



2023 **ANNUAL REPORT**



Skillful and Thoughtful Investing

Dear Fellow Shareholders,

I begin by expressing my gratitude and appreciation to you for your continued support of Sila Realty Trust. We concluded 2023 with strong results and metrics that directly reflect our resilient portfolio of institutional quality healthcare assets.

During 2023, we remained disciplined in our capital allocation, while strengthening our balance sheet and liquidity position for greater financial flexibility. Although the global economy remains challenging, we made significant strides in enhancing our carefully curated real estate portfolio by sourcing and investing capital in assets that we believe will be accretive.

We acquired two Class A medical outpatient buildings, totaling approximately 130,000 rentable square feet, for an aggregate purchase price of approximately \$70 million. These facilities are exactly the type of institutional quality assets we want to acquire – properties with stable tenants and strong health system affiliations that are important to the communities they serve. Our methodical and disciplined approach to acquisitions is critical to building a robust and resilient portfolio that is positioned for long-term success.

We continued to actively manage our real estate portfolio and sold three properties for aggregate proceeds of approximately \$271 million. This included the disposition of our largest single asset for approximately \$258 million in a transaction that was triggered by the tenant electing to exercise its purchase option under the terms of the lease. We used these proceeds to pay down all of our outstanding variable rate debt. Our remaining debt is fixed through interest rate swaps at a highly attractive all-in annual interest rate of 3.3%. We expect to use the balance of the proceeds to support our general corporate purposes, including acquiring new real estate properties to further diversify our portfolio of healthcare assets into more outpatient and post-acute healthcare assets.

At the end of 2023, we had a favorable liquidity position, with over \$700 million of cash, cash equivalents, and ample availability under our credit facility. With this financial flexibility, we are well positioned to continue to acquire real estate in 2024 and beyond.

We ended the year with a highly diversified portfolio of 131 healthcare facilities across the country, with a focus on the “smile state” markets. Our expansive portfolio is 99.9% leased through triple or absolute net leases and is comprised of 5.1 million rentable square feet of single and multi-tenant space. Our weighted average lease rate was 99.4% and our weighted average remaining lease term was 8.5 years. We believe that these outstanding portfolio metrics are a testament to the quality and importance of our facilities to our tenants.

We reported strong year-over-year financial performance with AFFO growth of approximately 9%, reflecting the stability and reliability of our property income streams. Our net debt to EBITDA ratio and net debt leverage ratio were 2.1x and 16.1%, respectively, demonstrating our conservative approach to balance sheet management even during persistent inflationary times.

On December 18, 2023, the Board of Directors approved an updated estimated per share net asset value (or “NAV”) of \$7.48 per share for each class of the company’s common stock, calculated as of October 31, 2023. The change in NAV was driven by several factors, including an increase in capitalization rates, as a result of, among other factors, an increase in interest rates. This, in turn, had a direct correlation to real estate valuations, not just in healthcare, but for all real estate. Despite volatile interest rates and market valuations, the Board maintained the company’s annual dividend rate of \$0.40 per share which is well supported by our durable income stream from stable healthcare tenants.

Knowing that market fluctuations are beyond our control, we strive to maintain a strong financial position, including low to moderate leverage, a fortress-like balance sheet, and a reasonable dividend payout ratio.

I am proud of our team’s discipline and dedication throughout 2023, which we believe positions Sila exceptionally well for continued growth and success in 2024 and beyond. Our strong capital position is a distinct competitive advantage that we expect will allow us to continue to invest in a large and growing set of attractive investment opportunities in healthcare real estate.

We also continue to pursue a public market listing on a national stock exchange, which should provide Sila Realty Trust with further growth opportunities as we gain access to the public equity markets. I encourage you to visit our website at www.silarealtytrust.com for company news, financial information, and supplemental data.

On behalf of our entire team at Sila Realty Trust, thank you for your ongoing support. We are committed to building an outstanding portfolio of valuable healthcare facilities to deliver attractive returns to our shareholders. With favorable demographics and growing demand for high quality healthcare facilities, we believe we have a winning strategy and a bright future ahead.

With gratitude,

Michael A. Seton

Michael A. Seton
President and Chief Executive Officer
Sila Realty Trust, Inc.



Executive Officers and Board of Directors

Michael A. Seton

President, Chief Executive Officer and Director

Kay C. Neely

Executive Vice President, Chief Financial Officer, Treasurer and Secretary

Jonathan Kuchin

Chairman of the Board and Independent Director

Z. Jamie Behar

Independent Director

Adrienne Kirby

Independent Director

Verett Mims

Independent Director

Roger Pratt

Independent Director

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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: 000-55435



SILA REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

46-1854011

(State or Other Jurisdiction of Incorporation or Organization)

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

1001 Water Street, Suite 800
Tampa, FL 33602

(813) 287-0101

(Address of Principal Executive Offices; Zip Code)

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol	Name of each exchange on which registered
N/A	N/A	N/A

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

Common stock, par value \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

There is no established market for the Registrant's shares of common stock.

