(79,571)
Amortization related to above (below) market leases, net	(436)	(1,199)
Loss (gain) on real estate dispositions, net	(69,681)	(20,466)
Loss (gain) on loss of control of subsidiary	(65,485)	—
Distributions by unconsolidated entities	9,055	8,648
Increase (decrease) in accrued expenses and other liabilities	95,695	96,250
Decrease (increase) in receivables and other assets	(76,228)	(124,807)
Net cash provided from (used in) operating activities	1,231,359	1,075,322
Investing activities:		
Cash disbursed for acquisitions, net of cash acquired	(1,073,627)	(2,292,998)
Cash disbursed for capital improvements to existing properties	(334,090)	(315,835)
Cash disbursed for construction in progress	(730,712)	(463,465)
Capitalized interest	(36,152)	(20,729)
Investment in loans receivable	(328,554)	(133,179)
Principal collected on loans receivable	68,404	172,380
Other investments, net of payments	(95,366)	(62,625)
Contributions to unconsolidated entities	(267,359)	(390,493)
Distributions by unconsolidated entities	145,985	34,256
Proceeds from (payments on) derivatives	3,933	63,747
Proceeds from sales of real property	83,984	124,431
Net cash provided from (used in) investing activities	(2,563,554)	(3,284,510)
Financing activities:		
Net increase (decrease) under unsecured credit facility and commercial paper	—	329,780
Net proceeds from issuance of senior unsecured notes	1,011,780	1,040,232
Net proceeds from the issuance of secured debt	381,369	89,804
Payments on secured debt	(439,027)	(320,377)
Net proceeds from the issuance of common stock	3,265,056	2,184,953
Payments for deferred financing costs and prepayment penalties	(7,619)	(4,881)
Contributions by noncontrolling interests ⁽¹⁾	211,071	47,503
Distributions to noncontrolling interests ⁽¹⁾	(179,476)	(221,754)
Cash distributions to stockholders	(922,288)	(833,296)
Other financing activities	(9,763)	(7,730)
Net cash provided from (used in) financing activities	3,311,103	2,304,234
Effect of foreign currency translation on cash and cash equivalents and restricted cash	(14,489)	(16,617)
Increase (decrease) in cash, cash equivalents and restricted cash	1,964,419	78,429
Cash, cash equivalents and restricted cash at beginning of period	722,292	346,755
Cash, cash equivalents and restricted cash at end of period	\$ 2,686,711	\$ 425,184
Supplemental cash flow information:		
Interest paid	\$ 422,327	\$ 364,345
Income taxes paid (received), net	4,092	6,725

⁽¹⁾ Includes amounts attributable to redeemable noncontrolling interests.

WELLTOWER INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Welltower Inc., an S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. We invest with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower Inc., a real estate investment trust ("REIT"), owns interests in properties concentrated in major, high-growth markets in the United States ("U.S."), Canada and the United Kingdom ("U.K."), consisting of seniors housing and post-acute communities and outpatient medical properties.

As of May 24, 2022, we are structured as an umbrella partnership REIT under which substantially all of our business is conducted through Welltower OP LLC, the day-to-day management of which is exclusively controlled by Welltower Inc. Unless stated otherwise or the context otherwise requires, references to "Welltower" mean Welltower Inc. and references to "Welltower OP" mean Welltower OP LLC. References to "we," "us" and "our" mean collectively Welltower, Welltower OP and those entities/subsidiaries owned or controlled by Welltower and/or Welltower OP. Welltower's weighted average ownership in Welltower OP was 99.733% for the nine months ended September 30, 2023. As of September 30, 2023, Welltower owned 99.751% of the issued and outstanding units of Welltower OP, with other investors owning the remaining 0.249% of outstanding units. We adjust the noncontrolling members' interest at the end of each period to reflect their interest in the net assets of Welltower OP.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (such as normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2023 are not necessarily an indication of the results that may be expected for the year ending December 31, 2023. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Impact of COVID-19 Pandemic & Government Grants

The extent to which the COVID-19 pandemic impacts our operations and those of our operators and tenants in the future is uncertain and cannot be predicted with confidence. We have received government grants under the CARES Act, as well as under similar programs in the U.K. and Canada, primarily to cover increased expenses and lost revenue during the COVID-19 pandemic. We recognized \$4,912,000 and \$20,067,000 during the three and nine months ended September 30, 2023, respectively, as compared to \$5,573,000 and \$33,137,000 during the three and nine months ended September 30, 2022, respectively. These grants represent a reduction to property operating expenses in our Consolidated Statements of Comprehensive Income. The amount of qualifying expenditures and lost revenue exceeded grant income recognized and we believe we have complied and will continue to comply with all grant conditions. In the event of non-compliance, all such amounts are subject to recapture.

New Accounting Standards

In March 2020, the FASB issued an amendment to the reference rate reform standard, which provides the option for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on contract modifications and hedge accounting. An example of such reform is the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. Entities that make this optional expedient election would not have to remeasure the contracts at the modification date or reassess the accounting treatment if certain criteria are met and would continue applying hedge accounting for relationships affected by reference rate reform. In December 2022, the FASB extended the date for which this guidance can be applied from December 31, 2022 to December 31, 2024. We continue to monitor developments related to the LIBOR transition and identification of an alternative, market-accepted rate.

3. Real Property Acquisitions and Development

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets and liabilities at cost on a relative fair value basis. Liabilities assumed and any associated noncontrolling interests are reflected at fair value. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with acquisitions, including due diligence costs, fees for legal and valuation services, termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs. Transaction costs related to asset acquisitions are capitalized as a component of purchase price and all other non-capitalizable costs are reflected in other expenses on our Consolidated Statements of Comprehensive Income.

WELLTOWER INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of our real property investment activity by segment for the periods presented (in thousands):

	Nine Months Ended							
	September 30, 2023				September 30, 2022			
	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals
Land and land improvements	\$ 58,049	\$ 58,797	\$ 72,992	\$ 189,838	\$ 199,892	\$ —	\$ 65,688	\$ 265,580
Buildings and improvements	411,273	430,041	314,892	1,156,206	1,988,999	172	249,660	2,238,831
Acquired lease intangibles	25,617	—	45,936	71,553	109,049	—	33,978	143,027
Construction in progress	165,934	—	—	165,934	108,141	—	—	108,141
Right of use assets, net	16,539	—	927	17,466	169	—	3,852	4,021
Total net real estate assets	677,412	488,838	434,747	1,600,997	2,406,250	172	353,178	2,759,600
Receivables and other assets	16,789	—	545	17,334	10,410	—	460	10,870
Total assets acquired ⁽¹⁾	694,201	488,838	435,292	1,618,331	2,416,660	172	353,638	2,770,470
Secured debt	(292,160)	—	(40,953)	(333,113)	(219,067)	—	—	(219,067)
Lease liabilities	(16,539)	—	(953)	(17,492)	—	—	(3,852)	(3,852)
Accrued expenses and other liabilities	(10,825)	—	(10,832)	(21,657)	(111,373)	—	(1,294)	(112,667)
Total liabilities acquired	(319,524)	—	(52,738)	(372,262)	(330,440)	—	(5,146)	(335,586)
Noncontrolling interests ⁽²⁾	—	—	(775)	(775)	(115,112)	(4)	(975)	(116,091)
Non-cash acquisition related activity ⁽³⁾	(171,667)	—	—	(171,667)	(25,795)	—	—	(25,795)
Cash disbursed for acquisitions	203,010	488,838	381,779	1,073,627	1,945,313	168	347,517	2,292,998
Construction in progress additions	450,205	25,646	297,862	773,713	343,000	64,091	75,460	482,551
Less: Capitalized interest	(28,289)	(2,416)	(5,447)	(36,152)	(16,464)	(3,088)	(1,177)	(20,729)
Accruals ⁽⁴⁾	3,447	(2,692)	(7,604)	(6,849)	(2,809)	—	4,452	1,643
Cash disbursed for construction in progress	425,363	20,538	284,811	730,712	323,727	61,003	78,735	463,465
Capital improvements to existing properties	261,935	17,933	54,222	334,090	232,618	39,526	43,691	315,835
Total cash invested in real property, net of cash acquired	<u>\$ 890,308</u>	<u>\$ 527,309</u>	<u>\$ 720,812</u>	<u>\$2,138,429</u>	<u>\$2,501,658</u>	<u>\$ 100,697</u>	<u>\$ 469,943</u>	<u>\$3,072,298</u>

⁽¹⁾ Excludes \$6,431,000 of unrestricted and restricted cash acquired during the nine months ended September 30, 2022.

⁽²⁾ Includes amounts attributable to both redeemable noncontrolling interests and noncontrolling interests. For the nine months ended September 30, 2022, 1,227,000 OP Units were issued as a component of funding for certain transactions.

⁽³⁾ Relates to the acquisition of assets recognized as investments in unconsolidated entities.

⁽⁴⁾ Represents non-cash accruals for amounts to be paid in future periods for properties that converted, offset by amounts paid in the current period.

Effective on April 1, 2022, our leasehold interest relating to the master lease with National Health Investors, Inc. ("NHI") for 17 properties assumed in conjunction with the Holiday Retirement acquisition was terminated as a result of the transition or sale of the properties by NHI. The lease termination was part of an agreement to resolve outstanding litigation with NHI. In conjunction with the agreement, a wholly-owned subsidiary and the lessee on the master lease agreed to release \$6,883,000 of cash to the landlord, which represents the net cash flow generated from the properties since we assumed the leasehold interest. Additionally, in connection with the lease termination, during the nine months ended September 30, 2022, we recognized \$58,621,000 in other income on our Consolidated Statements of Comprehensive Income from the derecognition of the right of use asset and related lease liability.

During the three months ended September 30, 2023, we paid \$69,606,000 to acquire the 45% redeemable noncontrolling ownership interest in two consolidated joint ventures with the Canadian Pension Plan Investment Board, which owned interests in ten medical office buildings. In conjunction with the transaction \$118,256,000 was removed from redeemable noncontrolling interests with the difference recorded to capital in excess of par value on our Consolidated Balance Sheets. The transaction is excluded from the table above.

In October 2023, we purchased 12 Seniors Housing Operating properties in Canada for a total purchase price of \$678 million through a 95% owned and consolidated partnership with Cogir Management Corporation owning the remaining 5%. In conjunction with this transaction, we assumed \$59 million of secured debt.

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Construction Activity

The following is a summary of the construction projects that were placed into service and began generating revenues during the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Development projects:		
Seniors Housing Operating	\$ 280,333	\$ 182,421
Triple-net	141,142	—
Outpatient Medical	30,071	—
Total development projects	451,546	182,421
Expansion projects	62,292	—
Total construction in progress conversions	<u>\$ 513,838</u>	<u>\$ 182,421</u>

4. Real Estate Intangibles

The following is a summary of our real estate intangibles, excluding those related to ground leases or classified as held for sale, as of the dates indicated (dollars in thousands):

	September 30, 2023	December 31, 2022
Assets:		
In place lease intangibles	\$ 1,805,745	\$ 1,817,580
Above market tenant leases	66,707	57,203
Lease commissions	89,347	70,675
Gross historical cost	1,961,799	1,945,458
Accumulated amortization	(1,575,962)	(1,484,048)
Net book value	<u>\$ 385,837</u>	<u>\$ 461,410</u>
Liabilities:		
Below market tenant leases	\$ 71,087	\$ 77,985
Accumulated amortization	(47,171)	(52,701)
Net book value	<u>\$ 23,916</u>	<u>\$ 25,284</u>

The following is a summary of real estate intangible amortization income (expense) for the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Rental income related to (above)/below market tenant leases, net	\$ 152	\$ 358	\$ 327	\$ 1,094
Amortization related to in place lease intangibles and lease commissions	(47,556)	(60,176)	(157,481)	(158,364)

5. Dispositions, Real Property Held for Sale and Impairment

We periodically sell properties for various reasons, including favorable market conditions, the exercise of tenant purchase options or reduction of concentrations (i.e., property type, relationship or geography). At September 30, 2023, 18 Seniors Housing Operating properties and two Outpatient Medical properties with an aggregate real estate balance of \$355,380,000 were classified as held for sale. In addition to the real property balances, secured debt balances of \$166,312,000 and net other assets and (liabilities) of \$37,072,000 are included in the Consolidated Balance Sheets related to the held for sale properties. Expected gross sales proceeds related to the held for sale properties are approximately \$518,443,000, which includes non-cash consideration relating to 14 Canadian Revera properties discussed below.

During the nine months ended September 30, 2023, we recorded \$15,401,000 of impairment charges related to four Seniors Housing Operating properties and one Triple-net property classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell, as well as \$5,702,000 of impairment charges related to two Seniors Housing Operating properties and one Triple-net property classified as held for use for which the carrying value exceeded the estimated fair value. During the nine months ended September 30, 2022, we recorded \$4,356,000 of impairment charges related to two Triple-net properties and one Outpatient Medical property classified as held for use for which the carrying value exceeded the estimated fair value.

Operating results attributable to properties sold or classified as held for sale which do not meet the definition of discontinued operations are not reclassified on our Consolidated Statements of Comprehensive Income. We recognized income (loss) from continuing operations before income taxes and other items from properties sold or classified as held for sale as of September

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30, 2023 of \$1,482,000 and \$53,479,000 for the three and nine months ended September 30, 2023 and \$(633,000) and \$990,000 for the same periods in 2022, respectively.

The following is a summary of our real property disposition activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Real estate dispositions:		
Seniors Housing Operating ⁽¹⁾	\$ 371,143	\$ 13,470
Triple-net	6,391	89,827
Outpatient Medical	—	393
Total dispositions	377,534	103,690
Gain (loss) on real estate dispositions, net	69,681	20,466
Net other assets/(liabilities) disposed	(1,401)	275
Non-cash consideration	(361,830)	—
Cash proceeds from real estate dispositions	\$ 83,984	\$ 124,431

⁽¹⁾ Dispositions occurring in the nine months ended September 30, 2023 include the disposition of unconsolidated equity method investments related to Revera. See discussion below for further information.

Strategic Dissolution of Revera Joint Ventures

During the quarter ended June 30, 2023, we entered into definitive agreements to dissolve our existing Revera joint venture relationships across the U.S., U.K. and Canada. The transactions include acquiring the remaining interests in 110 properties from Revera, while simultaneously selling interests in 31 properties to Revera.

In June 2023, we closed the U.K. portfolio portion of the transaction through the acquisition of the remaining ownership interest in 29 properties previously held in two separate consolidated joint venture structures in which we owned 75% and 90% of the interests in exchange for the disposition to Revera of our interests in four properties. In addition, we received cash from Revera of \$107,341,000 relating to the net settlement of loans previously made to the joint ventures. Operations for the 29 retained properties were transitioned to Avery Healthcare.

Total proceeds related to the four properties disposed were \$222,521,000, which included non-cash consideration from Revera of \$241,728,000, comprised of the fair value of interests received by us of \$198,837,000 and an allocation of Revera's noncontrolling interests of \$42,891,000, partially offset by \$9,049,000 of transaction-related expenses as well as the \$10,158,000 of cash paid to equalize the value exchanged between the parties. We disposed of net real property owned of \$224,208,000, resulting in a loss of \$1,687,000 recognized within gain (loss) on real estate dispositions, net within our Consolidated Statements of Comprehensive Income. Consideration transferred to acquire the additional interests in the 29 properties was comprised of the fair value of interests transferred by us of \$198,837,000 and \$5,776,000 of cash paid for transaction-related expenses. We derecognized \$180,497,000 of noncontrolling interests and \$22,270,000 of liabilities previously due to Revera with an adjustment of \$1,846,000 recognized in capital in excess of par value. The non-cash investing activity with respect to the sale of the four properties and non-cash financing activity with respect to the acquisition of Revera's interests in the 29 properties has been excluded from our Consolidated Statement of Cash Flows.

We closed the portion of the transactions predominantly related to the U.S. portfolio during the third quarter of 2023 through (i) the acquisition of the remaining interests in ten properties currently under development or recently developed by Sunrise Senior Living that were previously held within an equity method joint venture owned 34% by us and 66% by Revera, (ii) the disposition of our minority interests in 12 U.S. properties and one Canadian development project and (iii) the disposition of our 34% interest in the Sunrise Senior Living management company. We recorded net real estate investments of \$479,525,000 related to the ten acquired and now consolidated properties, which was comprised of \$31,456,000 of cash consideration and \$448,069,000 of non-cash consideration. Non-cash consideration primarily includes \$270,486,000 of assumed mortgage debt secured by the acquired properties, which was subsequently repaid in full by us immediately following the transaction, \$47,734,000 of carryover investment from our prior 34% equity method ownership interest and \$119,258,000 of fair value interests in the 13 properties transferred by us to Revera. We also derecognized \$56,905,000 of equity method investments related to the 13 properties retained by Revera and recorded a gain on real estate dispositions of \$62,075,000. In conjunction with this transaction, operations for two of the now wholly-owned properties, along with operations for 26 existing wholly-owned properties, transitioned to Oakmont Management Group. The non-cash investing activity with respect to the fair value of interests exchanged in the transaction, non-cash investing activity with respect to the carrying value of prior equity method interests now included in the basis of the acquired properties and non-cash financing activity with respect to the assumption of the secured mortgage debt have been excluded from our Consolidated Statements of Cash Flows. During the three months ended June 30, 2023, we also recognized an impairment charge of \$28,708,000 in income from unconsolidated entities on our Consolidated Statements of Comprehensive Income calculated as the excess of the carrying value of our investment in the Sunrise Senior Living management company and compared to estimated sales proceeds for its sale, which were subsequently received when the transaction closed in July.

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The Canadian portfolio consists of 85 properties in a joint venture owned 75% by us and 25% by Revera. As a part of the transaction, we intend to acquire Revera's interest in 71 properties and sell our interests in the remaining 14 properties. To date, operations for 18 of the 71 retained properties have transitioned to new operators. We anticipate closing the remainder of the operator transitions and the real estate transaction at year end subject to customary closing conditions.

Genesis HealthCare

As part of the substantial exit of the Genesis HealthCare operating relationship, which we disclosed on March 2, 2021, we transitioned the sublease of a portfolio of seven facilities from Genesis HealthCare to Complete Care Management in the second quarter of 2021. As part of the March 2021 transaction, we entered into a forward sale agreement for the seven properties valued at \$182,618,000, which was expected to close when the Welltower-held purchase option became exercisable. As of March 31, 2023, the right of use assets related to the properties were \$115,359,000 and were reflected as held for sale with the corresponding lease liabilities of \$66,530,000 on our Consolidated Balance Sheet.

On May 1, 2023, we executed a series of transactions that included the assignment of the leasehold interest to a newly formed tri-party unconsolidated joint venture with Aurora Health Network, Peace Capital (an affiliate of Complete Care Management) and us, and culminated with the closing of the purchase option by the joint venture. The transactions resulted in net cash proceeds to us of \$104,240,000 (excluded from the dispositions table above) after our retained interest of \$11,571,000 in the joint venture and a gain from the loss of control and derecognition of the leasehold interest of \$65,485,000, which we recorded in other income within our Consolidated Statements of Comprehensive Income.

6. Leases

We lease land, buildings, office space and certain equipment. Many of our leases include a renewal option to extend the term from one to 25 years or more. Renewal options that we are reasonably certain to exercise are recognized in our right-of-use assets and lease liabilities.