As of June 30, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, there were approximately 168,697,000 shares of Class A common stock, 16,865,000 shares of Class I common stock, 41,405,000 shares of Class T common stock and 0 shares of Class T2 common stock held by non-affiliates, for an aggregate market value of approximately \$1,371,507,000, \$137,112,000, \$336,623,000 and \$0, respectively, assuming a market value of \$8.13 per share of our Class A common stock, Class I common stock, Class T common stock and Class T2 common stock, based on the Registrant's estimated per share net asset value as of June 30, 2023, of the Registrant's common stock established by the Registrant's board of directors at that time.

As of February 29, 2024, there were approximately 169,361,000 shares of Class A common stock, 17,019,000 shares of Class I common stock, 41,891,000 shares of Class T common stock and 0 shares of Class T2 common stock of Sila Realty Trust, Inc. outstanding.

Documents Incorporated by Reference

Portions of Registrant's proxy statement for the 2024 annual stockholders meeting, to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended December 31, 2023, are incorporated by reference in Part III. Items 10, 11, 12, 13 and 14.

SILA REALTY TRUST, INC.
(A Maryland Corporation)

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SIGNATURES

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K of Sila Realty Trust, Inc., other than historical facts, may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We intend for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Securities Act and the Exchange Act, as applicable by law. Such statements include, in particular, statements about our plans, strategies, goals, objectives, initiatives, financial position, prospects, competition, future transactions, acquisitions and partnerships, availability of funds, payment of distributions, share repurchases, capital and other significant expenditures, and liquidity, and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “would,” “could,” “should,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue,” or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Annual Report on Form 10-K is filed with the U.S. Securities and Exchange Commission, or SEC. We make no representation or warranty (express or implied) about the accuracy of any such forward-looking statements contained in this Annual Report on Form 10-K, and we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We caution investors not to place undue reliance on forward-looking statements, which reflect our management’s view only as of the date of this Annual Report on Form 10-K. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. The forward-looking statements should be read in light of the risk factors identified in the Item 1A. Risk Factors section of this Annual Report on Form 10-K.

PART I.

Item 1. Business.

General Description of Business and Operations

Sila Realty Trust, Inc. is a Maryland corporation that was formed on January 11, 2013, headquartered in Tampa, Florida, that has elected, and currently qualifies, to be taxed as a real estate investment trust, or a REIT, under the Internal Revenue Code of 1986, as amended, or the Code, for federal income tax purposes. Substantially all of Sila Realty Trust, Inc.'s business is conducted through Sila Realty Operating Partnership, LP, a Delaware limited partnership, or the Operating Partnership. Sila Realty Trust, Inc. is the sole general partner of the Operating Partnership and directly and indirectly owns 100% of the Operating Partnership. Except as the context otherwise requires, “we,” “our,” “us,” and the “Company” refer to Sila Realty Trust, Inc., our Operating Partnership and all wholly-owned subsidiaries.

We are an internally managed company primarily focused on investing in high quality healthcare assets across the continuum of care, which we believe typically generate predictable, durable and growing income streams. We may also make other real estate-related investments, which may include equity or debt interests in other real estate entities.

We formerly invested in data center properties. During the second quarter of 2021, our board of directors, or the Board, made a determination to sell our data center properties. On May 19, 2021, we and certain of our wholly-owned subsidiaries entered into a purchase and sale agreement, or the PSA, for the sale of up to 29 data center properties owned by us, which constituted the entirety of our data center segment, or the Data Center Sale. On July 22, 2021, we completed the sale of all 29 of the data center properties for an aggregate sale price of \$1,320,000,000, and generated net proceeds of approximately \$1,295,367,000. Concurrently, the Board declared a special cash distribution of \$1.75 per share of Class A, Class I, Class T and Class T2 shares of common stock. The special cash distribution was funded with the proceeds from the sale of the data center properties. The special cash distribution was paid on July 30, 2021 to stockholders of record at the close of business on July 26, 2021, in the aggregate amount of approximately \$392,685,000. The decision of the Board to sell the data center properties, as well as the execution of the PSA, represented a strategic shift that had a major effect on our results and operations for the periods presented. The operations of the data center segment have been classified as income from discontinued operations on the consolidated statements of comprehensive income for the year ended December 31, 2021.

We raised the equity capital for our real estate investments through two public offerings, or our Offerings, from May 2014 through November 2018, and we have offered shares through our distribution reinvestment plan, or the DRIP, pursuant to three Registration Statements on Form S-3, together the DRIP Offerings and each a DRIP Offering, since November 2017.

As of December 31, 2023, we owned 131 real estate healthcare properties and two undeveloped land parcels.

We have historically established, and intend to continue to establish, an estimated per share net asset value, or Estimated Per Share NAV, on at least an annual basis. Each Estimated Per Share NAV was determined by the Board, after consultation with an independent third-party valuation firm. The Estimated Per Share NAV is not subject to audit by our independent registered public accounting firm. The Estimated Per Share NAV was calculated for purposes of assisting broker-dealers participating in public offerings in meeting their customer account statement reporting obligations under the National Association of Securities Dealers Conduct Rule 2340. The following table outlines the established Estimated Per Share NAV as determined by the Board for the last three years as of each valuation date presented below:

Valuation Date	Effective Date	Estimated Per Share NAV	
May 31, 2021	July 26, 2021	\$9.95	(1)
May 31, 2021	July 26, 2021	\$8.20	(1)
June 30, 2022	August 25, 2022	\$8.22	
March 31, 2023	May 11, 2023	\$8.13	
October 31, 2023	December 18, 2023	\$7.48	

- (1) On July 22, 2021, we announced the Estimated Per Share NAV that the Board, at the recommendation of our audit committee, or the Audit Committee, approved on July 20, 2021, which was calculated as of May 31, 2021, of \$9.95. Upon the declaration of a special cash distribution of \$1.75 per share to stockholders of record on July 26, 2021, the new Estimated Per Share NAV was \$8.20.

Key Developments During 2023

- During the year ended December 31, 2023, we purchased two operating healthcare properties, comprising approximately 130,000 rentable square feet for an aggregate purchase price of approximately \$69,822,000.

- During the year ended December 31, 2023, we sold three healthcare facilities for an aggregate sale price of \$271,107,000 and generated net proceeds of \$270,306,000.

Investment Objectives and Policies

Our primary investment objectives at this time are to:

- acquire high quality healthcare properties leased to tenants along the continuum of care, capitalizing on critical and structural economic growth drivers;
- pay regular cash distributions to stockholders;
- preserve, protect and return capital contributions to stockholders;
- realize appreciated growth in the value of our investments upon the sale of such investments in whole or in part; and
- be prudent, patient and deliberate with respect to the purchase and sale of our investments considering current and projected real estate markets.

We cannot assure stockholders that we will attain these objectives or that the value of our assets will not decrease. Furthermore, within our investment objectives and policies, we have substantial discretion with respect to the selection of specific investments and the purchase and sale of our assets, subject to the approval of the Board. The Board may revise our investment objectives and policies if it determines that it is in the best interest of our stockholders.

Investment Strategy

We focus our investment activities on acquiring properties, preferably on a net-leased basis, that are primarily in the healthcare sector. We currently expect that most of our properties will continue to be located throughout the continental United States; however, we may purchase properties in other jurisdictions. We may also invest in real estate-related debt and equity securities that meet our investment strategy and return criteria. We evaluate our assets in an effort to avoid any investments that would cause us to fail to maintain our REIT status or cause us or any of our subsidiaries to be an investment company under the Investment Company Act of 1940.

We seek to obtain investments that are (i) essential to the successful business operations of the tenants; (ii) leased to creditworthy and investment grade tenants, preferably on a net-leased basis; (iii) leased to tenants on a long-term basis, which typically include annual or periodic fixed rental increases; and (iv) located in geographically diverse, established markets with superior access and visibility.

We may acquire properties in various stages of development or that require substantial refurbishment or renovation. This determination is made based upon a variety of factors, including the available risk-adjusted returns for such properties when compared with other available properties, the effect such properties would have on the diversification of our portfolio, and our investment objectives of realizing both current income and capital appreciation upon the sale of such properties.

We endeavor to achieve a well-balanced portfolio of real estate investments that is diversified by tenancy, geographic location, age and lease maturities. We seek to acquire properties primarily in the high-growth healthcare sector and tenants of the properties that are diversified between national, regional and local entities.

Creditworthy Tenants

We expect the tenants and/or sponsors of the tenants of our healthcare properties to be creditworthy national or regional companies generally with high net worth and high operating income.