The components of lease expense were as follows for the periods presented (in thousands):

	Classification	Nine Months Ended	
		September 30, 2023	September 30, 2022
Operating lease cost: ⁽¹⁾			
Real estate lease expense	Property operating expenses	\$ 16,663	\$ 16,767
Non-real estate investment lease expense	General and administrative expenses	5,392	4,174
Finance lease cost:			
Amortization of leased assets	Property operating expenses	4,774	4,927
Interest on lease liabilities	Interest expense	3,008	4,584
Sublease income	Rental income	(3,933)	(8,537)
Total		\$ 25,904	\$ 21,915

⁽¹⁾ Includes short-term leases which are immaterial.

Supplemental balance sheet information related to leases in which we are the lessee is as follows (in thousands):

	Classification	September 30, 2023	December 31, 2022
Right of use assets:			
Operating leases - real estate	Right of use assets, net	\$ 284,903	\$ 287,984
Finance leases - real estate	Right of use assets, net	53,790	35,958
Real estate right of use assets, net		338,693	323,942
Operating leases - non-real estate investments	Receivables and other assets	7,528	10,119
Finance leases - held for sale ⁽¹⁾	Real property held for sale, net of accumulated depreciation	—	116,453
Total right of use assets, net		\$ 346,221	\$ 450,514
Lease liabilities:			
Operating leases		\$ 299,933	\$ 302,360
Financing leases		65,182	113,464
Total		\$ 365,115	\$ 415,824

⁽¹⁾ During the nine months ended September 30, 2023, we contributed finance leases at seven properties previously classified as held for sale into a newly formed unconsolidated joint venture, which recognized the purchase option within the leases. See Note 5 for further discussion.

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Substantially all of our operating leases in which we are the lessor contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. During the nine months ended September 30, 2023, we wrote-off previously recognized straight-line rent receivable balances of \$12,610,000 through a reduction of rental income, which relate to leases for which collection of substantially all contractual lease payments was no longer deemed probable.

Leases in our Triple-net and Outpatient Medical portfolios recognized under ASC 842, "Leases" (ASC 842), typically include some form of operating expense reimbursement by the tenant. For the nine months ended September 30, 2023, we recognized \$1,152,005,000 of rental income related to operating leases, of which \$163,980,000 was for variable lease payments that primarily represents the reimbursement of operating costs such as common area maintenance expenses, utilities, insurance and real estate taxes. For the nine months ended September 30, 2022, we recognized \$1,079,784,000 of rental income related to operating leases, of which \$145,541,000 was for variable lease payments.

For the majority of our Seniors Housing Operating segment, revenue from resident fees and services is predominantly service-based, and as such, resident agreements are accounted for under ASC 606, "Revenue from Contracts with Customers." Within that reportable segment, we also recognize revenue from residential seniors apartment leases in accordance with ASC 842. The amount of revenue related to these leases was \$341,172,000 and \$304,338,000 for the nine months ended September 30, 2023 and 2022, respectively.

7. Loans Receivable

Loans receivable are recorded on our Consolidated Balance Sheets in real estate loans receivable, net of allowance for credit losses, or for non-real estate loans receivable, in receivables and other assets. Real estate loans receivable consists of mortgage loans and other real estate loans, which are primarily collateralized by a first, second or third mortgage lien, a leasehold mortgage on, or an assignment of the partnership interest in, the related properties, as well as corporate guarantees and/or personal guarantees. Non-real estate loans are generally corporate loans with no real estate backing. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of the risk of credit loss. Accrued interest receivable was \$29,976,000 and \$22,878,000 as of September 30, 2023 and December 31, 2022, respectively, and is included in receivables and other assets on the Consolidated Balance Sheets. The following is a summary of our loans receivable (in thousands):

	September 30, 2023	December 31, 2022
Mortgage loans	\$ 961,268	\$ 707,464
Other real estate loans	238,145	195,566
Allowance for credit losses on real estate loans receivable	(18,148)	(12,186)
Real estate loans receivable, net of credit allowance	1,181,265	890,844
Non-real estate loans	484,617	441,231
Allowance for credit losses on non-real estate loans receivable	(173,616)	(152,063)
Non-real estate loans receivable, net of credit allowance	311,001	289,168
Total loans receivable, net of credit allowance	<u>\$ 1,492,266</u>	<u>\$ 1,180,012</u>

The following is a summary of our loan activity for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Advances on loans receivable	\$ 328,554	\$ 133,179
Less: Receipts on loans receivable	68,404	172,380
Net cash advances (receipts) on loans receivable	<u>\$ 260,150</u>	<u>\$ (39,201)</u>

The allowance for credit losses on loans receivable is maintained at a level believed adequate to absorb potential losses in our loans receivable. The determination of the credit allowance is based on a quarterly evaluation of each of these loans, including general economic conditions and estimated collectability of loan payments. We evaluate the collectability of our loans receivable based on a combination of credit quality indicators, including, but not limited to, payment status, historical loan charge-offs, financial strength of the borrower and guarantors, and nature, extent, and value of the underlying collateral.

A loan is considered to have deteriorated credit quality when, based on current information and events, it is probable that we will be unable to collect all amounts due as scheduled according to the contractual terms of the loan agreement. For those loans we identified as having deteriorated credit quality, we determine the amount of credit loss on an individual basis. Placement on non-accrual status may be required. Consistent with this definition, all loans on non-accrual are deemed to have deteriorated credit quality. To the extent circumstances improve and the risk of collectability is diminished, we will return these loans to income accrual status. While a loan is on non-accrual status, any cash receipts are applied against the outstanding principal balance.

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For the remaining loans we assess credit loss on a collective pool basis and use our historical loss experience for similar loans to determine the reserve for credit losses. The following is a summary of our loans by credit loss category (in thousands):

Loan category	September 30, 2023				
	Years of Origination	Loan Carrying Value	Allowance for Credit Loss	Net Loan Balance	No. of Loans
Deteriorated loans	2007 - 2023	\$ 237,632	\$ (172,342)	\$ 65,290	9
Collective loan pool	2007 - 2018	222,062	(2,952)	219,110	13
Collective loan pool	2019	23,467	(312)	23,155	4
Collective loan pool	2020	34,411	(457)	33,954	5
Collective loan pool	2021	752,268	(10,195)	742,073	11
Collective loan pool	2022	121,781	(1,619)	120,162	18
Collective loan pool	2023	292,409	(3,887)	288,522	10
Total loans		<u>\$ 1,684,030</u>	<u>\$ (191,764)</u>	<u>\$ 1,492,266</u>	<u>70</u>

The total allowance for credit losses balance is deemed sufficient to absorb expected losses relating to our loan portfolio. The following is a summary of the allowance for credit losses on loans receivable for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Balance at beginning of period	\$ 164,249	\$ 166,785
Provision for loan losses, net ⁽¹⁾	6,280	(149)
Purchased deteriorated loan	19,077	—
Reserve for unrecognized interest added to principal	2,066	—
Foreign currency translation	92	(1,871)
Balance at end of period	<u>\$ 191,764</u>	<u>\$ 164,765</u>

⁽¹⁾ Excludes the provision for loan loss on held-to-maturity debt securities.

8. Investments in Unconsolidated Entities

We participate in a number of joint ventures, which generally invest in seniors housing and health care real estate. Our share of the results of operations for these properties has been included in our consolidated results of operations from the date of acquisition by the joint ventures and are reflected in our Consolidated Statements of Comprehensive Income as income or loss from unconsolidated entities. The following is a summary of our investments in unconsolidated entities (dollars in thousands):

	Percentage Ownership ⁽¹⁾	September 30, 2023	December 31, 2022
Seniors Housing Operating	10% to 95%	\$ 1,191,979	\$ 1,171,307
Triple-net	10% to 88%	142,295	111,812
Outpatient Medical	15% to 50%	233,822	216,671
Total		<u>\$ 1,568,096</u>	<u>\$ 1,499,790</u>

⁽¹⁾ As of September 30, 2023 and includes ownership of investments classified as liabilities and excludes ownership of in substance real estate.

At September 30, 2023, the aggregate unamortized basis difference of our joint venture investments of \$143,648,000 is primarily attributable to the difference between the amount for which we purchased our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the joint venture. This difference is being amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

We have made loans related to 23 properties as of September 30, 2023 for the development and construction of certain properties that have a carrying value of \$789,328,000. We believe that such borrowers typically represent variable interest entities ("VIE" or "VIEs") in accordance with ASC 810, "Consolidation." VIEs are required to be consolidated by their primary beneficiary, which is the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We have concluded that we are not the primary beneficiary of such borrowers, therefore, the loan arrangements were assessed based on, among other factors, the amount and timing of expected residual profits, the estimated fair value of the collateral and the significance of the borrower's equity in the project. Based on these assessments, the arrangements have been classified as in substance real estate investments. We expect to fund an additional \$134,735,000 related to these investments.

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9. Credit Concentration

We use consolidated net operating income (“NOI”) as our credit concentration metric. See Note 18 for additional information and reconciliation. The following table summarizes certain information about our credit concentration for the nine months ended September 30, 2023, excluding our share of NOI in unconsolidated entities (dollars in thousands):

Concentration by relationship: ⁽¹⁾	Number of Properties	Total NOI	Percent of NOI ⁽²⁾
Integra Healthcare Properties	147	\$ 161,628	8%
Sunrise Senior Living	85	118,663	6%
Cogir Management Corporation	48	70,241	4%
Oakmont Management Group	64	67,329	3%
Avery Healthcare	84	65,996	3%
Remaining portfolio	1,387	1,492,665	76%
Totals	1,815	1,976,522	100%

⁽¹⁾ Integra Healthcare Properties is in our Triple-net segment. Sunrise Senior Living, Cogir Management Corporation, and Oakmont Management Group are in our Seniors Housing Operating segment. Avery Healthcare operates assets in both our Seniors Housing Operating and Triple-net segments.

⁽²⁾ NOI with our top five relationships comprised 30% of total NOI for the year ended December 31, 2022.

10. Borrowings Under Credit Facilities and Commercial Paper Program

At September 30, 2023, we had a primary unsecured credit facility with a consortium of 31 banks that included a \$4,000,000,000 unsecured revolving credit facility, a \$1,000,000,000 unsecured term credit facility and a \$250,000,000 Canadian-denominated unsecured term credit facility. The unsecured revolving credit facility is comprised of a \$1,000,000,000 tranche that matures on June 4, 2026 (none outstanding at September 30, 2023) and a \$3,000,000,000 tranche that matures on June 4, 2025 (none outstanding at September 30, 2023). The term credit facilities mature on July 19, 2026. Each tranche of the revolving facility and term loans may be extended for two successive terms of six months at our option. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the \$1,000,000,000 unsecured term credit facility by up to an additional \$1,250,000,000, in the aggregate, and the \$250,000,000 Canadian-denominated unsecured term credit facility by up to an additional \$250,000,000. The primary unsecured credit facility also allows us to borrow up to \$1,000,000,000 in alternate currencies (none outstanding at September 30, 2023). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over the secured overnight financing rate (“SOFR”) interest rate. Based on our current credit ratings, the loans under the unsecured revolving credit facility currently bear interest at 0.775% over the adjusted SOFR rate at September 30, 2023. In addition, we pay a facility fee quarterly to each bank based on the bank’s commitment amount. The facility fee depends on our debt ratings and was 0.15% at September 30, 2023.

Under the terms of our commercial paper program, we may issue unsecured commercial paper notes with maturities that vary, but do not exceed 397 days from the date of issue, up to a maximum aggregate face or principal amount outstanding at any time of \$1,000,000,000 (none outstanding at September 30, 2023).

The following information relates to aggregate borrowings under the unsecured revolving credit facility and commercial paper program for the periods presented (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance outstanding at quarter end	\$ —	\$ 655,000	\$ —	\$ 655,000
Maximum amount outstanding at any month end	\$ —	\$ 1,565,000	\$ 205,000	\$ 1,565,000
Average amount outstanding (total of daily principal balances divided by days in period)	\$ —	\$ 1,047,631	\$ 21,703	\$ 937,045
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	— %	2.76 %	5.05 %	1.58 %

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11. Senior Unsecured Notes and Secured Debt

At September 30, 2023, the annual principal payments due on our debt obligations were as follows (in thousands):

	Senior Unsecured Notes ^(1,2)	Secured Debt ⁽³⁾	Totals
2023	\$ —	\$ 221,074	\$ 221,074
2024	1,350,000	460,313	1,810,313
2025	1,260,000	414,358	1,674,358
2026	700,000	141,748	841,748
2027 ^(4,5)	1,906,354	187,805	2,094,159
Thereafter ^(6,7)	8,417,470	990,833	9,408,303
Total principal balance	13,633,824	2,416,131	16,049,955
Unamortized discounts and premiums, net	(26,488)	—	(26,488)
Unamortized debt issuance costs, net	(76,884)	(20,625)	(97,509)
Fair value adjustments and other, net	(76,467)	(15,253)	(91,720)
Total carrying value of debt	<u>\$ 13,453,985</u>	<u>\$ 2,380,253</u>	<u>\$ 15,834,238</u>

⁽¹⁾ Annual interest rates range from 2.05% to 6.50%.

⁽²⁾ All senior unsecured notes with the exception of the \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 have been issued by Welltower OP and are fully and unconditionally guaranteed by Welltower. The \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 have been issued through private placement by a wholly-owned subsidiary of Welltower OP and are fully and unconditionally guaranteed by Welltower OP.

⁽³⁾ Annual interest rates range from 1.25% to 8.50%. Gross real property value of the properties securing the debt totaled \$5,257,776,000 at September 30, 2023.

⁽⁴⁾ Includes a \$1,000,000,000 unsecured term loan and a \$250,000,000 Canadian-denominated unsecured term loan (approximately \$184,706,000 based on the Canadian/U.S. Dollar exchange rate on September 30, 2023). Both term loans mature on July 19, 2026 and may be extended for two successive terms of six months at our option. The loans bear interest at adjusted SOFR plus 0.85% (6.28% at September 30, 2023) and Canadian Dealer Offered Rate plus 0.85% (6.24% at September 30, 2023), respectively.

⁽⁵⁾ Includes a \$300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 (approximately \$221,648,000 based on the Canadian/U.S. Dollar exchange rate on September 30, 2023).

⁽⁶⁾ Includes a £550,000,000 4.80% senior unsecured notes due 2028 (approximately \$671,770,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on September 30, 2023).

⁽⁷⁾ Includes a £500,000,000 4.50% senior unsecured notes due 2034 (approximately \$610,700,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on September 30, 2023).

The following is a summary of our senior unsecured notes principal activity during the periods presented (dollars in thousands):

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 12,584,529	4.06%	\$ 11,707,961	3.67%
Debt issued	1,035,000	2.75%	1,050,000	3.08%
Foreign currency	14,295	4.65%	(278,949)	4.51%
Ending balance	<u>\$ 13,633,824</u>	<u>4.02%</u>	<u>\$ 12,479,012</u>	<u>3.86%</u>

Welltower, the parent entity that consolidates Welltower OP and all other subsidiaries, fully and unconditionally guarantees to each holder of all series of senior unsecured notes issued by Welltower OP that the principal of and premium, if any, and interest on the notes will be promptly paid in full when due, whether at the applicable maturity date, by acceleration or redemption or otherwise, and interest on the overdue principal of and interest on the notes, if any, if lawful, and all other obligations of Welltower OP to the holders of the notes will be promptly paid in full or performed. Welltower's guarantees of such notes are its senior unsecured obligation and rank equally with all of Welltower's other future unsecured senior indebtedness and guarantees from time to time outstanding. Welltower's guarantees of such notes are effectively subordinated to all liabilities of its subsidiaries and to its secured indebtedness to the extent of the assets securing such indebtedness. Because Welltower conducts substantially all of its business through its subsidiaries, Welltower's ability to make required payments with respect to the guarantees depends on the financial results and condition of its subsidiaries and its ability to receive funds from its subsidiaries, whether by dividends, loans, distributions or other payments.

We may repurchase, redeem or refinance senior unsecured notes from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. The senior unsecured notes are redeemable at our option, at any time in whole or from time to time in part, subject to certain contractual restrictions, at a redemption price equal to the sum of: (i) the principal amount of the notes (or portion of such notes) being redeemed plus accrued and unpaid interest thereon up to the redemption date and (ii) any "make-whole" amount due under the terms of the notes in connection with early redemptions. Redemptions and repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

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Exchangeable Senior Unsecured Notes

In May 2023, Welltower OP issued \$1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028 (the "Exchangeable Notes" or the "Notes") unless earlier exchanged, purchased or redeemed. The Exchangeable Notes will pay interest semi-annually in arrears on May 15 and November 15 of each year. The net proceeds from the offering of the Exchangeable Notes were approximately \$1,011,780,000 after deducting the underwriting fees and other expenses. We recognized contractual interest expense on the Exchangeable Notes of approximately \$7,116,000 and \$11,069,000 for the three and nine month periods ended September 30, 2023, respectively. Additionally, amortization of related issuance costs for the three and nine month periods ending September 30, 2023 were \$1,117,000 and \$1,810,000 respectively. Unamortized issuance costs were \$21,410,000 as of September 30, 2023.

Prior to the close of business on the business day immediately preceding November 15, 2027, the Notes are exchangeable at the option of the holders only upon certain circumstances and during certain periods, including upon a notice of redemption described below. On or after November 15, 2027, the Notes will be exchangeable at the option of the holders at any time prior to the close of business on the second scheduled trading day preceding the maturity date. Welltower OP will settle exchanges of the Notes by delivering cash up to the principal amount of the Notes exchanged and, in respect of the remainder of the exchanged value, if any, in excess thereof, cash or shares of Welltower's common stock, or a combination thereof, at the election of Welltower OP. The exchange rate initially equals 10.4808 shares of common stock per \$1,000 principal amount of Notes (equivalent to an exchange price of approximately \$95.41 per share of common stock). The exchange rate is subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest.

Welltower OP may redeem the Notes, at its option, in whole or in part, on any business day on or after May 20, 2026, if the last reported sales price of the common stock has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which Welltower OP provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to but excluding the redemption date.

The following is a summary of our secured debt principal activity for the periods presented (dollars in thousands):

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Amount	Weighted Avg. Interest Rate	Amount	Weighted Avg. Interest Rate
Beginning balance	\$ 2,129,954	4.33%	\$ 2,202,312	3.03%
Debt issued	381,369	5.10%	89,804	4.57%
Debt assumed	344,023	7.02%	221,159	4.32%
Debt extinguished	(397,381)	6.61%	(276,252)	4.28%
Principal payments	(41,646)	3.85%	(44,125)	3.36%
Foreign currency	(188)	3.91%	(71,577)	3.17%
Ending balance	<u>\$ 2,416,131</u>	<u>4.83%</u>	<u>\$ 2,121,321</u>	<u>3.91%</u>

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2023, we were in compliance in all material respects with all of the covenants under our debt agreements.

12. Derivative Instruments

We are exposed to, among other risks, the impact of changes in foreign currency exchange rates as a result of our non-U.S. investments and interest rate risk related to our capital structure. Our risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes foreign currency forward contracts, cross currency swap contracts, interest rate swaps, interest rate locks and debt issued in foreign currencies to offset a portion of these risks.

Cash Flow Hedges and Fair Value Hedges of Interest Rate Risk

We enter into interest rate swaps in order to maintain a capital structure containing targeted amounts of fixed and floating-rate debt and manage interest rate risk. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for our fixed-rate payments. These interest rate swap agreements are used to hedge the variable cash flows associated with variable-rate debt.