A tenant is considered creditworthy if it has a financial profile that we believe meets our criteria. In evaluating the creditworthiness of a current tenant or a prospective tenant, we consider various factors, including, but not limited to, the proposed terms of the property acquisition, the financial condition of the tenant and/or the sponsor, the operating history of the property with the tenant, the tenant's market share and track record within its industry segment, the general health and outlook of the tenant's industry segment, and the lease length and other lease terms at the time of the property acquisition.

We monitor the credit of our tenants in an effort to stay abreast of any material changes in credit quality. We monitor tenant credit by: (1) reviewing the credit ratings of tenants (or their parent companies) that are rated by nationally recognized rating agencies; (2) reviewing financial statements that are publicly available or that are required to be delivered to us under the applicable lease; (3) monitoring industry reports and other available information regarding our tenants and their underlying businesses; (4) monitoring the timeliness of rent collections; and (5) conducting periodic inspections of our properties to ascertain proper maintenance, repair and upkeep.

Investment Decisions

In evaluating investments in properties, we consider various factors, including, to the extent such information is available with respect to such property, the following:

- proposed purchase price, terms and conditions;
- physical condition, age, and environmental reports;
- location, visibility and access;
- historical financial performance;
- tenants in place and tenant creditworthiness;
- lease terms, including rent, rent increases, length of lease term, specific tenant and landlord responsibilities, renewal, expansion, termination, purchase options, exclusive and permitted uses provisions, assignment and sublease provisions, and co-tenancy requirements;
- local market economic conditions, demographics and population growth patterns;
- neighboring properties; and
- potential for new property construction in the area.

Investing in and Originating Loans

Our criteria for originating or acquiring loans are substantially the same as those involved in our investment in properties. We may invest in mortgage, bridge or mezzanine loans. Further, we may invest in unsecured loans or loans secured by assets other than real estate.

Our underwriting process typically involves comprehensive financial, structural, operational and legal due diligence.

We may originate loans from mortgage brokers or personal solicitations of suitable borrowers, or we may purchase existing loans that were originated by other lenders. We evaluate all potential loan investments to decide whether the term of the loan, the security for the loan and the loan-to-value ratio meet our investment criteria and objectives.

Investing in Real Estate Securities

We may invest in non-majority owned securities of both publicly-traded and private companies primarily engaged in real estate businesses, including REITs and other real estate operating companies, and securities issued by pass-through entities of which substantially all of the assets consist of qualifying assets or real estate-related assets. We may purchase the common stock, preferred stock, debt, or other securities of these entities or options to acquire such securities.

Acquisition Structure

We have and expect to continue to acquire fee interests in properties (a fee interest is the absolute, legal possession and ownership of land, property, or rights), although we may utilize other methods of acquiring a property if we deem them to be advantageous.

In an effort to achieve our investment objectives, and to further diversify our portfolio, we have invested and expect to continue to invest in properties using various acquisition structures, which could include direct and indirect acquisitions, joint ventures, leveraged investments, issuing units in our Operating Partnership in exchange for properties and making mortgages or other loans secured by the same types of properties which we may acquire.

Joint Ventures

We may enter into joint ventures, partnerships and other co-ownership partnerships for the purpose of making investments. Some of the potential reasons to enter into a joint venture may be to acquire assets we could not otherwise acquire, to reduce our capital commitment to a particular asset, or to benefit from certain expertise a partner might have. In determining whether to invest in a particular joint venture, we evaluate the assets of the joint venture under the criteria described elsewhere in this Annual Report on Form 10-K for the selection of our investments. We also evaluate the terms of the joint venture, as well as the financial condition, operating capabilities and integrity of our partner or partners.

Disposition Policy

We typically intend to hold each asset we acquire for an extended period of time. However, circumstances may arise that could result in the sale of some assets earlier than initially expected. The determination of whether an asset will be sold or otherwise disposed of is made after consideration of relevant factors, including prevailing economic conditions, specific real

estate market conditions, tax implications for our stockholders, and other factors. The requirements for qualification as a REIT for federal income tax purposes may put some limits on our ability to sell assets after short holding periods.

Financing Strategy and Policies

We believe that utilizing borrowing is consistent with our investment objectives and has the potential to maximize returns to our stockholders. Financing for acquisitions and investments may be obtained at the time an asset is acquired or an investment is made or at a later time. In addition, debt financing may be used from time to time for property improvements, tenant improvements, leasing commissions and other working capital needs. The form of our indebtedness will vary and could be long-term or short-term, secured or unsecured, or fixed-rate or floating rate. We will not enter into interest rate swaps or caps, or similar hedging transactions or derivative arrangements for speculative purposes, but may do so in order to manage or mitigate our interest rate risk on variable rate debt.

Distribution Policy

The amount of distributions we pay to our stockholders is determined by the Board and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements, annual distribution requirements needed to maintain our status as a REIT under the Code and restrictions imposed by our organizational documents and Maryland law.

We currently pay, and intend to continue to pay, distributions to our stockholders. If we do not have enough cash from operations to fund distributions, we may sell assets or draw on our credit facility in order to fund distributions. We have paid, and may continue to pay, distributions from sources other than from our cash flows from operations.

In accordance with our organizational documents and Maryland law, we may not make distributions that would: (1) cause us to be unable to pay our debts as they become due in the ordinary course of business; (2) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences, if any; or (3) jeopardize our ability to maintain our qualification as a REIT.

To the extent that distributions to our stockholders are paid out of our current or accumulated earnings and profits, such distributions are taxable as ordinary income. To the extent that our distributions exceed our current and accumulated earnings and profits, such amounts constitute a return of capital to our stockholders for federal income tax purposes, to the extent of their basis in their stock, and thereafter will constitute a capital gain.

Competition

As we purchase properties for our portfolio, we are in competition with other potential buyers (some of whom have more cash, available liquidity, and/or offer competitive advantages versus us in the acquisition of properties) for the same properties and may have to pay more to purchase the property than if there were no other potential acquirers, or we may have to locate another property that meets our investment criteria. Although we generally acquire properties subject to existing leases, the leasing of real estate is highly competitive in the current market, and we may experience competition for tenants from owners and managers of competing projects. As a result, we may have to provide free rent, incur charges for tenant improvements, or offer other inducements, or we might not be able to timely lease the space, all of which may have an adverse impact on our results of operations. At the time we determine to dispose of our properties, we are typically in competition with sellers of similar properties to locate suitable purchasers for our properties.

Concentration of Credit Risk and Significant Tenants

As of December 31, 2023, we had cash on deposit in certain financial institutions that had deposits in excess of current federally insured levels. We limit cash investments to financial institutions with high credit standing; therefore, we do not believe we are exposed to any significant credit risk on our cash deposits. To date, we have not experienced any loss of or lack of access to cash in our accounts.

The following table shows the tenant that accounted for 10% or more of our rental revenue for the year ended December 31, 2023:

Tenant	Total Number of Leases	Leased Sq Ft	2023 Rental Revenue (in thousands)	Percentage of 2023 Rental Revenue
Post Acute Medical, LLC, and its affiliates ⁽¹⁾	15	708,817	\$ 27,342	14.5 %

(1) The leases are with tenants under the common control of Post Acute Medical, LLC and its affiliates and have lease expiration dates between 2030 and 2042.

The following table shows the geographic diversification of our real estate properties that accounted for 10% or more of our rental revenue for the year ended December 31, 2023:

Location	Total Number of Leases	Leased Sq Ft	2023 Rental Revenue (in thousands)	Percentage of 2023 Rental Revenue
Houston-Pasadena-The Woodlands, TX	5	490,742	\$ 19,217	10.2 %

Compliance with Governmental Regulations

Our real estate properties are subject to various federal, state and local regulatory laws and requirements, including, but not limited to, zoning regulations, building codes and land use laws and building, accessibility, occupancy and other permit requirements. Noncompliance could result in the imposition of governmental fines or an award of damages to private litigants. While we believe that we are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us. Significant regulatory requirements include the laws and regulations described below.

REIT Laws and Regulations

We elected, and qualify, to be taxed as a REIT under Sections 856 through 860 of the Code. To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90.0% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders.

If we fail to maintain our qualification as a REIT in any taxable year, we would then be subject to federal income taxes on our taxable income at regular corporate rates and would not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could have a material adverse effect on our net income and net cash available for distribution to our stockholders.

Environmental Laws and Regulations

All real estate properties and the operations conducted on the real estate properties are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. In connection with ownership and operation of real estate, we may be potentially liable for costs and damages related to environmental matters.

Corporate Responsibility

We are committed to maintaining healthy, prosperous, and sustainable communities through thoughtful stewardship of the environment and conscientious management of our own corporate culture. In early 2022, the Board established the Environmental, Social and Governance Steering Committee, or the ESG Steering Committee, led by members of our management team and other senior managers. The ESG Steering Committee meets at least quarterly to discuss our strategy, initiatives, and progress, in support of our on-going commitment to corporate governance, social responsibility, environmental matters, sustainability, health and safety.

Environmental

In light of climate concerns and employees' continuing desire for workplace flexibility, we maintain a hybrid workplace model. We lease Class A Office space in a recently constructed building that intends to deliver a restorative professional environment that cultivates productivity, collaboration, engagement, and balance. The neighborhood in which the office building is located is part of a community that has achieved the WELL Design & Operations designation under the WELL Community Standard, the first neighborhood to do so in North America. The WELL Building Standard takes a holistic approach to health in the built environment addressing behavior, operations and design. The building is WELL Gold v2 Certified and LEED Silver Certified.