Interest rate swaps designated as fair value hedges involve the receipt of fixed amounts from a counterparty in exchange for our variable-rate payments. These interest rate swap agreements hedge the exposure to changes in the fair value of fixed-rate debt attributable to changes in the designated benchmark interest rate. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item

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attributable to the hedged risk, are recognized in earnings. We record the gain or loss on the hedged items in interest expense, the same line item as the offsetting loss or gain on the related interest rate swaps. During the nine months ended September 30, 2022, we entered into a \$550,000,000 fixed to floating swap in connection with our March 2022 senior note issuance. As of September 30, 2023, the carrying amount of the notes, exclusive of the hedge, is \$545,749,000. The fair value of the swap as of September 30, 2023 was (\$76,467,000) and was recorded as a derivative liability with an offset to senior unsecured notes on our Consolidated Balance Sheets.

Periodically, we enter into and designate interest rate locks to partially hedge the risk of changes in interest payments attributable to increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We designate our interest rate locks as cash flow hedges. Gains and losses when we settle our interest rate locks are amortized into earnings over the life of the related debt, except where a material amount is deemed to be ineffective, which would be immediately recognized in the Consolidated Statements of Comprehensive Income. Approximately \$2,562,000 of losses, which are included in other comprehensive income ("OCI"), are expected to be reclassified into earnings in the next 12 months.

Foreign Currency Forward Contracts and Cross Currency Swap Contracts Designated as Net Investment Hedges

We use foreign currency forward and cross currency forward swap contracts to hedge a portion of the net investment in foreign subsidiaries against fluctuations in foreign exchange rates. For instruments that are designated and qualify as net investment hedges, the variability in the foreign currency to U.S. Dollar of the instrument is recorded as a cumulative translation adjustment component of OCI.

During the nine months ended September 30, 2023 and 2022, we settled certain net investment hedges generating cash proceeds of \$1,994,000 and \$61,853,000, respectively. The balance of the cumulative translation adjustment will be reclassified to earnings if the hedged investment is sold or substantially liquidated.

Derivative Contracts Undesignated

We use foreign currency exchange contracts to manage existing exposures to foreign currency exchange risk. Gains and losses resulting from the changes in fair value of these instruments are recorded in interest expense on the Consolidated Statements of Comprehensive Income and are substantially offset by net revaluation impacts on foreign currency denominated balance sheet exposures. In addition, we have several interest rate cap contracts related to variable rate secured debt agreements. Gains and losses resulting from the changes in fair values of these instruments are also recorded in interest expense.

Equity Warrants

We received equity warrants through our lending activities, which were accounted for as loan origination fees. The warrants provide us the right to participate in the capital appreciation of the underlying HC-One Group real estate portfolio above a designated price upon liquidation and contain net settlement terms qualifying as derivatives under ASC Topic 815. The warrants are classified within receivables and other assets on our Consolidated Balance Sheets. These warrants are measured at fair value with changes in fair value being recognized within gain (loss) on derivatives and financial instruments in our Consolidated Statements of Comprehensive Income.

The following presents the notional amount of derivatives and other financial instruments as of the dates indicated (in thousands):

	September 30, 2023	December 31, 2022
Derivatives designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 1,725,000	\$ 1,075,000
Denominated in Pound Sterling	£ 1,890,708	£ 1,890,708
Financial instruments designated as net investment hedges:		
Denominated in Canadian Dollars	\$ 250,000	\$ 250,000
Denominated in Pound Sterling	£ 1,050,000	£ 1,050,000
Interest rate swaps and caps designated as cash flow hedges:		
Denominated in U.S Dollars ⁽¹⁾	\$ 397,601	\$ 25,000
Interest rate swaps designated as fair value hedges:		
Denominated in U.S Dollars	\$ 550,000	\$ 550,000
Derivative instruments not designated:		
Interest rate caps denominated in U.S. Dollars	\$ —	\$ 26,137
Foreign currency exchange contracts denominated in Canadian Dollars	\$ 80,000	\$ 80,000

⁽¹⁾ At September 30, 2023, the maximum maturity date was September 1, 2028.

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The following presents the impact of derivative instruments on the Consolidated Statements of Comprehensive Income for the periods presented (in thousands):

Description	Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Gain (loss) on derivative instruments designated as hedges recognized in income	Interest expense	\$ 4,833	\$ 8,236	\$ 14,211	\$ 23,262
Gain (loss) on derivative instruments not designated as hedges recognized in income	Interest expense	\$ 1,488	\$ 4,215	\$ 59	\$ 5,349
Gain (loss) on equity warrants recognized in income	Gain (loss) on derivatives and financial instruments, net	\$ (2,876)	\$ (6,083)	\$ (5,003)	\$ (6,604)
Gain (loss) on derivative and financial instruments designated as hedges recognized in OCI	OCI	\$ 106,449	\$ 417,567	\$ (49,173)	\$ 753,588

13. Commitments and Contingencies

At September 30, 2023, we had 24 outstanding letter of credit obligations totaling \$70,344,000 and expiring between 2023 and 2024. At September 30, 2023, we had outstanding construction in progress of \$1,338,076,000 and committed to providing additional funds of approximately \$1,480,711,000 to complete construction. Additionally, at September 30, 2023, we had outstanding investments classified as in substance real estate of \$789,328,000 and committed to provide additional funds of \$134,735,000 (see Note 8 for additional information). Purchase obligations at September 30, 2023 include \$588,234,000 representing a definitive agreement to acquire 12 Seniors Housing Operating properties in October 2023 (see Note 3 for additional information) and \$73,194,000 of contingent purchase obligations to fund capital improvements. Rents due from the tenants are increased to reflect the additional investment in the property.

14. Stockholders' Equity

The following is a summary of our stockholders' equity capital accounts as of the dates indicated:

	September 30, 2023	December 31, 2022
Preferred Stock, \$1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	—	—
Outstanding shares	—	—
Common Stock, \$1.00 par value:		
Authorized shares	700,000,000	700,000,000
Issued shares	534,047,596	492,283,488
Outstanding shares	532,268,482	490,508,937

Common Stock In August 2023, we entered into an equity distribution agreement whereby we can offer and sell up to \$4,000,000,000 aggregate amount of our common stock ("ATM Program"). Our prior equity distribution agreement dated May 3, 2023, allowing us to sell up to \$2,532,139,425 aggregate amount of our common stock, was terminated as a result. The ATM Program also allows us to enter into forward sale agreements (none outstanding at September 30, 2023). As of September 30, 2023, we had \$2,887,663,000 of remaining capacity under the ATM Program. During October 2023, we sold 3,699,546 shares of common stock under our ATM Program.

The following is a summary of our common stock issuances during the nine months ended September 30, 2023 and 2022 (dollars in thousands, except shares and average price amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2022 Option exercises	2,433	\$ 67.00	\$ 163	\$ 163
2022 ATM Program issuances	25,128,285	88.39	2,221,023	2,184,790
2022 Redemption of OP Units and DownREIT Units	5,498		—	—
2022 Stock incentive plans, net of forfeitures	140,833		—	—
2022 Totals	<u>25,277,049</u>		<u>\$ 2,221,186</u>	<u>\$ 2,184,953</u>
2023 Option exercises	1,708	\$ 63.65	\$ 109	\$ 109
2023 ATM Program issuances	41,477,572	79.08	3,279,956	3,264,947
2023 Redemption of OP Units and DownREIT Units	334,582		—	—
2023 Stock incentive plans, net of forfeitures	(54,317)		—	—
2023 Totals	<u>41,759,545</u>		<u>\$ 3,280,065</u>	<u>\$ 3,265,056</u>

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Dividends The following is a summary of our dividend payments (in thousands, except per share amounts):

	Nine Months Ended			
	September 30, 2023		September 30, 2022	
	Per Share	Amount	Per Share	Amount
Common stock	\$ 1.83	\$ 921,319	\$ 1.83	\$ 834,779

Accumulated Other Comprehensive Income The following is a summary of accumulated other comprehensive income (loss) as of the dates presented (in thousands):

	September 30, 2023	December 31, 2022
Foreign currency translation	\$ (1,095,799)	\$ (1,115,317)
Derivative and financial instruments designated as hedges	946,437	995,610
Total accumulated other comprehensive income (loss)	<u>\$ (149,362)</u>	<u>\$ (119,707)</u>

15. Stock Incentive Plans

In March 2022, our Board of Directors approved the 2022 Long-Term Incentive Plan ("2022 Plan"), which authorizes up to 10,000,000 shares of common stock or units to be issued at the discretion of the Compensation Committee of the Board of Directors. Awards granted after March 28, 2022 are issued out of the 2022 Plan. The awards granted under the 2016 Long-Term Incentive Plan continue to vest and options expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2022 Plan. The 2022 Plan allows for the issuance of, among other things, stock options, stock appreciation rights, restricted stock units, deferred stock units, performance units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted stock units generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled \$8,821,000 and \$28,781,000 for the three and nine months ended September 30, 2023, and \$6,115,000 and \$19,456,000 for the same periods in 2022, respectively.

16. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator for basic earnings per share - net income (loss) attributable to common stockholders	<u>\$ 127,470</u>	<u>\$ (6,767)</u>	<u>\$ 256,183</u>	<u>\$ 144,942</u>
Adjustment for net income (loss) attributable to OP Units and DownREIT Units	64	(7)	(103)	99
Numerator for diluted earnings per share	<u>\$ 127,534</u>	<u>\$ (6,774)</u>	<u>\$ 256,080</u>	<u>\$ 145,041</u>
Denominator for basic earnings per share - weighted average shares	521,848	463,366	504,420	455,074
Effect of dilutive securities:				
Employee stock options	39	7	24	26
Non-vested restricted shares and units	1,141	1,238	968	1,127
OP Units and DownREIT Units	2,085	2,316	1,914	1,749
Employee stock purchase program	25	23	27	23
Dilutive potential common shares	<u>3,290</u>	<u>3,584</u>	<u>2,933</u>	<u>2,925</u>
Denominator for diluted earnings per share - adjusted weighted average shares	<u>525,138</u>	<u>463,366</u>	<u>507,353</u>	<u>457,999</u>
Basic earnings per share	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ 0.51</u>	<u>\$ 0.32</u>
Diluted earnings per share	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ 0.50</u>	<u>\$ 0.32</u>

As of September 30, 2022, outstanding forward sales agreements for the sale of 17,964,603 shares were not included in the computation of diluted earnings per share because such forward sales were anti-dilutive for the period. There were no outstanding forward sales agreements as of September 30, 2023. As of September 30, 2023, the Exchangeable Notes were not included in the computation of diluted earnings per share as they were anti-dilutive for the three and nine month periods ended September 30, 2023.

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17. Disclosure about Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy exists for disclosures of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information. The three levels are defined below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Mortgage Loans, Other Real Estate Loans and Non-real Estate Loans Receivable — The fair value of mortgage loans, other real estate loans and non-real estate loans receivable is generally estimated by using Level 2 and Level 3 inputs such as discounting the estimated future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Cash and Cash Equivalents and Restricted Cash — The carrying amount approximates fair value.

Equity Securities — Equity securities are recorded at their fair value based on Level 1 publicly available trading prices.

Equity Warrants — The fair value of equity warrants is estimated using Level 3 inputs and includes data points such as enterprise value of the underlying HC-One Group real estate portfolio, marketability discount for private company warrants, dividend yield, volatility and risk-free rate. The enterprise value is driven by projected cash flows, weighted average cost of capital and a terminal capitalization rate.

Borrowings Under Primary Unsecured Credit Facility and Commercial Paper Program — The carrying amount of the primary unsecured credit facility and commercial paper program approximates fair value because the borrowings are interest rate adjustable.

Senior Unsecured Notes — The fair value of the senior unsecured notes payable is estimated based on Level 1 publicly available trading prices. The carrying amount of the variable rate senior unsecured notes approximates fair value because they are interest rate adjustable.

Secured Debt — The fair value of fixed rate secured debt is estimated using Level 2 inputs by discounting the estimated future cash flows using the current rates at which similar loans would be made with similar credit ratings and for the same remaining maturities. The carrying amount of variable rate secured debt approximates fair value because the borrowings are interest rate adjustable.

Foreign Currency Forward Contracts, Interest Rate Swaps and Cross Currency Swaps — Foreign currency forward contracts, interest rate swaps and cross currency swaps are recorded in other assets or other liabilities on the balance sheet at fair value that is derived from observable market data, including yield curves and foreign exchange rates.

Redeemable DownREIT Unitholder Interests — Our redeemable DownREIT Unitholder interests are recorded on the balance sheet at fair value using Level 2 inputs unless the fair value is below the initial amount, in which case the redeemable DownREIT Unitholder interests are recorded at the initial amount adjusted for distributions to the unitholders and income or loss attributable to the unitholders. The fair value is measured using the closing price of our common stock, as units may be redeemed at the election of the holder for cash or, at our option, one share of our common stock per unit, subject to adjustment in certain circumstances.

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The carrying amounts and estimated fair values of our financial instruments are as follows (in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Mortgage loans receivable	\$ 948,294	\$ 1,023,027	\$ 697,906	\$ 739,159
Other real estate loans receivable	232,971	232,122	192,938	190,977
Equity securities	18	18	111	111
Cash and cash equivalents	2,582,037	2,582,037	631,681	631,681
Restricted cash	104,674	104,674	90,611	90,611
Non-real estate loans receivable	311,001	295,656	289,168	277,601
Foreign currency forward contracts, interest rate swaps and cross currency swaps	153,469	153,469	191,357	191,357
Equity warrants	25,856	25,856	30,436	30,436
Financial liabilities:				
Senior unsecured notes	\$ 13,453,985	\$ 12,485,641	\$ 12,437,273	\$ 11,381,873
Secured debt	2,380,253	2,288,887	2,110,815	2,054,889
Foreign currency forward contracts, interest rate swaps and cross currency swaps	76,806	76,806	55,727	55,727
Redeemable DownREIT Unitholder interests	\$ 70,798	\$ 70,798	\$ 75,355	\$ 75,355

Items Measured at Fair Value on a Recurring Basis

The market approach is utilized to measure fair value for our financial assets and liabilities reported at fair value on a recurring basis. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The following summarizes items measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements as of September 30, 2023			
	Total	Level 1	Level 2	Level 3
Equity securities	\$ 18	\$ 18	\$ —	\$ —
Equity warrants	25,856	—	—	25,856
Foreign currency forward contracts, interest rate swaps and cross currency swaps, net asset (liability) ⁽¹⁾	76,663	—	76,663	—
Totals	<u>\$ 102,537</u>	<u>\$ 18</u>	<u>\$ 76,663</u>	<u>\$ 25,856</u>

⁽¹⁾Please see Note 12 for additional information.

The following table summarizes the change in fair value for equity warrants using unobservable Level 3 inputs for the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2023	September 30, 2022
Beginning balance	\$ 30,436	\$ 41,909
Mark-to-market adjustment	(5,003)	(6,604)
Foreign currency	423	(7,033)
Ending balance	<u>\$ 25,856</u>	<u>\$ 28,272</u>

The most significant assumptions utilized in the valuation of the equity warrants are the cash flows of the underlying HC-One Group enterprise, as well as the terminal capitalization rate which was 11.0% and 10.5% at September 30, 2023 and 2022, respectively.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we also have assets and liabilities in our balance sheet that are measured at fair value on a nonrecurring basis that are not included in the tables above. Assets, liabilities and noncontrolling interests that are measured at fair value on a nonrecurring basis include those acquired, exchanged or assumed. Asset impairments (if applicable, see Note 5 for impairments of real property and Note 7 for impairments of loans receivable) are also measured at fair value on a nonrecurring basis. We have determined that the fair value measurements included in each of these assets and liabilities rely primarily on company-specific inputs and our assumptions about the use of the assets and settlement of liabilities, as observable inputs are not available. As such, we have determined that each of these fair value measurements generally resides within Level 3 of the fair value hierarchy. We estimate the fair value of real estate and related

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intangibles using the income approach and unobservable data such as net operating income and estimated capitalization and discount rates. We also consider local and national industry market data including comparable sales, and commonly engage an external real estate appraiser to assist us in our estimation of fair value. We estimate the fair value of assets held for sale based on current sales price expectations or, in the absence of such price expectations, Level 3 inputs described above. We estimate the fair value of loans receivable using projected payoff valuations based on the expected future cash flows and/or the estimated fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the collateral. We estimate the fair value of secured debt assumed in asset acquisitions using current interest rates at which similar borrowings could be obtained on the transaction date.

18. Segment Reporting

We invest in seniors housing and health care real estate. We evaluate our business and make resource allocations on our three operating segments: Seniors Housing Operating, Triple-net and Outpatient Medical. Our Seniors Housing Operating properties include seniors apartments, assisted living, independent living/continuing care retirement communities, independent supportive living communities (Canada), care homes with and without nursing (U.K.) and combinations thereof that are owned and/or operated through RIDEA structures (see Note 19). Our Triple-net properties include the property types described above as well as long-term/post-acute care facilities. Under the Triple-net segment, we invest in seniors housing and health care real estate through acquisition and financing of primarily single tenant properties. Properties acquired are primarily leased under triple-net leases and we are not involved in the management of the property. Our Outpatient Medical properties are typically leased to multiple tenants and generally require a certain level of property management by us.

We evaluate performance based upon consolidated NOI of each segment. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. We believe NOI provides investors relevant and useful information as it measures the operating performance of our properties at the property level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties.

Non-segment revenue consists mainly of interest income on cash investments recorded in other income. Non-segment assets consist of corporate assets including cash, deferred loan expenses and corporate offices and equipment among others. Non-property specific revenues and expenses are not allocated to individual segments in determining NOI.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. All inter-segment transactions are eliminated.

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Summary information for the reportable segments (which excludes unconsolidated entities) is as follows (in thousands):

<u>Three Months Ended September 30, 2023</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 1,199,808	\$ —	\$ —	\$ —	\$ 1,199,808
Rental income	—	194,912	189,595	—	384,507
Interest income	2,194	39,928	98	—	42,220
Other income	1,897	1,482	2,265	29,834	35,478
Total revenues	<u>1,203,899</u>	<u>236,322</u>	<u>191,958</u>	<u>29,834</u>	<u>1,662,013</u>
Property operating expenses	918,990	10,044	62,204	4,035	995,273
Consolidated net operating income (loss)	284,909	226,278	129,754	25,799	666,740
Depreciation and amortization	215,195	58,196	65,923	—	339,314
Interest expense	14,358	374	2,313	139,487	156,532
General and administrative expenses	—	—	—	46,106	46,106
Loss (gain) on derivatives and financial instruments, net	—	2,885	—	—	2,885
Loss (gain) on extinguishment of debt, net	—	—	1	—	1
Provision for loan losses, net	384	3,675	—	—	4,059
Impairment of assets	2,400	4,988	—	—	7,388
Other expenses	34,865	1,627	1,117	611	38,220
Income (loss) from continuing operations before income taxes and other items	17,707	154,533	60,400	(160,405)	72,235
Income tax (expense) benefit	—	—	—	(4,584)	(4,584)
Income (loss) from unconsolidated entities	(6,021)	2,056	(66)	—	(4,031)
Gain (loss) on real estate dispositions, net	71,173	(12)	(59)	—	71,102
Income (loss) from continuing operations	<u>82,859</u>	<u>156,577</u>	<u>60,275</u>	<u>(164,989)</u>	<u>134,722</u>
Net income (loss)	<u>\$ 82,859</u>	<u>\$ 156,577</u>	<u>\$ 60,275</u>	<u>\$ (164,989)</u>	<u>\$ 134,722</u>
Total assets	\$ 22,568,523	\$ 9,891,968	\$ 7,204,561	\$ 1,989,650	\$ 41,654,702
<u>Three Months Ended September 30, 2022</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 1,068,706	\$ —	\$ —	\$ —	\$ 1,068,706
Rental income	—	191,443	170,540	—	361,983
Interest income	2,155	35,556	80	—	37,791
Other income	1,739	1,820	1,558	247	5,364
Total revenues	<u>1,072,600</u>	<u>228,819</u>	<u>172,178</u>	<u>247</u>	<u>1,473,844</u>
Property operating expenses	841,914	11,495	52,921	5,850	912,180
Consolidated net operating income (loss)	230,686	217,324	119,257	(5,603)	561,664
Depreciation and amortization	235,984	57,338	60,377	—	353,699
Interest expense	9,022	196	4,343	126,121	139,682
General and administrative expenses	—	—	—	34,811	34,811
Loss (gain) on derivatives and financial instruments, net	—	6,905	—	—	6,905
Loss (gain) on extinguishment of debt, net	—	—	2	—	2
Provision for loan losses, net	198	290	2	—	490
Impairment of assets	—	3,595	761	—	4,356
Other expenses	8,341	820	366	5,954	15,481
Income (loss) from continuing operations before income taxes and other items	(22,859)	148,180	53,406	(172,489)	6,238
Income tax (expense) benefit	—	—	—	(3,257)	(3,257)
Income (loss) from unconsolidated entities	(8,788)	3,167	(1,077)	—	(6,698)
Gain (loss) on real estate dispositions, net	1,146	674	(606)	(150)	1,064
Income (loss) from continuing operations	<u>(30,501)</u>	<u>152,021</u>	<u>51,723</u>	<u>(175,896)</u>	<u>(2,653)</u>
Net income (loss)	<u>\$ (30,501)</u>	<u>\$ 152,021</u>	<u>\$ 51,723</u>	<u>\$ (175,896)</u>	<u>\$ (2,653)</u>

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<u>Nine Months Ended September 30, 2023</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 3,490,942	\$ —	\$ —	\$ —	\$ 3,490,942
Rental income	—	596,247	555,758	—	1,152,005
Interest income	6,840	110,211	284	—	117,335
Other income	7,237	70,057	6,939	43,705	127,938
Total revenues	<u>3,505,019</u>	<u>776,515</u>	<u>562,981</u>	<u>43,705</u>	<u>4,888,220</u>
Property operating expenses	2,687,961	32,365	179,266	12,106	2,911,698
Consolidated net operating income (loss)	817,058	744,150	383,715	31,599	1,976,522
Depreciation and amortization	656,030	167,958	196,383	—	1,020,371
Interest expense	41,981	(436)	9,569	402,158	453,272
General and administrative expenses	—	—	—	134,764	134,764
Loss (gain) on derivatives and financial instruments, net	—	5,095	—	—	5,095
Loss (gain) on extinguishment of debt, net	—	—	7	—	7
Provision for loan losses, net	2,178	5,116	(2)	—	7,292
Impairment of assets	15,029	6,074	—	—	21,103
Other expenses	60,504	4,912	2,311	4,307	72,034
Income (loss) from continuing operations before income taxes and other items	41,336	555,431	175,447	(509,630)	262,584
Income tax (expense) benefit	—	—	—	(11,132)	(11,132)
Income (loss) from unconsolidated entities	(61,055)	9,858	(237)	—	(51,434)
Gain (loss) on real estate dispositions, net	69,910	436	(665)	—	69,681
Income (loss) from continuing operations	<u>50,191</u>	<u>565,725</u>	<u>174,545</u>	<u>(520,762)</u>	<u>269,699</u>
Net income (loss)	<u>\$ 50,191</u>	<u>\$ 565,725</u>	<u>\$ 174,545</u>	<u>\$ (520,762)</u>	<u>\$ 269,699</u>

<u>Nine Months Ended September 30, 2022</u>	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment / Corporate	Total
Resident fees and services	\$ 3,073,040	\$ —	\$ —	\$ —	\$ 3,073,040
Rental income	—	584,626	495,158	—	1,079,784
Interest income	5,255	108,454	216	—	113,925
Other income	62,127	5,262	6,449	1,497	75,335
Total revenues	<u>3,140,422</u>	<u>698,342</u>	<u>501,823</u>	<u>1,497</u>	<u>4,342,084</u>
Property operating expenses	2,421,141	34,197	153,484	11,110	2,619,932
Consolidated net operating income (loss)	719,281	664,145	348,339	(9,613)	1,722,152
Depreciation and amortization	629,955	160,403	177,724	—	968,082
Interest expense	24,153	830	13,441	350,704	389,128
General and administrative expenses	—	—	—	109,071	109,071
Loss (gain) on derivatives and financial instruments, net	—	8,076	—	—	8,076
Loss (gain) on extinguishment of debt, net	385	—	9	199	593
Provision for loan losses, net	807	(951)	(5)	—	(149)
Impairment of assets	—	3,595	761	—	4,356
Other expenses	45,781	12,327	1,362	17,246	76,716
Income (loss) from continuing operations before income taxes and other items	18,200	479,865	155,047	(486,833)	166,279
Income tax (expense) benefit	—	—	—	(11,335)	(11,335)
Income (loss) from unconsolidated entities	(39,239)	24,584	(1,985)	—	(16,640)
Gain (loss) on real estate dispositions, net	2,623	18,994	(1,001)	(150)	20,466
Income (loss) from continuing operations	<u>(18,416)</u>	<u>523,443</u>	<u>152,061</u>	<u>(498,318)</u>	<u>158,770</u>
Net income (loss)	<u>\$ (18,416)</u>	<u>\$ 523,443</u>	<u>\$ 152,061</u>	<u>\$ (498,318)</u>	<u>\$ 158,770</u>

WELLTOWER INC.
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Our portfolio of properties and other investments are located in the United States, the United Kingdom and Canada. Revenues and assets are attributed to the country in which the property is physically located. The following is a summary of geographic information for the periods presented (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
	Amount	%	Amount	%	Amount ⁽¹⁾	%	Amount	%
Revenues:								
United States	\$ 1,384,381	83.2 %	\$ 1,220,306	82.8 %	\$ 4,072,915	83.3 %	\$ 3,578,201	82.4 %
United Kingdom	153,765	9.3 %	136,896	9.3 %	455,669	9.3 %	420,739	9.7 %
Canada	123,867	7.5 %	116,642	7.9 %	359,636	7.4 %	343,144	7.9 %
Total	<u>\$ 1,662,013</u>	<u>100.0 %</u>	<u>\$ 1,473,844</u>	<u>100.0 %</u>	<u>\$ 4,888,220</u>	<u>100.0 %</u>	<u>\$ 4,342,084</u>	<u>100.0 %</u>

	Three Months Ended				Nine Months Ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
	Amount	%	Amount	%	Amount ⁽¹⁾	%	Amount	%
Resident Fees and Services:								
United States	\$ 967,360	80.7 %	\$ 855,822	80.1 %	\$ 2,806,301	80.4 %	\$ 2,438,744	79.3 %
United Kingdom	111,947	9.3 %	99,405	9.3 %	334,544	9.6 %	300,121	9.8 %
Canada	120,501	10.0 %	113,479	10.6 %	350,097	10.0 %	334,175	10.9 %
Total	<u>\$ 1,199,808</u>	<u>100.0 %</u>	<u>\$ 1,068,706</u>	<u>100.0 %</u>	<u>\$ 3,490,942</u>	<u>100.0 %</u>	<u>\$ 3,073,040</u>	<u>100.0 %</u>

	As of			
	September 30, 2023		December 31, 2022	
	Amount	%	Amount	%
Assets:				
United States	\$34,990,725	84.0 %	\$31,740,907	83.8 %
United Kingdom	3,385,630	8.1 %	3,476,793	9.2 %
Canada	3,278,347	7.9 %	2,675,533	7.0 %
Total	<u>\$41,654,702</u>	<u>100.0 %</u>	<u>\$37,893,233</u>	<u>100.0 %</u>

19. Income Taxes and Distributions

We elected to be taxed as a REIT commencing with our first taxable year. To qualify as a REIT for federal income tax purposes, at least 90% of taxable income (excluding 100% of net capital gains) must be distributed to stockholders. REITs that do not distribute a certain amount of taxable income in the current year are also subject to a 4% federal excise tax. The main differences between undistributed net income for federal income tax purposes and financial statement purposes are the recognition of straight-line rent for reporting purposes, basis differences in acquisitions, recording of impairments, differing useful lives and depreciation and amortization methods for real property and the provision for loan losses for reporting purposes versus bad debt expense for tax purposes.

Under the provisions of the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), for taxable years beginning after July 30, 2008, a REIT may lease “qualified health care properties” on an arm’s-length basis to a taxable REIT subsidiary (“TRS”) if the property is operated on behalf of such TRS by a person who qualifies as an “eligible independent contractor.” Generally, the rent received from the TRS will meet the related party rent exception and will be treated as “rents from real property.” A “qualified health care property” includes real property and any personal property that is, or is necessary or incidental to the use of, a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients. We have entered into various joint ventures that were structured under RIDEA. Resident level rents and related operating expenses for these facilities are reported in the unaudited consolidated financial statements and are subject to federal and state income taxes as the operations of such facilities are included in TRS entities. Certain net operating loss carryforwards could be utilized to offset taxable income in future years.

Income taxes reflected in the financial statements primarily represents U.S. federal, state and local income taxes as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The provision for income taxes for the nine months ended September 30, 2023 and 2022 was primarily due to operating income or losses, offset by certain discrete items at our TRS entities. In 2014, we established certain wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this holding company structure. The structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this holding company structure and most of the subsidiary entities in the structure are treated as disregarded entities of the company for U.S. federal income tax purposes. Subsequent to 2014, we transferred certain subsidiaries to the United Kingdom, while some wholly-owned direct and indirect subsidiaries remain in Luxembourg and Jersey. The company reflects current and deferred tax liabilities for any such

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withholding taxes incurred from this holding company structure in its consolidated financial statements. Generally, given current statutes of limitations, we are subject to audit by the foreign, federal, state and local taxing authorities under applicable local laws.

20. Variable Interest Entities

We have entered into joint ventures and have certain subsidiaries that are wholly owned by consolidated joint ventures and own certain seniors housing and outpatient medical assets which are deemed to be VIEs. We have concluded that we are the primary beneficiary of these VIEs based on a combination of operational control of the entities and the rights to receive residual returns or the obligation to absorb losses arising from the entities. Except for capital contributions associated with the initial entity formations, the entities have been and are expected to be funded from the ongoing operations of the underlying properties. Accordingly, such entities have been consolidated, and the table below summarizes the balance sheets of consolidated VIEs in the aggregate (in thousands):

	September 30, 2023	December 31, 2022
Assets:		
Net real estate investments	\$ 1,453,823	\$ 1,499,078
Cash and cash equivalents	3,030	15,582
Receivables and other assets	30,641	9,949
Total assets ⁽¹⁾	\$ 1,487,494	\$ 1,524,609
Liabilities and equity:		
Secured debt	\$ 24,256	\$ 155,992
Lease liabilities	1,328	1,329
Accrued expenses and other liabilities	6,131	28,417
Total equity	1,455,779	1,338,871
Total liabilities and equity	\$ 1,487,494	\$ 1,524,609

⁽¹⁾ Note that assets of the consolidated VIEs can only be used to settle obligations relating to such VIEs. Liabilities of the consolidated VIEs represent claims against the specific assets of the VIEs.

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

The following discussion and analysis should be read together with the Consolidated Financial Statements and related Notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2022, including factors identified under the headings "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

On March 7, 2022, we announced our intent to complete an UPREIT reorganization. In February 2022, the company formerly known as Welltower Inc. ("Old Welltower") formed WELL Merger Holdco Inc. ("New Welltower") as a wholly-owned subsidiary, and New Welltower formed WELL Merger Holdco Sub Inc. ("Merger Sub") as a wholly-owned subsidiary. On April 1, 2022, Merger Sub merged with and into Old Welltower, with Old Welltower continuing as the surviving corporation and a wholly-owned subsidiary of New Welltower (the "Merger"). In connection with the Merger, Old Welltower's name was changed to "Welltower OP Inc.", and New Welltower inherited the name "Welltower Inc." Effective May 24, 2022, Welltower OP Inc. ("Welltower OP") converted from a Delaware corporation into a Delaware limited liability company named Welltower OP LLC (the "LLC Conversion"). Following the LLC Conversion, New Welltower's business continues to be conducted through Welltower OP and New Welltower does not have substantial assets or liabilities, other than through its investment in Welltower OP.

Unless stated otherwise or the context otherwise requires, references to "Welltower" mean Welltower Inc. and references to "Welltower OP" mean Welltower OP LLC. References to "we," "us" and "our" mean collectively Welltower, Welltower OP and those entities/subsidiaries owned or controlled by Welltower and/or Welltower OP.

Executive Summary

Company Overview

Welltower Inc. (NYSE:WELL), a real estate investment trust ("REIT") and S&P 500 company headquartered in Toledo, Ohio, is driving the transformation of health care infrastructure. Welltower invests with leading seniors housing operators, post-acute providers and health systems to fund the real estate and infrastructure needed to scale innovative care delivery models and improve people's wellness and overall health care experience. Welltower owns interests in properties concentrated in major, high-growth markets in the United States ("U.S."), Canada and the United Kingdom ("U.K."), consisting of seniors housing and post-acute communities and outpatient medical properties.

Welltower is the initial member and majority owner of Welltower OP, with an approximate ownership interest of 99.751% as of September 30, 2023. All of our property ownership, development and related business operations are conducted through Welltower OP and Welltower has no material assets or liabilities other than its investment in Welltower OP. Welltower issues equity from time to time, the net proceeds of which it is obligated to contribute as additional capital to Welltower OP. All debt including credit facilities, senior notes and secured debt is incurred by Welltower OP, and Welltower has fully and unconditionally guaranteed all existing senior unsecured notes.

The following table summarizes our consolidated portfolio for the three months ended September 30, 2023 (dollars in thousands):

Type of Property	NOI ⁽¹⁾	Percentage of NOI	Number of Properties
Seniors Housing Operating	\$ 284,909	44.5 %	861
Triple-net	226,278	35.3 %	591
Outpatient Medical	129,754	20.2 %	363
Totals	\$ 640,941	100.0 %	1,815

⁽¹⁾ Represents consolidated NOI and excludes our share of investments in unconsolidated entities. Entities in which we have a joint venture with a minority partner are shown at 100% of the joint venture amount. See "Non-GAAP Financial Measures" below for additional information and reconciliation.

Business Strategy

Our primary objectives are to protect stockholder capital and enhance stockholder value. We seek to pay consistent cash dividends to stockholders and create opportunities to increase dividend payments to stockholders as a result of annual increases in NOI and portfolio growth. To meet these objectives, we invest across the full spectrum of seniors housing and health care real estate and diversify our investment portfolio by property type, relationship and geographic location.

Substantially all of our revenues are derived from operating lease rentals, resident fees and services and interest earned on outstanding loans receivable. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our obligors/partners experience operating difficulties and become unable to generate sufficient cash to make payments or operating distributions to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition. Additionally, the extent to which the COVID-19 pandemic impacts our operations and those of our operators and tenants in the future is uncertain and cannot be predicted with confidence.

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

To mitigate this risk, we monitor our investments through a variety of methods determined by the type of property. Our asset management process for seniors housing properties generally includes review of monthly financial statements and other operating data for each property, review of obligor/partner creditworthiness, property inspections and review of covenant compliance relating to licensure, real estate taxes, letters of credit and other collateral. Our internal property management division manages and monitors the outpatient medical portfolio with a comprehensive process including review of tenant relations, lease expirations, the mix of health service providers, hospital/health system relationships, property performance, capital improvement needs and market conditions among other things. We evaluate the operating environment in each property's market to determine the likely trend in operating performance of the facility. When we identify unacceptable trends, we seek to mitigate, eliminate or transfer the risk. Through these efforts, we generally aim to intervene at an early stage to address any negative trends, and in so doing, support both the collectability of revenue and the value of our investment.

In addition to our asset management and research efforts, we also aim to structure our relevant investments to mitigate payment risk. Operating leases and loans are normally credit enhanced by guarantees and/or letters of credit. In addition, operating leases are typically structured as master leases and loans are generally cross-defaulted and cross-collateralized with other real estate loans, operating leases or agreements between us and the obligor and its affiliates.

For the nine months ended September 30, 2023, resident fees and services and rental income represented 71% and 24%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

Our primary sources of cash include resident fees and services, rent and interest receipts, borrowings under our unsecured revolving credit facility and commercial paper program, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, general and administrative expenses and other expenses. Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund these uses of cash.

We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our unsecured revolving credit facility and commercial paper program, internally generated cash and the proceeds from investment dispositions. Our investments generate cash from NOI and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under our unsecured revolving credit facility and commercial paper program, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also likely that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our unsecured revolving credit facility and commercial paper program. At September 30, 2023, we had \$2,582,037,000 of cash and cash equivalents, \$104,674,000 of restricted cash and \$4,000,000,000 of available borrowing capacity under our unsecured revolving credit facility.

Key Transactions

Capital The following summarizes key capital transactions that occurred during the nine months ended September 30, 2023:

- In August 2023, Welltower and Welltower OP entered into the ATM Program (as defined below) pursuant to which we may offer and sell up to \$4,000,000,000 of common stock of Welltower from time to time. Our prior equity distribution agreement dated May 3, 2023, allowing us to sell up to \$2,532,139,425 aggregate amount of our common stock, was terminated as a result. During the nine months ended September 30, 2023, we sold 41,477,572 shares of common stock under our current and previous ATM Programs generating gross proceeds of approximately \$3,279,956,000.
- During the nine months ended September 30, 2023, we issued \$381,369,000 of secured debt at a blended average interest rate of 5.10% and assumed \$344,023,000 of secured debt at a blended average interest rate of 7.02%. We extinguished \$397,381,000 of secured debt at a blended average interest rate of 6.61%.
- In May 2023, we issued \$1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028 unless earlier exchanged, purchased or redeemed.

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

Investments The following summarizes our property acquisitions and joint venture investments completed during the nine months ended September 30, 2023 (dollars in thousands):

	Properties	Book Amount ⁽¹⁾	Capitalization Rates ⁽²⁾
Seniors Housing Operating	8	\$ 677,412	2.6 %
Triple-net	32	488,838	9.0 %
Outpatient Medical	31	434,747	6.8 %
Totals	71	\$ 1,600,997	5.9 %

⁽¹⁾ Represents amounts recorded in net real estate investments including fair value adjustments pursuant to U.S. GAAP. See Note 3 to our unaudited consolidated financial statements for additional information.

⁽²⁾ Represents annualized contractual or projected net operating income to be received in cash divided by investment amounts.

Dispositions The following summarizes property dispositions completed during the nine months ended September 30, 2023 (dollars in thousands):

	Properties	Proceeds ⁽¹⁾	Book Amount ⁽²⁾	Capitalization Rates ⁽³⁾
Seniors Housing Operating	21	\$ 439,653	\$ 371,143	1.4 %
Triple-net	2	6,954	6,391	5.6 %
Totals	23	\$ 446,607	\$ 377,534	1.5 %

⁽¹⁾ Represents net proceeds received upon disposition, including non-cash consideration.

⁽²⁾ Represents carrying value of net real estate assets at time of disposition. See Note 5 to our unaudited consolidated financial statements for additional information.

⁽³⁾ Represents annualized contractual income that was being received in cash at date of disposition divided by stated purchase price. Excludes properties sold that were recent development conversions.