We intend to take all reasonable steps to fully comply with environmental laws and regulations for our real estate properties, including obtaining environmental assessments of all properties that we acquire. We obtain Phase I Environmental Assessment Reports, and as needed, further environmental due diligence, including but not limited to Phase II Environmental Assessment Reports, upon each property acquisition, and, if determined necessary, during our period of ownership, to ensure that the properties that we acquire and own are free of environmental contamination and hazardous substances. We also carry environmental liability insurance on our properties, which provides coverage for pollution liability, for third-party bodily injury and property damage claims.

Social and Governance

Corporate Culture: Our strong tone at the top begins with the Board, which has demonstrated its focus on advancing openness, honesty, fairness and integrity within the Company. Ethical behavior is an important cornerstone of our Company's continued success and each of us has an obligation to report any accounting irregularity, theft, discrimination, harassment or other violation of the law. We are committed to creating an open and accountable workplace where employees feel empowered to speak up and raise issues. With this in mind, we provide multiple channels to speak up, ask for guidance, and report concerns. We continue to prioritize having "The Right People, In The Right Places, Doing The Right Things."

Core Values: We believe that our employees are aligned around core values that inspire our behavior as individuals and as an organization. Our core values are essential to the Company's culture. These values are critical to the success of the Company and are aligned with the Company's mission and vision statements. They define expectations for how all employees collaborate, communicate, interact and perform their roles within the Company. They describe for each employee the expectation of a "HI ACT" and that is with humility, with integrity, with accountability, with transparent and honest communication and by embracing teamwork.

Social Impact and Community: Our mission is to engage, inspire, and empower our employees to make a positive impact on our community where we work and live. We strive to support each of our employees engaging in the community in areas in which they are passionate and supporting causes that are personally meaningful to them. Employees are encouraged to drive positive change by dedicating their time and talent to non-profit organizations. The Company has a volunteer program whereby employees are provided 24 paid hours each year to use for service to the community. In addition, the Company organizes several group volunteer opportunities each year to support our local communities and foster a culture of giving back. Our social impact programs are in support of several non-for-profit organizations.

Human Capital Resources

As of December 31, 2023, we had 48 employees. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We aim to act with the highest integrity and operate with the highest ethical standards as we strive to create and maintain an inclusive work environment that values the uniqueness of each individual and his or her ideas and experiences. We endeavor to maintain workplaces that are free from discrimination or harassment on the basis of color, race, sex, national origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, or any other status protected by applicable law. We conduct annual training designed to prevent harassment and discrimination and monitor employee conduct year-round. The basis for recruitment, hiring, development, training, compensation and advancement at the Company is qualifications, performance, skills and experience. We believe that our employees are fairly compensated, without regard to race, sex, national origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, or any other status protected by applicable law and are routinely recognized for outstanding performance. Our compensation and benefits program is designed to attract and retain talent. We review our compensation and benefits against market and industry benchmarks to ensure they are competitive. Our employees are offered significant flexibility to meet personal and family needs.

Available Information

We electronically file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the SEC. We have also filed our Registration Statements on Form S-11, Registration Statements on Form S-3, amendments to our Registration Statements and supplements to our prospectus in connection with our Offerings with the SEC. Copies of our filings with the SEC may be obtained from the SEC's website, <http://www.sec.gov>. Access to these filings is free of charge. In addition, we make certain materials that are electronically filed with the SEC available at www.silarealtytrust.com as soon as reasonably practicable.

Item 1A. Risk Factors

The factors described below represent our principal risks. Other factors may exist that we do not consider to be significant based on information that is currently available or that we are not currently able to anticipate.

Risks Related to Our Corporate Structure

The limit on the number of shares a person may own may discourage a takeover that could otherwise result in a premium price to our stockholders and may hinder a stockholder's ability to dispose of his or her shares.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. In this respect, among other things, unless exempted (prospectively or retroactively) by the Board, no person may own (i) more than 9.8% in value of the aggregate of our outstanding shares (of any class or series, including common shares or preferred shares) of stock, or (ii) more than 9.8% (in value or number, whichever is more

restrictive) of the aggregate of the outstanding shares of only our common stock. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our common stock, and may make it more difficult for a stockholder to sell or dispose of his or her shares.

Our charter permits the Board to issue stock with terms that may subordinate the rights of common stockholders or discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.