Strategic Dissolution of Revera Joint Ventures

During the second quarter of 2023, we entered into definitive agreements to dissolve our existing Revera joint venture relationships across the U.S., U.K. and Canada. The transactions include acquiring the remaining interests in 110 properties from Revera while simultaneously selling interests in 31 properties to Revera. See Note 5 to our unaudited consolidated financial statements for additional information regarding the transaction.

Dividends Our Board of Directors declared a cash dividend for the quarter ended September 30, 2023 of \$0.61 per share. On November 22, 2023, we will pay our 210th consecutive quarterly cash dividend to stockholders of record on November 14, 2023.

Key Performance Indicators, Trends and Uncertainties

We utilize several key performance indicators to evaluate the various aspects of our business. These indicators are discussed below and relate to operating performance, credit strength and concentration risk. Management uses these key performance indicators to facilitate internal and external comparisons to our historical operating results, in making operating decisions and for budget planning purposes.

Operating Performance We believe that net income and net income attributable to common stockholders ("NICS") per the Consolidated Statements of Comprehensive Income are the most appropriate earnings measures. Other useful supplemental measures of our operating performance include funds from operations attributable to common stockholders ("FFO") and consolidated net operating income ("NOI"); however, these supplemental measures are not defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Please refer to the section entitled "Non-GAAP Financial Measures" for further discussion and reconciliations. These earnings measures are widely used by investors and analysts in the valuation, comparison and investment recommendations of companies.

The following table reflects the recent historical trends of our operating performance measures for the periods presented (in thousands):

	Three Months Ended						
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net income (loss)	\$ 134,722	\$ 106,342	\$ 28,635	\$ 1,798	\$ (2,653)	\$ 95,672	\$ 65,751
NICS	127,470	103,040	25,673	(3,728)	(6,767)	89,784	61,925
FFO	419,124	466,182	386,062	357,985	362,863	409,588	347,635
NOI	666,740	706,806	602,976	579,693	561,664	618,453	542,035

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Credit Strength We measure our credit strength both in terms of leverage ratios and coverage ratios. The leverage ratios indicate how much of our balance sheet capitalization is related to long-term debt, net of cash and restricted cash. The coverage ratios indicate our ability to service interest and fixed charges (interest and secured debt principal amortization). We expect to maintain capitalization ratios and coverage ratios sufficient to maintain a capital structure consistent with our current profile. The coverage ratios are based on earnings before interest, taxes, depreciation and amortization (“EBITDA”). Please refer to the section entitled “Non-GAAP Financial Measures” for further discussion and reconciliation of these measures. Leverage ratios and coverage ratios are widely used by investors, analysts and rating agencies in the valuation, comparison, investment recommendations and rating of companies. The following table reflects the recent historical trends for our credit strength measures for the periods presented:

	Three Months Ended						
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net debt to book capitalization ratio	36%	38%	40%	39%	42%	43%	43%
Net debt to undepreciated book capitalization ratio	29%	31%	32%	32%	34%	35%	35%
Net debt to market capitalization ratio	23%	25%	28%	30%	32%	27%	24%
Interest coverage ratio	3.88x	3.81x	3.44x	3.29x	3.48x	4.21x	4.03x
Fixed charge coverage ratio	3.60x	3.51x	3.13x	3.01x	3.18x	3.78x	3.57x

Concentration Risk We evaluate our concentration risk in terms of NOI by property mix, relationship mix and geographic mix. Concentration risk is a valuable measure in understanding what portion of our NOI could be at risk if certain sectors were to experience downturns. Property mix measures the portion of our NOI that relates to our various property types. Relationship mix measures the portion of our NOI that relates to our current top five relationships. Geographic mix measures the portion of our NOI that relates to our current top five states (or international equivalents).

The following table reflects our recent historical trends of concentration risk by NOI for the periods indicated below:

	Three Months Ended						
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Property mix: ⁽¹⁾							
Seniors Housing Operating	45%	40%	42%	40%	41%	45%	38%
Triple-net	35%	42%	37%	38%	38%	36%	41%
Outpatient Medical	20%	18%	21%	22%	21%	19%	21%
Relationship mix: ⁽¹⁾							
Integra Healthcare Properties ⁽²⁾	8%	8%	9%	1%	—%	—%	—%
Sunrise Senior Living	5%	7%	6%	7%	7%	8%	6%
Avery Healthcare	4%	3%	3%	3%	3%	3%	4%
Oakmont Management Group	4%	3%	3%	3%	4%	3%	4%
Cogir Management Corporation	4%	3%	4%	4%	4%	3%	2%
Remaining relationships	75%	76%	75%	82%	82%	83%	84%
Geographic mix: ⁽¹⁾							
California	11%	11%	13%	14%	13%	15%	13%
United Kingdom	9%	8%	10%	9%	10%	9%	11%
Texas	8%	7%	8%	8%	8%	7%	8%
Canada	6%	5%	6%	6%	6%	5%	5%
Florida	5%	4%	5%	5%	5%	6%	5%
Remaining geographic areas	61%	65%	58%	58%	58%	58%	58%

⁽¹⁾ Excludes our share of investments in unconsolidated entities and non-segment/corporate NOI. Entities in which we have a joint venture with a minority partner are shown at 100% of the joint venture amount.

⁽²⁾ In December 2022, we transitioned 147 skilled nursing facilities previously leased to ProMedica to master leases with Integra Healthcare Properties.

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Lease Expirations The following table sets forth information regarding lease expirations for certain portions of our portfolio as of September 30, 2023 (dollars in thousands):

	Expiration Year ⁽¹⁾										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Thereafter
Triple-net:											
Properties	—	4	16	10	1	5	4	34	5	127	367
Base rent ⁽²⁾	\$ —	\$ 13,088	\$ 7,923	\$ 12,750	\$ 1,232	\$ 6,404	\$ 1,035	\$ 69,734	\$ 10,762	\$ 98,842	\$ 465,856
% of base rent	— %	1.9 %	1.2 %	1.9 %	0.2 %	0.9 %	0.2 %	10.1 %	1.6 %	14.4 %	67.6 %
Units/beds	—	692	521	1,557	80	640	219	3,669	423	6,163	40,157
% of Units/beds	— %	1.3 %	1.0 %	2.9 %	0.1 %	1.2 %	0.4 %	6.8 %	0.8 %	11.4 %	74.1 %
Outpatient Medical:											
Square feet	944,345	1,848,899	1,435,651	1,614,908	1,508,483	1,497,562	1,287,304	1,264,862	1,755,925	1,471,378	4,527,713
Base rent ⁽²⁾	\$ 25,932	\$ 55,727	\$ 42,383	\$ 44,219	\$ 42,244	\$ 40,382	\$ 36,116	\$ 36,729	\$ 49,800	\$ 43,273	\$ 127,575
% of base rent	4.8 %	10.2 %	7.8 %	8.1 %	7.8 %	7.4 %	6.6 %	6.7 %	9.1 %	7.9 %	23.6 %
Leases	230	337	271	258	233	247	131	106	78	157	201
% of Leases	10.2 %	15.0 %	12.0 %	11.5 %	10.4 %	11.0 %	5.8 %	4.7 %	3.5 %	7.0 %	8.9 %

⁽¹⁾ Excludes our share of investments in unconsolidated entities, developments, land parcels, loans receivable and sub-leases. Investments classified as held for sale are included in the current year.

⁽²⁾ The most recent monthly cash base rent annualized. Base rent does not include tenant recoveries or amortization of above and below market lease intangibles or other non-cash income.

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved, and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in “Cautionary Statement Regarding Forward-Looking Statements” and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2022, under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Corporate Governance

Maintaining investor confidence and trust is important in today’s business environment. Our Board of Directors and management are strongly committed to policies and procedures that reflect the highest level of ethical business practices. Our corporate governance guidelines provide the framework for our business operations and emphasize our commitment to increase stockholder value while meeting all applicable legal requirements. These guidelines meet the listing standards adopted by the New York Stock Exchange and are available on the Internet at www.welltower.com/investors/governance. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q, and our web address is included as an inactive textual reference only.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash include resident fees and services, rent and interest receipts, borrowings under our unsecured revolving credit facility and commercial paper program, public issuances of debt and equity securities, proceeds from investment dispositions and principal payments on loans receivable. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), real property investments (including acquisitions, capital expenditures, construction advances and transaction costs), loan advances, property operating expenses, general and administrative expenses and other expenses. Depending upon the availability and cost of external capital, we believe our liquidity is sufficient to fund these uses of cash. These sources and uses of cash are reflected in our Consolidated Statements of Cash Flows and are discussed in further detail below.

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The following is a summary of our sources and uses of cash flows for the periods presented (dollars in thousands):

	Nine Months Ended		Change	
	September 30, 2023	September 30, 2022	\$	%
Cash, cash equivalents and restricted cash at beginning of period	\$ 722,292	\$ 346,755	\$ 375,537	108 %
Cash provided from (used in) operating activities	1,231,359	1,075,322	156,037	15 %
Cash provided from (used in) investing activities	(2,563,554)	(3,284,510)	720,956	22 %
Cash provided from (used in) financing activities	3,311,103	2,304,234	1,006,869	44 %
Effect of foreign currency translation	(14,489)	(16,617)	2,128	13 %
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,686,711</u>	<u>\$ 425,184</u>	<u>\$ 2,261,527</u>	<u>532 %</u>

Operating Activities Please see "Results of Operations" for discussion of net income fluctuations. For the nine months ended September 30, 2023 and 2022, cash flows provided from operations exceeded cash distributions to stockholders.

Investing Activities The changes in net cash provided from/used in investing activities are primarily attributable to net changes in real property investments and dispositions, loans receivable and investments in unconsolidated entities, which are summarized above in "Key Transactions." Please refer to Notes 3 and 5 of our unaudited consolidated financial statements for additional information. The following is a summary of cash used in non-acquisition capital improvement activities for the periods presented (dollars in thousands):

	Nine Months Ended		Change	
	September 30, 2023	September 30, 2022	\$	%
New development	\$ 730,712	\$ 463,465	\$ 267,247	58 %
Recurring capital expenditures, tenant improvements and lease commissions	127,633	136,453	(8,820)	-6 %
Renovations, redevelopments and other capital improvements	206,457	179,382	27,075	15 %
Total	<u>\$ 1,064,802</u>	<u>\$ 779,300</u>	<u>\$ 285,502</u>	<u>37 %</u>

The change in new development is primarily due to the number and size of construction projects on-going during the relevant periods. Renovations, redevelopments and other capital improvements include expenditures to maximize property value, increase net operating income, maintain a market-competitive position and/or achieve property stabilization.

Financing Activities The changes in net cash provided from/used in financing activities are primarily attributable to changes related to our long-term debt arrangements, the issuances of common stock and dividend payments which are summarized above in "Key Transactions." Please refer to Notes 10, 11 and 14 to our unaudited consolidated financial statements for additional information.

In April 2022, we closed on an amended \$5,200,000,000 unsecured credit facility, increasing our term loan capacity by \$500,000,000. In May 2023, we issued \$1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028. During the nine months ended September 30, 2023, we issued \$381,369,000 of secured debt at a blended average interest rate of 5.10% and assumed \$344,023,000 of secured debt at a blended average interest rate of 7.02%. As of September 30, 2023, we have total near-term available liquidity of approximately \$6.7 billion.

Off-Balance Sheet Arrangements

At September 30, 2023, we had investments in unconsolidated entities with our ownership generally ranging from 10% to 95%. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. At September 30, 2023, we had 24 outstanding letter of credit obligations. Please see Notes 8, 12 and 13 to our unaudited consolidated financial statements for additional information.

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Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of September 30, 2023 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	2023	2024-2025	2026-2027	Thereafter
Senior unsecured notes and term credit facilities: ⁽¹⁾					
U.S. Dollar senior unsecured notes	\$ 10,935,000	\$ —	\$ 2,600,000	\$ 1,200,000	\$ 7,135,000
Canadian Dollar senior unsecured notes ⁽²⁾	221,648	—	—	221,648	—
Pounds Sterling senior unsecured notes ⁽²⁾	1,282,470	—	—	—	1,282,470
U.S. Dollar term credit facility	1,010,000	—	10,000	1,000,000	—
Canadian Dollar term credit facility ⁽²⁾	184,706	—	—	184,706	—
Secured debt: ^(1,2)					
Consolidated	2,416,131	221,074	874,671	329,553	990,833
Unconsolidated	1,092,439	105,482	635,133	147,798	204,026
Contractual interest obligations: ⁽³⁾					
Senior unsecured notes and term loans ⁽²⁾	3,791,845	166,669	991,702	802,468	1,831,006
Consolidated secured debt ⁽²⁾	477,859	28,088	161,129	107,338	181,304
Unconsolidated secured debt ⁽²⁾	126,410	10,506	49,649	19,101	47,154
Financing lease liabilities ⁽⁴⁾	329,846	1,385	7,873	5,898	314,690
Operating lease liabilities ⁽⁴⁾	950,139	4,852	36,445	31,403	877,439
Purchase obligations ⁽⁵⁾	2,276,874	1,076,391	1,112,493	62,865	25,125
Total contractual obligations	<u>\$ 25,095,367</u>	<u>\$ 1,614,447</u>	<u>\$ 6,479,095</u>	<u>\$ 4,112,778</u>	<u>\$ 12,889,047</u>

⁽¹⁾ Amounts represent principal amounts due and do not reflect unamortized premiums/discounts or other fair value adjustments as reflected on the balance sheet.

⁽²⁾ Based on foreign currency exchange rates in effect as of the balance sheet date.

⁽³⁾ Based on variable interest rates in effect as of the balance sheet date.

⁽⁴⁾ See Note 6 to our unaudited consolidated financial statements for additional information.

⁽⁵⁾ See Note 13 to our unaudited consolidated financial statements for additional information.

Capital Structure

Please refer to “Credit Strength” above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of September 30, 2023, we were in compliance in all material respects with the covenants under our debt agreements. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, the ratings on our senior unsecured notes are used to determine the fees and interest charged. We plan to manage the company to maintain compliance with our debt covenants and with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On April 1, 2022, Welltower and Welltower OP jointly filed with the Securities and Exchange Commission (the “SEC”) an open-ended automatic or “universal” shelf registration statement on Form S-3 (the “Shelf Form S-3”) covering an indeterminate amount of future offerings of Welltower’s debt securities, common stock, preferred stock, depositary shares, guarantees of debt securities issued by Welltower OP, warrants and units and Welltower OP’s debt securities and guarantees of debt securities issued by Welltower to replace Old Welltower’s existing “universal” shelf registration statement filed with the SEC on May 4, 2021. On April 1, 2022, Welltower also filed with the SEC a registration statement in connection with its enhanced dividend reinvestment plan (“DRIP”) under which it may issue up to 15,000,000 shares of common stock to replace Old Welltower’s existing DRIP registration statement on Form S-3 filed with the SEC on May 4, 2021. On May 3, 2023, Welltower and Welltower OP filed post-effective amendment no. 1 to the Shelf Form S-3 pursuant to which Welltower OP expressly adopted the Shelf Form S-3 as its own registration statement following its statutory conversion from a corporation to a limited liability company. As of October 27, 2023, 15,000,000 shares of common stock remained available for issuance under the DRIP registration statement. On August 1, 2023, Welltower and Welltower OP entered into an equity distribution agreement (the “EDA”) with (i) Barclays Capital Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BNY Mellon Capital Markets, LLC, BofA Securities, Inc., BOK Financial Securities, Inc., Capital One Securities Inc., Citigroup Global Markets Inc., Citizens JMP Securities, LLC, Comerica Securities, Inc., Credit Agricole Securities (USA) Inc., Deutsche Bank Securities Inc., Fifth Third Securities, Inc., Goldman Sachs & Co. LLC, Jefferies LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc., Loop Capital Markets LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., RBC Capital Markets, LLC, Regions Securities LLC, Robert W. Baird & Co. Incorporated, Scotia Capital

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(USA) Inc., Synovus Securities, Inc., TD Securities (USA) LLC, Truist Securities, Inc. and Wells Fargo Securities, LLC as sales agents and forward sellers and (ii) the forward purchasers named therein relating to issuances, offers and sales from time to time of up to \$4,000,000,000 aggregate amount of common stock of Welltower (together with the existing master forward sale confirmations relating thereto, the "ATM Program"). The ATM Program also allows Welltower to enter into forward sale agreements. As of October 27, 2023, we had \$2,580,532,871 of remaining capacity under the ATM Program and there were no outstanding forward sales agreements. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured revolving credit facility and commercial paper program.

In connection with the filing of the Shelf Form S-3, Welltower also filed with the SEC a prospectus supplement that will continue an offering that was previously covered by Old Welltower's prospectus supplement and the accompanying prospectus to the prior registration statement relating to the registration of up to 475,327 shares of common stock of Welltower Inc. (the "DownREIT II Shares") that may be issued from time to time if, and to the extent that, certain holders of Class A units (the "DownREIT II Units") of HCN G&L DownREIT II LLC, a Delaware limited liability company (the "DownREIT II"), tender such DownREIT II Units for redemption by the DownREIT II, and HCN DownREIT Member, LLC, a majority-owned indirect subsidiary of Welltower (including its permitted successors and assigns, the "Managing Member"), or a designated affiliate of the Managing Member, elects to assume the redemption obligations of the DownREIT II and to satisfy all or a portion of the redemption consideration by issuing DownREIT II Shares to the holders instead of or in addition to paying a cash amount. On July 22, 2022, Welltower filed with the SEC a prospectus supplement relating to the registration of up to 300,026 shares of common stock of Welltower Inc. that may be issued from time to time if, and to the extent that, certain holders of Class A Common Units (the "OP Units") of Welltower OP tender the OP Units for redemption by Welltower OP, and Welltower Inc. elects to assume the redemption obligations of Welltower OP and to satisfy all or a portion of the redemption consideration by issuing shares of its common stock to the holders instead of or in addition to paying a cash amount. On August 9, 2023, Welltower filed with the SEC a prospectus supplement relating to the registration of up to 13,559,535 shares of common stock of Welltower Inc. (the "Exchanged Shares") that may, under certain circumstances, be issuable upon exchange of 2.750% exchangeable senior notes due 2028 of Welltower OP and the resale from time to time by the recipients of the Exchanged Shares.

Supplemental Guarantor Information

Welltower OP has issued the unsecured notes described in Note 11 to our unaudited consolidated financial statements. All unsecured notes are fully and unconditionally guaranteed by Welltower, and Welltower OP is 99.751% owned by Welltower as of September 30, 2023. Effective January 4, 2021, the SEC adopted amendments to the financial disclosure requirements applicable to registered debt offerings that include certain credit enhancements. We have adopted these new rules, which permits subsidiary issuers of obligations guaranteed by the parent to omit separate financial statements if the consolidated financial statements of the parent company have been filed, the subsidiary obligor is a consolidated subsidiary of the parent company, the guaranteed security is debt or debt-like, and the security is guaranteed fully and unconditionally by the parent. Accordingly, separate consolidated financial statements of Welltower OP have not been presented. Furthermore, Welltower and Welltower OP have no material assets, liabilities, or operations other than financing activities and their investments in non-guarantor subsidiaries. Therefore, we meet the criteria in Rule 13-01 of Regulation S-X to omit the summarized financial information from our disclosures.

Results of Operations

Summary

Our primary sources of revenue include resident fees and services, rent and interest income. Our primary expenses include property operating expenses, depreciation and amortization, interest expense, general and administrative expenses and other expenses. We evaluate our business and make resource allocations on our three business segments: Seniors Housing Operating, Triple-net and Outpatient Medical. The primary performance measures for our properties are NOI and same store NOI ("SSNOI"), and other supplemental measures include Funds From Operations ("FFO") and EBITDA, which are further discussed below. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations. The following is a summary of our results of operations (dollars in thousands, except per share amounts):

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	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,		Amount	%	September 30,		Amount	%
	2023	2022			2023	2022		
Net income (loss)	\$ 134,722	\$ (2,653)	\$ 137,375	n/a	\$ 269,699	\$ 158,770	\$ 110,929	70 %
NICS	127,470	(6,767)	134,237	n/a	256,183	144,942	111,241	77 %
FFO	419,124	362,863	56,261	16 %	1,271,368	1,120,086	151,282	14 %
EBITDA	635,152	493,985	141,167	29 %	1,754,474	1,527,315	227,159	15 %
NOI	666,740	561,664	105,076	19 %	1,976,522	1,722,152	254,370	15 %
SSNOI	467,380	413,971	53,409	13 %	1,287,232	1,165,474	121,758	10 %
Per share data (fully diluted):								
NICS	\$ 0.24	\$ (0.01)	\$ 0.25	n/a	\$ 0.50	\$ 0.32	\$ 0.18	56 %
FFO	\$ 0.80	\$ 0.78	\$ 0.02	3 %	\$ 2.51	\$ 2.45	\$ 0.06	2 %
Interest coverage ratio	3.88 x	3.48 x	0.40 x	11 %	3.72 x	3.89 x	(0.17)x	(4)%
Fixed charge coverage ratio	3.60 x	3.18 x	0.42 x	13 %	3.42 x	3.50 x	(0.08)x	(2)%

Seniors Housing Operating

The following is a summary of our results of operations for the Seniors Housing Operating segment (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,		\$	%	September 30,		\$	%
	2023	2022			2023	2022		
Revenues:								
Resident fees and services	\$ 1,199,808	\$ 1,068,706	\$ 131,102	12 %	\$ 3,490,942	\$ 3,073,040	\$ 417,902	14 %
Interest income	2,194	2,155	39	2 %	6,840	5,255	1,585	30 %
Other income	1,897	1,739	158	9 %	7,237	62,127	(54,890)	(88)%
Total revenues	1,203,899	1,072,600	131,299	12 %	3,505,019	3,140,422	364,597	12 %
Property operating expenses	918,990	841,914	77,076	9 %	2,687,961	2,421,141	266,820	11 %
NOI ⁽¹⁾	284,909	230,686	54,223	24 %	817,058	719,281	97,777	14 %
Other expenses:								
Depreciation and amortization	215,195	235,984	(20,789)	(9)%	656,030	629,955	26,075	4 %
Interest expense	14,358	9,022	5,336	59 %	41,981	24,153	17,828	74 %
Loss (gain) on extinguishment of debt, net	—	—	—	n/a	—	385	(385)	(100)%
Provision for loan losses, net	384	198	186	94 %	2,178	807	1,371	170 %
Impairment of assets	2,400	—	2,400	n/a	15,029	—	15,029	n/a
Other expenses	34,865	8,341	26,524	318 %	60,504	45,781	14,723	32 %
	267,202	253,545	13,657	5 %	775,722	701,081	74,641	11 %
Income (loss) from continuing operations before income taxes and other items	17,707	(22,859)	40,566	177 %	41,336	18,200	23,136	127 %
Income (loss) from unconsolidated entities	(6,021)	(8,788)	2,767	31 %	(61,055)	(39,239)	(21,816)	(56)%
Gain (loss) on real estate dispositions, net	71,173	1,146	70,027	n/a	69,910	2,623	67,287	n/a
Income from continuing operations	82,859	(30,501)	113,360	372 %	50,191	(18,416)	68,607	373 %
Net income (loss)	82,859	(30,501)	113,360	372 %	50,191	(18,416)	68,607	373 %
Less: Net income (loss) attributable to noncontrolling interests	1,208	(4,896)	6,104	125 %	(4,981)	(13,128)	8,147	62 %
Net income (loss) attributable to common stockholders	\$ 81,651	\$ (25,605)	\$ 107,256	419 %	\$ 55,172	\$ (5,288)	\$ 60,460	n/a

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Resident fees and services and property operating expenses increased for the three and nine month periods ended September 30, 2023 compared to the same periods in the prior year primarily due to acquisitions outpacing dispositions during 2022 and year to date 2023. Additionally, our Seniors Housing Operating revenues are dependent on occupancy and rate growth, both of which have continued to increase since the same period in the prior year. Average occupancy is as follows:

	Three Months Ended ⁽¹⁾			
	March 31,	June 30,	September 30,	December 31,
2022	76.3 %	77.1 %	78.0 %	78.3 %
2023	79.0 %	79.6 %	80.7 %	

⁽¹⁾ Average occupancy includes our minority ownership share related to unconsolidated properties and excludes the minority partners' noncontrolling ownership share related to consolidated properties. Also excludes land parcels and properties under development.

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Effective on April 1, 2022, our leasehold interest relating to the master lease with National Health Investors, Inc. ("NHI") for 17 properties assumed in conjunction with the Holiday Retirement acquisition was terminated as a result of the transition or sale of the properties by NHI. The lease termination was part of an agreement to resolve outstanding litigation with NHI. In conjunction with the agreement, a wholly-owned subsidiary and the lessee on the master lease agreed to release \$6,883,000 of cash to the landlord, which represents the net cash flow generated from the properties since we assumed the leasehold interest. Additionally, in connection with the lease termination, during the nine months ended September 30, 2022, we recognized \$58,621,000 in other income on our Consolidated Statements of Comprehensive Income from the derecognition of the right of use asset and related lease liability.

The following is a summary of our SSNOI at Welltower's share for the Seniors Housing Operating segment (dollars in thousands):

	QTD Pool				YTD Pool			
	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2023	2022	\$	%	2023	2022	\$	%
SSNOI ⁽¹⁾	\$ 240,968	\$ 193,684	\$47,284	24.4 %	\$ 622,962	\$ 514,892	\$ 108,070	21.0 %

⁽¹⁾ For the QTD Pool and YTD Pool, amounts relate to 678 and 624 same store properties, respectively. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

During the nine months ended September 30, 2023, we recorded impairment charges of \$14,315,000 related to four held for sale properties for which the carrying values exceeded the estimated fair value less costs to sell and \$714,000 related to two held for use properties for which the carrying value exceeded the estimated fair value. No impairment was recorded during the same period in 2022. Transaction costs related to asset acquisitions are capitalized as a component of the purchase price. The fluctuation in other expenses is primarily due to the timing of noncapitalizable transaction costs associated with acquisitions and operator transitions. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

Depreciation and amortization fluctuates as a result of the timing of acquisitions, dispositions and transitions. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. The decrease in depreciation expense for the quarter ended September 30, 2023 compared to the quarter ended September 30, 2022 is primarily due to lease intangible assets that were fully amortized during 2023.

During the nine months ended September 30, 2023, we completed seven conversions representing \$280,333,000 or \$298,862 per unit. The following is a summary of our Seniors Housing Operating construction projects in process, excluding expansions (dollars in thousands):

As of September 30, 2023				
Expected Conversion Year ⁽¹⁾	Properties	Units/Beds	Anticipated Remaining Funding	Construction in Progress Balance
2023	4	655	\$ 25,400	\$ 144,970
2024	22	3,336	503,066	730,087
2025	4	1,049	211,702	54,658
TBD ⁽²⁾	9	2,136		87,447
Total	39			\$ 1,017,162

⁽¹⁾ Properties expected to be converted in phases over multiple years are reflected in the last expected year.

⁽²⁾ Represents projects for which a final budget or expected conversion date are not yet known.

Interest expense represents secured debt interest expense, which fluctuates based on the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The fluctuations in loss (gain) on extinguishment of debt is primarily attributable to the volume of extinguishments and terms of the related secured debt.

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The following is a summary of our Seniors Housing Operating segment property secured debt principal activity (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Beginning balance	\$ 2,094,793	4.71 %	\$ 1,677,092	3.34 %	\$ 1,701,939	4.32 %	\$ 1,599,522	2.81 %
Debt transferred	—	— %	—	— %	—	— %	32,478	4.79 %
Debt issued	7,907	7.82 %	79,461	4.75 %	381,369	5.10 %	89,804	4.57 %
Debt assumed	270,352	7.95 %	—	— %	297,282	7.56 %	221,159	4.32 %
Debt extinguished	(284,748)	7.65 %	(64,850)	4.67 %	(288,063)	7.61 %	(220,413)	4.35 %
Principal payments	(11,288)	3.63 %	(11,244)	3.38 %	(36,292)	3.78 %	(35,757)	3.11 %
Foreign currency	(20,969)	4.24 %	(65,242)	3.36 %	(188)	3.91 %	(71,576)	3.17 %
Ending balance	<u>\$ 2,056,047</u>	<u>4.83 %</u>	<u>\$ 1,615,217</u>	<u>3.87 %</u>	<u>\$ 2,056,047</u>	<u>4.83 %</u>	<u>\$ 1,615,217</u>	<u>3.87 %</u>
Monthly averages	\$ 2,066,126	4.78 %	\$ 1,653,740	3.69 %	\$ 1,990,105	4.62 %	\$ 1,621,876	3.16 %

The majority of our Seniors Housing Operating properties are formed through partnership interests. Income or loss from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. Income from unconsolidated entities during the nine months ended September 30, 2023 includes an impairment charge of \$28,708,000 related to an unconsolidated management company. Net income attributable to noncontrolling interests represents our partners' share of net income (loss) related to joint ventures.

Triple-net

The following is a summary of our results of operations for the Triple-net segment (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2023	2022	\$	%	2023	2022	\$	%
Revenues:								
Rental income	\$ 194,912	\$ 191,443	\$ 3,469	2 %	\$ 596,247	\$ 584,626	\$ 11,621	2 %
Interest income	39,928	35,556	4,372	12 %	110,211	108,454	1,757	2 %
Other income	1,482	1,820	(338)	(19)%	70,057	5,262	64,795	n/a
Total revenues	236,322	228,819	7,503	3 %	776,515	698,342	78,173	11 %
Property operating expenses	10,044	11,495	(1,451)	(13)%	32,365	34,197	(1,832)	(5)%
NOI ⁽¹⁾	226,278	217,324	8,954	4 %	744,150	664,145	80,005	12 %
Other expenses:								
Depreciation and amortization	58,196	57,338	858	1 %	167,958	160,403	7,555	5 %
Interest expense	374	196	178	91 %	(436)	830	(1,266)	(153)%
Loss (gain) on derivatives and financial instruments, net	2,885	6,905	(4,020)	(58)%	5,095	8,076	(2,981)	(37)%
Provision for loan losses, net	3,675	290	3,385	n/a	5,116	(951)	6,067	638 %
Impairment of assets	4,988	3,595	1,393	39 %	6,074	3,595	2,479	69 %
Other expenses	1,627	820	807	98 %	4,912	12,327	(7,415)	(60)%
	71,745	69,144	2,601	4 %	188,719	184,280	4,439	2 %
Income (loss) from continuing operations before income taxes and other items	154,533	148,180	6,353	4 %	555,431	479,865	75,566	16 %
Income (loss) from unconsolidated entities	2,056	3,167	(1,111)	(35)%	9,858	24,584	(14,726)	(60)%
Gain (loss) on real estate dispositions, net	(12)	674	(686)	(102)%	436	18,994	(18,558)	(98)%
Income from continuing operations	156,577	152,021	4,556	3 %	565,725	523,443	42,282	8 %
Net income (loss)	156,577	152,021	4,556	3 %	565,725	523,443	42,282	8 %
Less: Net income (loss) attributable to noncontrolling interests	5,686	7,675	(1,989)	(26)%	17,776	21,981	(4,205)	(19)%
Net income attributable to common stockholders	<u>\$ 150,891</u>	<u>\$ 144,346</u>	<u>\$ 6,545</u>	<u>5 %</u>	<u>\$ 547,949</u>	<u>\$ 501,462</u>	<u>\$ 46,487</u>	<u>9 %</u>

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

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Rental income has increased primarily due to acquisitions and annual rent increases. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. For the three months ended September 30, 2023, we had 20 leases with rental rate increases ranging from 0.77% to 11.72% in our Triple-net portfolio. This increase is partially offset by the write off of straight-line receivable balances of \$12,309,000 during the three months ended September 30, 2023, which relate to leases for which the collection of substantially all contractual lease payments was no longer deemed probable.

As part of the substantial exit of the Genesis HealthCare operating relationship, which we disclosed on March 2, 2021, we transitioned the sublease of a portfolio of seven facilities from Genesis HealthCare to Complete Care Management in the second quarter of 2021. As part of the March 2021 transaction, we entered into a forward sale agreement for the seven properties valued at \$182,618,000, which was expected to close when the Welltower-held purchase option became exercisable. As of March 31, 2023, the right of use assets related to the properties were \$115,359,000 and were reflected as held for sale with the corresponding lease liabilities of \$66,530,000 on our Consolidated Balance Sheet. On May 1, 2023, we executed a series of transactions that included the assignment of the leasehold interest to a newly formed tri-party unconsolidated joint venture with Aurora Health Network, Peace Capital (an affiliate of Complete Care Management) and us, and culminated with the closing of the purchase option by the joint venture. The transactions resulted in net cash proceeds to us of \$104,240,000 after our retained interest of \$11,571,000 in the joint venture and a gain from the loss of control and derecognition of the leasehold interest of \$65,485,000, which we recorded in other income within our Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2023.

The following is a summary of our SSNOI at Welltower's share for the Triple-net segment (dollars in thousands):

	QTD Pool				YTD Pool			
	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2023	2022	\$	%	2023	2022	\$	%
SSNOI ⁽¹⁾	\$ 109,914	\$ 105,756	\$ 4,158	3.9 %	\$ 325,469	\$ 318,372	\$ 7,097	2.2 %

⁽¹⁾ For the QTD Pool and YTD Pool, amounts relate to 364 same store properties. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

Depreciation and amortization fluctuates as a result of the acquisitions, dispositions and segment transitions of Triple-net properties. To the extent we acquire or dispose of additional properties in the future, our provision for depreciation and amortization will change accordingly.

During the nine months ended September 30, 2023, we recorded impairment charges of \$1,086,000 related to one held for sale property for which the carrying values exceeded the estimated fair value less costs to sell and \$4,988,000 related to one held for use property for which the carrying value exceeded the estimated fair value. During the nine months ended September 30, 2022, we recorded impairment charges of \$3,595,000 related to two held for use properties. Transaction costs related to asset acquisitions are capitalized as a component of purchase price. The fluctuation in other expenses is primarily due to noncapitalizable transaction costs from acquisitions and segment transitions. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

During the nine months ended September 30, 2023, there was one Triple-net construction project completed representing \$141,142,000 or \$738,963 per unit.

Interest expense represents secured debt interest expense and related fees. The change in secured debt interest expense is due to the net effect and timing of assumptions, segment transitions, fluctuations in foreign currency rates, extinguishments and principal amortizations. The following is a summary of our Triple-net secured debt principal activity for the periods presented (dollars in thousands):

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	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2023		2022		2023		2022	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Beginning balance	\$ 38,723	4.39 %	\$ 39,622	4.39 %	\$ 39,179	4.39 %	\$ 72,536	4.57 %
Debt transferred	—	— %	—	— %	—	— %	(32,478)	4.79 %
Principal payments	(228)	4.37 %	(219)	4.37 %	(684)	4.37 %	(655)	4.37 %
Ending balance	<u>\$ 38,495</u>	<u>4.39 %</u>	<u>\$ 39,403</u>	<u>4.39 %</u>	<u>\$ 38,495</u>	<u>4.39 %</u>	<u>\$ 39,403</u>	<u>4.39 %</u>
Monthly averages	\$ 38,570	4.39 %	\$ 39,475	4.39 %	\$ 38,799	4.39 %	\$ 39,694	4.39 %

A portion of our Triple-net properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. The decrease in income from unconsolidated entities during the three and nine month periods is primarily related to the restructure of an unconsolidated joint venture into a consolidated structure. Net income attributable to noncontrolling interests represents our partners' share of net income relating to those partnerships where we are the controlling partner.

Outpatient Medical

The following is a summary of our results of operations for the Outpatient Medical segment for the periods presented (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2023	2022	\$	%	2023	2022	\$	%
Revenues:								
Rental income	\$ 189,595	\$ 170,540	\$ 19,055	11 %	\$ 555,758	\$ 495,158	\$ 60,600	12 %
Interest income	98	80	18	23 %	284	216	68	31 %
Other income	2,265	1,558	707	45 %	6,939	6,449	490	8 %
Total revenues	191,958	172,178	19,780	11 %	562,981	501,823	61,158	12 %
Property operating expenses	62,204	52,921	9,283	18 %	179,266	153,484	25,782	17 %
NOI ⁽¹⁾	129,754	119,257	10,497	9 %	383,715	348,339	35,376	10 %
Other expenses:								
Depreciation and amortization	65,923	60,377	5,546	9 %	196,383	177,724	18,659	10 %
Interest expense	2,313	4,343	(2,030)	(47)%	9,569	13,441	(3,872)	(29)%
Loss (gain) on extinguishment of debt, net	1	2	(1)	(50)%	7	9	(2)	(22)%
Provision for loan losses, net	—	2	(2)	(100)%	(2)	(5)	3	60 %
Impairment of assets	—	761	(761)	(100)%	—	761	(761)	(100)%
Other expenses	1,117	366	751	205 %	2,311	1,362	949	70 %
	69,354	65,851	3,503	5 %	208,268	193,292	14,976	8 %
Income (loss) from continuing operations before income taxes and other items	60,400	53,406	6,994	13 %	175,447	155,047	20,400	13 %
Income (loss) from unconsolidated entities	(66)	(1,077)	1,011	94 %	(237)	(1,985)	1,748	88 %
Gain (loss) on real estate dispositions, net	(59)	(606)	547	90 %	(665)	(1,001)	336	34 %
Income from continuing operations	60,275	51,723	8,552	17 %	174,545	152,061	22,484	15 %
Net income (loss)	60,275	51,723	8,552	17 %	174,545	152,061	22,484	15 %
Less: Net income (loss) attributable to noncontrolling interests	636	1,636	(1,000)	(61)%	1,627	5,276	(3,649)	(69)%
Net income (loss) attributable to common stockholders	<u>\$ 59,639</u>	<u>\$ 50,087</u>	<u>\$ 9,552</u>	<u>19 %</u>	<u>\$ 172,918</u>	<u>\$ 146,785</u>	<u>\$ 26,133</u>	<u>18 %</u>

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Rental income has increased due primarily to acquisitions and construction conversions that occurred during 2022 and year to date in 2023. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Our leases could renew above or below current rental rates, resulting in an increase or decrease in

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rental income. For the three months ended September 30, 2023, our consolidated outpatient medical portfolio signed 143,269 square feet of new leases and 554,723 square feet of renewals. The weighted-average term of these leases was seven years, with a rate of \$45.03 per square foot and tenant improvement and lease commission costs of \$32.01 per square foot. Substantially all of these leases contain an annual fixed or contingent escalation rent structure ranging from 1.0% to 5.0%.

The fluctuations in property operating expenses and depreciation and amortization are primarily attributable to acquisitions and construction conversions that occurred during 2022 and year to date in 2023. To the extent that we acquire or dispose of additional properties in the future, these amounts will change accordingly. During the nine months ended September 30, 2022, we recognized an impairment charge of \$761,000 related to one held for use property.