Our charter permits the Board to issue up to 510,000,000 shares of common stock, of which 185,000,000 are designated as Class A shares, 75,000,000 are designated as Class I shares, 175,000,000 are designated as Class T shares, and 75,000,000 are designated as Class T2 shares, and 100,000,000 shares of preferred stock. Currently, we do not have any Class T2 shares of stock or preferred stock outstanding. In addition, the Board, without any action by our stockholders, may amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series of stock that we have authority to issue. The Board may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of repurchase of any such stock. Thus, if also approved by a majority of our independent directors not otherwise interested in the transaction, who will have access, at our expense, to our legal counsel or independent legal counsel, the Board could authorize the issuance of additional preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our common stock.

Our stockholders' interest in us will be diluted if we issue additional shares.

Existing stockholders do not have preemptive rights to any shares issued by us in the future. Our charter authorizes 610,000,000 shares of stock, of which 510,000,000 shares are classified as common stock and 100,000,000 are classified as preferred stock. Subject to any limitations set forth under Maryland law, the Board may increase the number of authorized shares of stock, increase or decrease the number of shares of any class or series of stock designated, or reclassify any unissued shares without the necessity of obtaining stockholder approval. All such shares may be issued in the discretion of the Board. Therefore, existing stockholders would experience dilution of their equity investment in us if we (i) sell additional shares in the future, including those issued pursuant to our DRIP Offering, (ii) sell securities that are convertible into shares of our common stock, (iii) issue shares of our common stock in a private offering of securities to institutional investors, (iv) issue restricted shares of our common stock to our independent directors and employees, or (v) issue shares of our common stock in a merger or to sellers of properties acquired by us in connection with an exchange of limited partnership interests of our Operating Partnership. Because the limited partnership interests of our Operating Partnership may, in the discretion of the Board, be exchanged for shares of our common stock, any merger, exchange or conversion between our Operating Partnership and another entity ultimately could result in the issuance of a substantial number of shares of our common stock, thereby diluting the percentage ownership interest of other stockholders. Because of these and other reasons, our stockholders may experience substantial dilution in their percentage ownership of our shares.

We may be unable to maintain cash distributions or increase distributions over time.

There are many factors that can affect the availability and timing of cash distributions to stockholders. The amount of cash available for distributions is affected by many factors, such as our ability to buy properties, rental income from such properties and our operating expense levels, as well as many other variables. Actual cash available for distributions may vary substantially from estimates. We cannot assure our stockholders that we will be able to maintain our current level of distributions or that distributions will increase over time.

Provisions of the Maryland General Corporation Law, or the MGCL, and of our charter and bylaws could deter takeover attempts and have an adverse impact on a stockholder's ability to exit the investment.

The MGCL, our charter, and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of the Company.

We are subject to the Maryland Business Combination Act, which may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

In addition, with some exceptions, the Maryland Control Share Acquisition Act, provides that a holder of "control shares" of a Maryland corporation acquired in a control share acquisition has no voting rights, except to the extent approved by a vote of stockholders entitled to cast two-thirds of the votes entitled to be cast on the matter, excluding "control shares" owned by the acquiring person, owned by the Company's officers, and owned by the Company's employees who are also directors. As permitted by the MGCL, however, our bylaws exempt the Company from the application of the Maryland Control Share

Acquisition Act. If we amend our bylaws to repeal this exemption, the Maryland Control Share Acquisition Act would apply and would very likely make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer. Further, the “unsolicited takeover” provisions of Title 3, Subtitle 8 of the MGCL permit the Board, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director.

These provisions, as well as other provisions of our charter and bylaws, may delay, defer, or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

General Risks Related to Investments in Real Estate

Our operating results may be affected by economic and regulatory changes that have an adverse impact on the real estate market in general, which may prevent us from being profitable or from realizing growth in the value of our real estate properties.

Our operating results are subject to risks generally incident to the ownership of real estate, which may prevent us from being profitable, realizing growth or maintaining the value of our real estate properties, including: changes in general economic or local conditions including inflationary and/or recessionary conditions; tenant turnover, technological changes and changes in supply of or demand for similar or competing properties in an area; changes in the cost or availability of insurance; changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive; changes in tax, real estate, environmental and zoning laws; and periods of high interest rates and tight money supply.

If a tenant declares bankruptcy, we may be unable to collect balances due under relevant leases, which would reduce our cash flow from operations and the amount available for distributions to our stockholders.

Any of our tenants, or any guarantor of a tenant’s lease obligations, could be subject to a bankruptcy proceeding. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy debts from these entities or their properties, unless we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be paid currently. If a lease is assumed, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any material payments from the tenant because our claim is capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. This claim could be paid only if funds were available, and then only in the same percentage as that realized on other unsecured claims.