The following is a summary of our SSNOI at Welltower's share for the Outpatient Medical segment (dollars in thousands):

	QTD Pool				YTD Pool			
	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2023	2022	\$	%	2023	2022	\$	%
SSNOI ⁽¹⁾	\$ 116,498	\$ 114,531	\$ 1,967	1.7 %	\$ 338,801	\$ 332,210	\$ 6,591	2.0 %

⁽¹⁾ For the QTD Pool and YTD Pool, amounts relate to 379 and 369 same store properties, respectively. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

During the nine months ended September 30, 2023, we completed three conversions representing \$30,071,000 or \$451 per square foot. The following is a summary of the consolidated Outpatient Medical construction projects in process, excluding expansions (dollars in thousands):

As of September 30, 2023					
Expected Conversion Year	Properties	Square Feet	Anticipated Remaining Funding	Construction in Progress Balance	
2023	5	492,608	\$ 144,955	\$	179,445
2024	7	490,308	271,953		50,861
TBD ⁽¹⁾	1				33,140
Total	13			\$	263,446

⁽¹⁾ Represents projects for which a final budget or expected conversion date are not yet known.

Total interest expense represents secured debt interest expense. The change in secured debt interest expense is primarily due to the net effect and timing of assumptions, extinguishments and principal amortizations. The following is a summary of our Outpatient Medical secured debt principal activity (dollars in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2023	2022	2023	2022	2023	2022	2023	2022
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Beginning balance	\$ 363,075	4.68 %	\$ 483,912	3.68 %	\$ 388,836	4.38 %	\$ 530,254	3.49 %
Debt assumed	—	— %	—	— %	46,741	3.54 %	—	— %
Debt extinguished	(40,137)	3.95 %	(14,898)	4.48 %	(109,318)	3.97 %	(55,839)	4.01 %
Principal payments	(1,349)	4.41 %	(2,312)	4.51 %	(4,670)	4.32 %	(7,713)	4.42 %
Ending balance	\$ 321,589	4.87 %	\$ 466,702	4.02 %	\$ 321,589	4.87 %	\$ 466,702	4.02 %
Monthly averages	\$ 322,012	4.82 %	\$ 477,388	4.04 %	\$ 372,666	4.58 %	\$ 503,915	3.72 %

A portion of our Outpatient Medical properties were formed through partnerships. Income or loss from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. Net income attributable to noncontrolling interests represents our partners' share of net income or loss relating to those partnerships where we are the controlling partner.

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Non-Segment/Corporate

The following is a summary of our results of operations for the Non-Segment/Corporate activities for the periods presented (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,		\$	%	September 30,		\$	%
	2023	2022			2023	2022		
Revenues:								
Other income	\$ 29,834	\$ 247	\$ 29,587	n/a	\$ 43,705	\$ 1,497	\$ 42,208	n/a
Total revenues	29,834	247	29,587	n/a	43,705	1,497	42,208	n/a
Property operating expenses	4,035	5,850	(1,815)	(31)%	12,106	11,110	996	9 %
Consolidated net operating income (loss) ⁽¹⁾	25,799	(5,603)	31,402	560 %	31,599	(9,613)	41,212	429 %
Expenses:								
Interest expense	139,487	126,121	13,366	11 %	402,158	350,704	51,454	15 %
General and administrative expenses	46,106	34,811	11,295	32 %	134,764	109,071	25,693	24 %
Loss (gain) on extinguishment of debt, net	—	—	—	n/a	—	199	(199)	(100)%
Other expenses	611	5,954	(5,343)	(90)%	4,307	17,246	(12,939)	(75)%
	186,204	166,886	19,318	12 %	541,229	477,220	64,009	13 %
Loss from continuing operations before income taxes and other items	(160,405)	(172,489)	12,084	7 %	(509,630)	(486,833)	(22,797)	(5)%
Income tax benefit (expense)	(4,584)	(3,257)	(1,327)	(41)%	(11,132)	(11,335)	203	2 %
Gain (loss) on real estate dispositions, net	—	(150)	150	100 %	—	(150)	150	100 %
Loss from continuing operations	(164,989)	(175,746)	10,757	6 %	(520,762)	(498,168)	(22,594)	(5)%
Net loss	(164,989)	(175,746)	10,757	6 %	(520,762)	(498,168)	(22,594)	(5)%
Less: Net income (loss) attributable to noncontrolling interests	(278)	(301)	23	8 %	(906)	(301)	(605)	(201)%
Net loss attributable to common stockholders	\$ (164,711)	\$ (175,445)	\$ 10,734	6 %	\$ (519,856)	\$ (497,867)	\$ (21,989)	(4)%

⁽¹⁾ See "Non-GAAP Financial Measures" below for additional information and reconciliations.

The increase in other income for the three and nine month periods ended September 30, 2023 is primarily due to interest earned on deposits. Property operating expenses represent insurance costs related to our captive insurance company, which acts as a direct insurer of property level insurance coverage for our portfolio.

The following is a summary of our Non-Segment/Corporate interest expense for the periods presented (dollars in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,		\$	%	September 30,		\$	%
	2023	2022			2023	2022		
Senior unsecured notes	\$ 133,173	\$ 112,379	\$ 20,794	19 %	\$ 379,438	\$ 320,049	\$ 59,389	19 %
Unsecured credit facility and commercial paper program	1,552	8,831	(7,279)	(82)%	5,425	15,697	(10,272)	(65)%
Loan expense	4,762	4,911	(149)	(3)%	17,295	14,958	2,337	16 %
Totals	\$ 139,487	\$ 126,121	\$ 13,366	11 %	\$ 402,158	\$ 350,704	\$ 51,454	15 %

The change in interest expense on senior unsecured notes is due to the net effect of issuances and extinguishments, as well as the movement in foreign exchange rates and related hedge activity. Please refer to Note 11 to our unaudited consolidated financial statements for additional information. The change in interest expense on our unsecured revolving credit facility and commercial paper program is due primarily to the net effect and timing of draws, paydowns and variable interest rate changes. Please refer to Note 10 to our unaudited consolidated financial statements for additional information regarding our unsecured revolving credit facility and commercial paper program. Loan expenses represent the amortization of costs incurred in connection with senior unsecured notes issuances.

General and administrative expenses as a percentage of consolidated revenues for the nine months ended September 30, 2023 and 2022 were 2.76% and 2.51%, respectively. The increase during the three and nine month periods is primarily driven by compensation costs associated with increased employee headcount. The provision for income taxes primarily relates to state taxes, foreign taxes and taxes based on income generated by entities that are structured as TRSs.

Other

Non-GAAP Financial Measures

We believe that net income and net income attributable to common stockholders, as defined by U.S. GAAP, are the most appropriate earnings measurements. However, we consider FFO, NOI, SSNOI, EBITDA and Adjusted EBITDA to be useful supplemental measures of our operating performance. Historical cost accounting for real estate assets in accordance with U.S. GAAP implicitly assumes that the value of real estate assets diminishes predictably over time as evidenced by the provision for depreciation. However, since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient. In response, the National Association of Real Estate Investment Trusts ("NAREIT") created funds from operations attributable to common stockholders ("FFO") as a supplemental measure of operating performance for REITs that excludes historical cost depreciation from net income. FFO, as defined by NAREIT, means NICS, computed in accordance with U.S. GAAP, excluding gains (or losses) from sales of real estate and impairment of depreciable assets, plus depreciation and amortization, and after adjustments for unconsolidated entities and noncontrolling interests.

NOI is used to evaluate the operating performance of our properties. We define NOI as total revenues, including tenant reimbursements, less property operating expenses. Property operating expenses represent costs associated with managing, maintaining and servicing tenants for our properties. These expenses include, but are not limited to, property-related payroll and benefits, property management fees paid to operators, marketing, housekeeping, food service, maintenance, utilities, property taxes and insurance. General and administrative expenses represent general overhead costs that are unrelated to property operations and unallocable to the properties. These expenses include, but are not limited to, payroll and benefits related to corporate employees, professional services, office expenses and depreciation of corporate fixed assets. Same store NOI ("SSNOI") is used to evaluate the operating performance of our properties using a consistent population which controls for changes in the composition of our portfolio. We believe the drivers of property level NOI for both consolidated properties and unconsolidated properties are generally the same and therefore, we evaluate SSNOI based on our ownership interest in each property ("Welltower Share"). To arrive at Welltower's Share, NOI is adjusted by adding our minority ownership share related to unconsolidated properties and by subtracting the minority partners' noncontrolling ownership interests for consolidated properties. We do not control investments in unconsolidated properties and while we consider disclosures at Welltower Share to be useful, they may not accurately depict the legal and economic implications of our joint venture arrangements and should be used with caution. As used herein, same store is generally defined as those revenue-generating properties in the portfolio for the relevant year-over-year reporting periods. Acquisitions and development conversions are included in SSNOI five full quarters or seven full quarters after acquisition or being placed into service for the QTD Pool and the YTD Pool, respectively. Land parcels, loans and sub-leases, as well as any properties sold or classified as held for sale during the respective periods are excluded from SSNOI. Redeveloped properties (including major refurbishments of a Seniors Housing Operating property where 20% or more of units are simultaneously taken out of commission for 30 days or more or Outpatient Medical properties undergoing a change in intended use) are excluded from SSNOI until five full quarters or seven full quarters post completion of the redevelopment for the QTD Pool and YTD Pool, respectively. Properties undergoing operator transitions and/or segment transitions are also excluded from SSNOI until five full quarters or seven full quarters post completion of the transition for the QTD Pool and YTD Pool, respectively. In addition, properties significantly impacted by force majeure, acts of God, or other extraordinary adverse events are excluded from SSNOI until five full quarters or seven full quarters after the properties are placed back into service for the QTD Pool and YTD Pool, respectively. SSNOI excludes non-cash NOI and includes adjustments to present consistent ownership percentages and to translate Canadian properties and U.K. properties using a consistent exchange rate. We believe NOI and SSNOI provide investors relevant and useful information because they measure the operating performance of our properties at the property level on an unleveraged basis. We use NOI and SSNOI to make decisions about resource allocations and to assess the property level performance of our properties.

EBITDA is defined as earnings (net income) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding unconsolidated entities and including adjustments for stock-based compensation expense, provision for loan losses, gains/losses on extinguishment of debt, gains/loss/impairments on properties, gains/losses on derivatives and financial instruments, other expenses, other impairment charges and other adjustments as deemed appropriate. We believe that EBITDA and Adjusted EBITDA, along with net income, are important supplemental measures because they provide additional information to assess and evaluate the performance of our operations. We primarily use these measures to determine our interest coverage ratio, which represents EBITDA and Adjusted EBITDA divided by total interest, and our fixed charge coverage ratio, which represents EBITDA and Adjusted EBITDA divided by fixed charges. Fixed charges include total interest and secured debt principal amortization. Covenants in our unsecured senior notes and primary credit facility contain financial ratios based on a definition of EBITDA and Adjusted EBITDA that is specific to those agreements. Our leverage ratios are defined as the proportion of net debt to total capitalization and include book capitalization, undepreciated book capitalization and market capitalization. Book capitalization represents the sum of net debt (defined as total long-term debt, excluding operating lease liabilities, less cash and cash equivalents and restricted cash), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated

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depreciation and amortization. Market capitalization represents book capitalization adjusted for the fair market value of our common stock.

Our supplemental reporting measures and similarly entitled financial measures are widely used by investors, equity and debt analysts and rating agencies in the valuation, comparison, rating and investment recommendations of companies. Management uses these financial measures to facilitate internal and external comparisons to our historical operating results and in making operating decisions. Additionally, these measures are utilized by the Board of Directors to evaluate management. None of our supplemental measures represent net income or cash flow provided from operating activities as determined in accordance with U.S. GAAP and should not be considered as alternative measures of profitability or liquidity. Finally, the supplemental measures, as defined by us, may not be comparable to similarly entitled items reported by other real estate investment trusts or other companies.

The tables below reflect the reconciliation of FFO to NICS, the most directly comparable U.S. GAAP measure, for the periods presented. Noncontrolling interest and unconsolidated entity amounts represent adjustments to reflect our share of depreciation and amortization, gains/loss on real estate dispositions and impairment of assets. Amounts are in thousands except for per share data.

	Three Months Ended						
	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2023	2023	2023	2022	2022	2022	2022
FFO Reconciliation:							
Net income (loss) attributable to common stockholders	\$ 127,470	\$ 103,040	\$ 25,673	\$ (3,728)	\$ (6,767)	\$ 89,784	\$ 61,925
Depreciation and amortization	339,314	341,945	339,112	342,286	353,699	310,295	304,088
Impairment of assets	7,388	1,086	12,629	13,146	4,356	—	—
Loss (gain) on real estate dispositions, net	(71,102)	2,168	(747)	4,423	(1,064)	3,532	(22,934)
Noncontrolling interests	(8,789)	(12,841)	(13,327)	(13,989)	(14,614)	(13,173)	(14,753)
Unconsolidated entities	24,843	30,784	22,722	15,847	27,253	19,150	19,309
FFO	<u>\$ 419,124</u>	<u>\$ 466,182</u>	<u>\$ 386,062</u>	<u>\$ 357,985</u>	<u>\$ 362,863</u>	<u>\$ 409,588</u>	<u>\$ 347,635</u>
Average diluted shares outstanding							
For net income (loss) purposes	525,138	501,970	494,494	483,305	463,366	457,082	449,802
For FFO purposes	525,138	501,970	494,494	486,419	466,950	457,082	449,802
Per diluted share data:							
Net income attributable to common stockholders ⁽¹⁾	\$ 0.24	\$ 0.20	\$ 0.05	\$ (0.01)	\$ (0.01)	\$ 0.20	\$ 0.14
FFO	\$ 0.80	\$ 0.93	\$ 0.78	\$ 0.74	\$ 0.78	\$ 0.90	\$ 0.77

⁽¹⁾ Includes adjustment to the numerator for income (loss) attributable to OP Unitholders.

	Nine Months Ended	
	September 30,	
	2023	2022
FFO Reconciliations:		
Net income attributable to common stockholders	\$ 256,183	\$ 144,942
Depreciation and amortization	1,020,371	968,082
Impairment of assets	21,103	4,356
Loss (gain) on real estate dispositions, net	(69,681)	(20,466)
Noncontrolling interests	(34,957)	(42,540)
Unconsolidated entities	78,349	65,712
FFO	<u>\$ 1,271,368</u>	<u>\$ 1,120,086</u>
Average diluted common shares outstanding:	507,353	457,999
Per diluted share data:		
Net income attributable to common stockholders ⁽¹⁾	\$ 0.50	\$ 0.32
FFO	\$ 2.51	\$ 2.45

⁽¹⁾ Includes adjustment to the numerator for income (loss) attributable to OP unitholders.

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The following is a reconciliation of the properties included in our QTD Pool and YTD Pool for SSNOI:

SSNOI Property Reconciliations:	QTD Pool				YTD Pool			
	Seniors Housing Operating	Triple-net	Outpatient Medical	Total	Seniors Housing Operating	Triple-net	Outpatient Medical	Total
Consolidated properties	861	591	363	1,815	861	591	363	1,815
Unconsolidated properties	85	39	78	202	85	39	78	202
Total properties	946	630	441	2,017	946	630	441	2,017
Recent acquisitions/development conversions ⁽¹⁾	(64)	(37)	(38)	(139)	(118)	(37)	(48)	(203)
Under development	(34)	—	(10)	(44)	(34)	—	(10)	(44)
Under redevelopment ⁽²⁾	(6)	(3)	(2)	(11)	(6)	(3)	(2)	(11)
Current held for sale	(18)	(39)	(2)	(59)	(18)	(39)	(2)	(59)
Land parcels, loans and subleases	(18)	(8)	(8)	(34)	(18)	(8)	(8)	(34)
Transitions ⁽³⁾	(115)	(174)	—	(289)	(115)	(174)	—	(289)
Other ⁽⁴⁾	(13)	(5)	(2)	(20)	(13)	(5)	(2)	(20)
Same store properties	678	364	379	1,421	624	364	369	1,357

⁽¹⁾ Acquisitions and development conversions will enter the QTD Pool five full quarters and the YTD Pool seven full quarters after acquisition or certificate of occupancy.

⁽²⁾ Redevelopment properties will enter the QTD Pool after five full quarters and the YTD Pool after seven full quarters of operations post redevelopment completion.

⁽³⁾ Transitioned properties will enter the QTD Pool after five full quarters and the YTD Pool after seven full quarters of operations with the new operator in place or under the new structure.

⁽⁴⁾ Represents properties that are either closed or being closed.

The following is a reconciliation of our consolidated NOI to same store NOI for the periods presented for the respective pools (dollars in thousands):

SSNOI Reconciliations:	QTD Pool		YTD Pool	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Seniors Housing Operating:				
Consolidated NOI	\$ 284,909	\$ 230,686	\$ 817,058	\$ 719,281
NOI attributable to unconsolidated investments	19,037	14,536	44,793	35,912
NOI attributable to noncontrolling interests	(15,656)	(15,025)	(47,891)	(106,169)
NOI attributable to non-same store properties	(46,313)	(35,988)	(189,595)	(130,545)
Non-cash NOI attributable to same store properties	230	(349)	(234)	(1,024)
Currency and ownership adjustments ⁽¹⁾	(1,239)	(176)	(1,169)	(2,563)
SSNOI at Welltower Share	240,968	193,684	622,962	514,892
Triple-net:				
Consolidated NOI	226,278	217,324	744,150	664,145
NOI attributable to unconsolidated investments	5,705	8,058	21,863	20,569
NOI attributable to noncontrolling interests	(8,010)	(10,231)	(23,342)	(31,544)
NOI attributable to non-same store properties	(103,014)	(98,244)	(380,743)	(300,985)
Non-cash NOI attributable to same store properties	(10,031)	(11,362)	(34,410)	(31,290)
Currency and ownership adjustments ⁽¹⁾	(1,014)	211	(2,049)	(2,523)
SSNOI at Welltower Share	109,914	105,756	325,469	318,372
Outpatient Medical:				
Consolidated NOI	129,754	119,257	383,715	348,339
NOI attributable to unconsolidated investments	4,746	4,780	14,338	14,521
NOI attributable to noncontrolling interests	(3,195)	(5,731)	(13,091)	(16,513)
NOI attributable to non-same store properties	(11,312)	(2,152)	(40,269)	(12,755)
Non-cash NOI attributable to same store properties	(4,235)	(4,334)	(11,770)	(10,566)
Currency and ownership adjustments ⁽¹⁾	740	2,711	5,878	9,184
SSNOI at Welltower Share	116,498	114,531	338,801	332,210
SSNOI at Welltower Share:				
Seniors Housing Operating	240,968	193,684	622,962	514,892
Triple-net	109,914	105,756	325,469	318,372
Outpatient Medical	116,498	114,531	338,801	332,210
Total	\$ 467,380	\$ 413,971	\$ 1,287,232	\$ 1,165,474

⁽¹⁾ Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.37 and to translate U.K. properties at a GBP/USD rate of 1.20.

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The tables below reflect the reconciliation of EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented (dollars in thousands):

	Three Months Ended						
	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2023	2023	2023	2022	2022	2022	2022
EBITDA Reconciliations:							
Net income (loss)	\$ 134,722	\$ 106,342	\$ 28,635	\$ 1,798	\$ (2,653)	\$ 95,672	\$ 65,751
Interest expense	156,532	152,337	144,403	140,391	139,682	127,750	121,696
Income tax expense (benefit)	4,584	3,503	3,045	(4,088)	3,257	3,065	5,013
Depreciation and amortization	339,314	341,945	339,112	342,286	353,699	310,295	304,088
EBITDA	<u>\$ 635,152</u>	<u>\$ 604,127</u>	<u>\$ 515,195</u>	<u>\$ 480,387</u>	<u>\$ 493,985</u>	<u>\$ 536,782</u>	<u>\$ 496,548</u>
Interest Coverage Ratio:							
Interest expense	\$ 156,532	\$ 152,337	\$ 144,403	\$ 140,391	\$ 139,682	\$ 127,750	\$ 121,696
Non-cash interest expense	(6,716)	(5,824)	(5,083)	(4,280)	(6,759)	(6,606)	(4,109)
Capitalized interest	13,947	11,870	10,335	9,762	8,863	6,387	5,479
Total interest	163,763	158,383	149,655	145,873	141,786	127,531	123,066
EBITDA	\$ 635,152	\$ 604,127	\$ 515,195	\$ 480,387	\$ 493,985	\$ 536,782	\$ 496,548
Interest coverage ratio	<u>3.88 x</u>	<u>3.81 x</u>	<u>3.44 x</u>	<u>3.29 x</u>	<u>3.48 x</u>	<u>4.21 x</u>	<u>4.03 x</u>
Fixed Charge Coverage Ratio:							
Total interest	\$ 163,763	\$ 158,383	\$ 149,655	\$ 145,873	\$ 141,786	\$ 127,531	\$ 123,066
Secured debt principal payments	12,865	13,839	14,942	13,989	13,775	14,382	15,968
Total fixed charges	176,628	172,222	164,597	159,862	155,561	141,913	139,034
EBITDA	\$ 635,152	\$ 604,127	\$ 515,195	\$ 480,387	\$ 493,985	\$ 536,782	\$ 496,548
Fixed charge coverage ratio	<u>3.60 x</u>	<u>3.51 x</u>	<u>3.13 x</u>	<u>3.01 x</u>	<u>3.18 x</u>	<u>3.78 x</u>	<u>3.57 x</u>

	Nine Months Ended	
	September 30,	
	2023	2022
EBITDA Reconciliations:		
Net income (loss)	\$ 269,699	\$ 158,770
Interest expense	453,272	389,128
Income tax expense (benefit)	11,132	11,335
Depreciation and amortization	1,020,371	968,082
EBITDA	<u>\$ 1,754,474</u>	<u>\$ 1,527,315</u>
Interest Coverage Ratio:		
Interest expense	\$ 453,272	\$ 389,128
Non-cash interest expense	(17,623)	(17,474)
Capitalized interest	36,152	20,729
Total interest	471,801	392,383
EBITDA	\$ 1,754,474	\$ 1,527,315
Interest coverage ratio	<u>3.72 x</u>	<u>3.89 x</u>
Fixed Charge Coverage Ratio:		
Total interest	\$ 471,801	\$ 392,383
Secured debt principal payments	41,646	44,125
Total fixed charges	513,447	436,508
EBITDA	\$ 1,754,474	\$ 1,527,315
Fixed charge coverage ratio	<u>3.42 x</u>	<u>3.50 x</u>

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The table below reflects the reconciliation of Adjusted EBITDA to net income, the most directly comparable U.S. GAAP measure, for the periods presented (dollars in thousands):

	Twelve Months Ended						
	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
	2023	2023	2023	2022	2022	2022	2022
Adjusted EBITDA Reconciliations:							
Net income	\$ 271,497	\$ 134,122	\$ 123,452	\$ 160,568	\$ 224,964	\$ 417,953	\$ 368,038
Interest expense	593,663	576,813	552,226	529,519	510,976	493,816	488,407
Income tax expense (benefit)	7,044	5,717	5,279	7,247	13,386	15,069	9,783
Depreciation and amortization	1,362,657	1,377,042	1,345,392	1,310,368	1,252,583	1,166,638	1,097,228
EBITDA	2,234,861	2,093,694	2,026,349	2,007,702	2,001,909	2,093,476	1,963,456
Loss (income) from unconsolidated entities	56,084	58,751	25,477	21,290	28,814	37,948	38,866
Stock-based compensation expense	34,762	32,299	27,709	26,027	22,402	20,766	18,994
Loss (gain) on extinguishment of debt, net	94	95	697	680	(497)	(504)	54,505
Loss (gain) on real estate dispositions, net	(65,258)	4,780	6,144	(16,043)	(32,139)	(151,029)	(199,229)
Impairment of assets	34,249	31,217	30,131	17,502	6,713	3,847	27,539
Provision for loan losses, net	17,761	14,192	11,098	10,320	(188)	(949)	5,083
Loss (gain) on derivatives and financial instruments, net	5,353	9,373	5,751	8,334	7,246	(7,737)	(6,689)
Other expenses	96,988	74,249	98,346	101,670	92,199	80,293	56,814
Lease termination and leasehold interest adjustment ⁽¹⁾	(65,485)	(65,485)	(56,397)	(64,854)	(63,454)	(64,094)	(7,697)
Casualty losses, net of recoveries	16,446	15,760	14,865	10,391	7,802	8,472	5,799
Other impairment ⁽²⁾	12,309	—	(620)	(620)	(620)	(620)	—
Adjusted EBITDA	<u>\$ 2,378,164</u>	<u>\$ 2,268,925</u>	<u>\$ 2,189,550</u>	<u>\$ 2,122,399</u>	<u>\$ 2,070,187</u>	<u>\$ 2,019,869</u>	<u>\$ 1,957,441</u>
Adjusted Interest Coverage Ratio:							
Interest expense	\$ 593,663	\$ 576,813	\$ 552,226	\$ 529,519	\$ 510,976	\$ 493,816	\$ 488,407
Capitalized interest	45,914	40,830	35,347	30,491	26,054	21,860	20,335
Non-cash interest expense	(21,903)	(21,946)	(22,728)	(21,754)	(18,679)	(21,258)	(18,624)
Total interest	617,674	595,697	564,845	538,256	518,351	494,418	490,118
Adjusted EBITDA	\$ 2,378,164	\$ 2,268,925	\$ 2,189,550	\$ 2,122,399	\$ 2,070,187	\$ 2,019,869	\$ 1,957,441
Adjusted interest coverage ratio	<u>3.85 x</u>	<u>3.81 x</u>	<u>3.88 x</u>	<u>3.94 x</u>	<u>3.99 x</u>	<u>4.09 x</u>	<u>3.99 x</u>
Adjusted Fixed Charge Coverage Ratio:							
Total interest	\$ 617,674	\$ 595,697	\$ 564,845	\$ 538,256	\$ 518,351	\$ 494,418	\$ 490,118
Secured debt principal payments	55,635	56,545	57,088	58,114	61,002	64,267	65,600
Total fixed charges	673,309	652,242	621,933	596,370	579,353	558,685	555,718
Adjusted EBITDA	\$ 2,378,164	\$ 2,268,925	\$ 2,189,550	\$ 2,122,399	\$ 2,070,187	\$ 2,019,869	\$ 1,957,441
Adjusted fixed charge coverage ratio	<u>3.53 x</u>	<u>3.48 x</u>	<u>3.52 x</u>	<u>3.56 x</u>	<u>3.57 x</u>	<u>3.62 x</u>	<u>3.52 x</u>

⁽¹⁾ Primarily relates to the derecognition of leasehold interests and the gain recognized in other income.

⁽²⁾ Represents the write off or recovery of straight-line rent receivable balances relating to leases placed on cash recognition.

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Our leverage ratios include book capitalization, undepreciated book capitalization and market capitalization. Book capitalization represents the sum of net debt (defined as total long-term debt less cash and cash equivalents and restricted cash), total equity and redeemable noncontrolling interests. Undepreciated book capitalization represents book capitalization adjusted for accumulated depreciation and amortization. Market capitalization represents book capitalization adjusted for the fair market value of our common stock. Our leverage ratios are defined as the proportion of net debt to total capitalization.

The table below reflects the reconciliation of our leverage ratios to our balance sheets for the periods presented. Amounts are in thousands, except share price.

	As of						
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Book capitalization:							
Unsecured credit facility and commercial paper	\$ —	\$ —	\$ —	\$ —	\$ 654,715	\$ 354,000	\$ 299,968
Long-term debt obligations ⁽¹⁾	15,899,420	16,040,530	15,074,320	14,661,552	14,555,643	14,790,432	14,352,529
Cash and cash equivalents and restricted cash	(2,686,711)	(2,299,069)	(638,796)	(722,292)	(425,184)	(442,251)	(367,043)
Total net debt	13,212,709	13,741,461	14,435,524	13,939,260	14,785,174	14,702,181	14,285,454
Total equity and noncontrolling interests ⁽²⁾	23,818,619	22,193,114	21,596,155	21,393,996	20,457,650	19,873,913	19,178,026
Book capitalization	\$ 37,031,328	\$ 35,934,575	\$ 36,031,679	\$ 35,333,256	\$ 35,242,824	\$ 34,576,094	\$ 33,463,480
Net debt to book capitalization ratio	36%	38%	40%	39%	42%	43%	43%
Undepreciated book capitalization:							
Total net debt	\$ 13,212,709	\$ 13,741,461	\$ 14,435,524	\$ 13,939,260	\$ 14,785,174	\$ 14,702,181	\$ 14,285,454
Accumulated depreciation and amortization	8,868,627	8,599,622	8,417,151	8,075,733	7,687,077	7,437,779	7,215,622
Total equity and noncontrolling interests ⁽²⁾	23,818,619	22,193,114	21,596,155	21,393,996	20,457,650	19,873,913	19,178,026
Undepreciated book capitalization	\$ 45,899,955	\$ 44,534,197	\$ 44,448,830	\$ 43,408,989	\$ 42,929,901	\$ 42,013,873	\$ 40,679,102
Net debt to undepreciated book capitalization ratio	29%	31%	32%	32%	34%	35%	35%
Market capitalization:							
Common shares outstanding	532,268	508,159	496,295	490,509	472,517	463,369	453,948
Period end share price	\$ 81.92	\$ 80.89	\$ 71.69	\$ 65.55	\$ 64.32	\$ 82.35	\$ 96.14
Common equity market capitalization	\$ 43,603,395	\$ 41,104,982	\$ 35,579,389	\$ 32,152,865	\$ 30,392,293	\$ 38,158,437	\$ 43,642,561
Total net debt	13,212,709	13,741,461	14,435,524	13,939,260	14,785,174	14,702,181	14,285,454
Noncontrolling interests ⁽²⁾	864,583	988,673	1,148,000	1,099,182	1,288,343	1,317,733	1,282,450
Market capitalization	\$ 57,680,687	\$ 55,835,116	\$ 51,162,913	\$ 47,191,307	\$ 46,465,810	\$ 54,178,351	\$ 59,210,465
Net debt to market capitalization ratio	23%	25%	28%	30%	32%	27%	24%

⁽¹⁾ Amounts include senior unsecured notes, secured debt and lease liabilities related to financing leases, as reflected on our Consolidated Balance Sheets. Operating lease liabilities related to the ASC 842 adoption are excluded.

⁽²⁾ Includes amounts attributable to both redeemable noncontrolling interests and noncontrolling interests as reflected on our Consolidated Balance Sheets.

Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions. Management considers an accounting estimate or assumption critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on financial condition or operating performance is material.

Management has discussed the development and selection of its critical accounting policies and estimates with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 for further information on significant accounting policies that impact us. There have been no material changes to these policies in 2023.

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When Welltower uses words such as “may,” “will,” “intend,” “should,” “believe,” “expect,” “anticipate,” “project,” “pro forma,” “estimate” or similar expressions that do not relate solely to historical matters, Welltower is making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause Welltower’s actual results to differ materially from Welltower’s expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the impact of the COVID-19 pandemic; the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators’/tenants’ difficulty in cost effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and seniors housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; Welltower’s ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters and other acts of God affecting Welltower’s properties; Welltower’s ability to re-lease space at similar rates as vacancies occur; Welltower’s ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting Welltower’s properties; changes in rules or practices governing Welltower’s financial reporting; the movement of U.S. and foreign currency exchange rates; Welltower’s ability to maintain its qualification as a REIT; key management personnel recruitment and retention; and other risks described in Welltower’s reports filed from time to time with the SEC. Other important factors are identified in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, including factors identified under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Finally, Welltower undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. We seek to mitigate the underlying foreign currency exposures with gains and losses on derivative contracts hedging these exposures. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates.

We historically borrow on our unsecured revolving credit facility and commercial paper program to acquire, construct or make loans relating to health care and seniors housing properties. Then, as market conditions dictate, we will issue equity or long-term fixed rate debt to repay the borrowings under our unsecured revolving credit facility and commercial paper program. We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

A change in interest rates will not affect the interest expense associated with our fixed rate debt. Interest rate changes, however, will affect the fair value of our fixed rate debt. Changes in the interest rate environment upon maturity of this fixed rate debt could have an effect on our future cash flows and earnings, depending on whether the debt is replaced with other fixed rate debt, variable rate debt or equity or repaid by the sale of assets. To illustrate the impact of changes in the interest rate markets, we performed a sensitivity analysis on our fixed rate debt instruments after considering the effects of interest rate swaps, whereby we modeled the change in net present values arising from a hypothetical 1% increase in interest rates to determine the instruments’ change in fair value. The following table summarizes the analysis performed as of the dates indicated (in thousands):

Item 3. Quantitative and Qualitative Disclosures About Market Risk

	September 30, 2023		December 31, 2022	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	\$ 12,239,118	\$ (482,319)	\$ 10,839,782	\$ (488,159)
Secured debt	1,689,891	(54,534)	1,448,567	(36,654)
Totals	<u>\$ 13,929,009</u>	<u>\$ (536,853)</u>	<u>\$ 12,288,349</u>	<u>\$ (524,813)</u>

Our variable rate debt, including our unsecured revolving credit facility and commercial paper program, is reflected at fair value. At September 30, 2023, we had \$2,120,946,000 outstanding related to our variable rate debt after considering the effects of interest rate swaps. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of \$21,209,000. At December 31, 2022, we had \$2,426,134,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of \$24,261,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or British Pounds Sterling relative to the U.S. Dollar impact the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended September 30, 2023, including the impact of existing hedging arrangements, if these exchange rates were to increase or decrease by 10%, our annualized net income from these investments would increase or decrease, as applicable, by less than \$12,000,000. We will continue to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or British Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency exchange contracts	\$ 151,084	\$ 9,636	\$ 190,418	\$ 14,238
Debt designated as hedges	1,467,176	14,672	1,452,832	14,528
Totals	<u>\$ 1,618,260</u>	<u>\$ 24,308</u>	<u>\$ 1,643,250</u>	<u>\$ 28,766</u>

For additional information regarding fair values of financial instruments, see “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” and Notes 12 and 17 to our unaudited consolidated financial statements.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports we file with or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. No changes in our internal control over financial reporting occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q 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*

From time to time, there are various legal proceedings pending against us that arise in the ordinary course of our business. Management does not believe that the resolution of any of these legal proceedings either individually or in the aggregate will have a material adverse effect on our business, results of operations or financial condition. Further, from time to time, we are party to certain legal proceedings for which third parties, such as tenants, operators and/or managers are contractually obligated to indemnify, defend and hold us harmless. In some of these matters, the indemnitors have insurance for the potential damages. In other matters, we are being defended by tenants and other obligated third parties and these indemnitors may not have sufficient insurance, assets, income or resources to satisfy their defense and indemnification obligations to us. The unfavorable resolution of such legal proceedings could, individually or in the aggregate, materially adversely affect the indemnitors' ability to satisfy their respective obligations to us, which, in turn, could have a material adverse effect on our business, results of operations or financial condition. It is management's opinion that there are currently no such legal proceedings pending that will, individually or in the aggregate, have such a material adverse effect. Despite management's view of the ultimate resolution of these legal proceedings, we may have significant legal expenses and costs associated with the defense of such matters. Further, management cannot predict the outcome of these legal proceedings and if management's expectation regarding such matters is not correct, such proceedings could have a material adverse effect on our business, results of operations or financial condition.

Item 1A. *Risk Factors*

There have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

During the three months ended September 30, 2023, we acquired shares of our common stock held by employees who tendered shares to satisfy tax withholding obligations upon the vesting of previously issued restricted stock awards. Specifically, the number of shares of common stock acquired from employees and the average prices paid per share for each month in the third quarter ended September 30, 2023 are as shown in the table below.

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program
July 1, 2023 through July 31, 2023	74	\$ 80.89	—	\$ 3,000,000,000
August 1, 2023 through August 31, 2023	2,613	79.98	—	3,000,000,000
September 1, 2023 through September 30, 2023	261	84.37	—	3,000,000,000
Totals	2,948	\$ 80.39	—	\$ 3,000,000,000

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners may be redeemed, subject to certain conditions, for cash or common shares, at our option. During the three months ended September 30, 2023, we redeemed 62,088 OP Units for common shares.

On November 7, 2022, our Board of Directors approved a share repurchase program for up to \$3,000,000,000 of common stock (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are not required to purchase shares but may choose to do so in the open market or through privately-negotiated transactions, through block trades, by effecting a tender offer, by way of an accelerated share repurchase program, through the purchase of call options or the sale of put options, or otherwise, or by any combination of the foregoing. We expect to finance any share repurchases using available cash and may use proceeds from borrowings or debt offerings. The Stock Repurchase Program has no expiration date and does not obligate us to repurchase any specific number of shares. We did not repurchase any shares of our common stock through the Stock Repurchase Program during the three months ended September 30, 2023.

Item 5. *Other Information*

None.

Item 6. Exhibits

- 10.1 Equity Distribution Agreement, dated as of August 1, 2023, among Welltower Inc., Welltower OP LLC, the sales agents and the related forward purchasers (filed with the Commission as Exhibit 1.1 to the Company's Form 8-K filed August 1, 2023 (File No. 001-08923) and incorporated by reference herein).
- 22 [List of Subsidiary Issuers and Guaranteed Securities.](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 32.1 [Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.](#)
- 32.2 [Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.](#)
- 101.INS XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL

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 under signed thereunto duly authorized.

WELLTOWER INC.

Date: October 31, 2023 By: /s/ SHANKH MITRA
Shankh Mitra,
Chief Executive Officer
(Principal Executive Officer)

Date: October 31, 2023 By: /s/ TIMOTHY G. MCHUGH
Timothy G. McHugh,
Executive Vice President - Chief Financial Officer
(Principal Financial Officer)

Date: October 31, 2023 By: /s/ JOSHUA T. FIEWEGER
Joshua T. Fieweger,
Chief Accounting Officer
(Principal Accounting Officer)

List of Subsidiary Issuers and Guaranteed Securities

Welltower Inc. fully and unconditionally guarantees all of the notes issued by Welltower OP LLC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, **Shankh Mitra**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Welltower Inc.;
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 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 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: October 31, 2023

/s/ SHANKH MITRA

Shankh Mitra,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, **Timothy G. McHugh**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Welltower Inc.;
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 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 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: October 31, 2023

/s/ TIMOTHY G. MCHUGH

Timothy G. McHugh,

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, Shankh Mitra, the Chief Executive Officer of Welltower Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2023 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SHANKH MITRA

Shankh Mitra,

Chief Executive Officer

Date: October 31, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

I, Timothy G. McHugh, the Chief Financial Officer of Welltower Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that (i) the Quarterly Report on Form 10-Q for the Company for the quarter ended September 30, 2023 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TIMOTHY G. MCHUGH

Timothy G. McHugh,
Executive Vice President and Chief Financial Officer
Date: October 31, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.