A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. Such an event could cause a decrease or cessation of rental payments that would mean a reduction in our cash flow and the amount available for distributions to our stockholders. In the event of a bankruptcy, we cannot give assurance that the tenant or its trustee will assume our lease. If a given lease, or guaranty of a lease, is not assumed, our cash flow and the amounts available for distributions to our stockholders may be adversely affected. GenesisCare USA, Inc. and its affiliates, or GenesisCare, a sponsor and owner of the tenant in 17 of our real estate properties, announced that it filed for Chapter 11 bankruptcy protection under the United States Bankruptcy Code on June 1, 2023. GenesisCare emerged from bankruptcy on February 16, 2024. The master lease related to our 17 properties was assumed by the emerging entity and therefore remains in force under its existing terms. Although GenesisCare continues to make its lease payments to us in accordance with their contractual terms, we continue to negotiate with GenesisCare regarding certain adjustments to this lease and there can be no assurances that GenesisCare will continue to make its lease payments to us. At this time there can be no assurance as to how our lease negotiations will be resolved and how such negotiations may impact GenesisCare’s obligations under the lease, as further discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7, of this Annual Report on Form 10-K.

We are subject to risks related to tenant concentration, and an adverse development with respect to a large tenant could materially and adversely affect us.

We had one exposure to tenant concentration that accounted for 10.0% or more of rental revenue for the year ended December 31, 2023. The leases with tenants under common control of Post Acute Medical LLC accounted for 14.5% of rental revenue for the year ended December 31, 2023. In the event that a tenant that occupies a significant number of our properties or whose lease payments represent a significant portion of our rental revenue were to experience financial difficulty or file for bankruptcy, it could have a material adverse effect on us. As discussed above, GenesisCare, a sponsor and owner of the tenant in 17 of our real estate properties, filed for Chapter 11 bankruptcy protection on June 1, 2023. Although GenesisCare’s bankruptcy proceeds did not have a material adverse effect on our business, there can be no assurance that similar proceedings will not cause such a material adverse effect in the future.

A high concentration of our properties in a particular geographic area would magnify the effects of downturns or natural disasters in that geographic area.

There is a geographic concentration of risk subject to fluctuations in the economies of the various metropolitan statistical area, or MSA's, in which we own properties. Geographic concentration of our properties exposes us to risks related to or arising from economic downturns or natural disasters in the areas where our properties are located. A regional or local recession or a natural disaster in any of these areas could adversely affect our ability to generate or increase operating revenues, attract new tenants or dispose of unproductive properties.

Our investments in properties where the underlying tenant has a below investment grade credit rating, as determined by major credit rating agencies, or unrated tenants, may have a greater risk of default and therefore may have an adverse impact on our returns on that asset and our operating results.

During the year ended December 31, 2023, approximately 44.3% of our total rental revenue was derived from tenants that had an investment grade credit rating from a major ratings agency, or an investment grade rated guarantor or affiliate, 6.2% of our total rental revenue was derived from tenants that were rated but did not have an investment grade credit rating from a major ratings agency and 49.5% of our total rental revenue was derived from tenants that were not rated. Our investments with tenants that do not have an investment grade credit rating from a major ratings agency or were not rated and are not affiliated with companies having an investment grade credit rating may have a greater risk of default and bankruptcy than investments in properties leased exclusively to investment grade tenants. When we invest in properties where the tenant does not have a publicly available credit rating, we use certain credit assessment tools and rely on our own estimates of the tenant's credit rating which include but are not limited to reviewing the tenant's financial information (i.e., financial ratios, net worth, revenue, cash flows, leverage and liquidity) and monitoring local market conditions. If our lender or a credit rating agency disagrees with our ratings estimates, or our ratings estimates are otherwise inaccurate, we may not be able to obtain our desired level of leverage or our financing costs may exceed those that we projected. This outcome could have an adverse impact on our returns on that asset and hence our operating results.

Properties that have vacancies for a significant period of time could be difficult to sell, which could diminish the return on our stockholders' investment.

A property may incur vacancies either by the continued default of tenants under their leases or the expiration of tenant leases. If vacancies continue for an extended period of time, we may suffer reduced revenues, resulting in less cash to be distributed to stockholders. In addition, because properties' market values depend principally upon the value of the properties' leases, the resale value of properties with prolonged vacancies could suffer, which could further reduce our stockholders' return.

We may obtain only limited warranties when we purchase a property and would have only limited recourse if our due diligence did not identify any issues that lower the value of our property.

The seller of a property often sells such property in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property as well as the loss of rental income from that property.

We may be unable to secure funds for future tenant improvements or capital needs, which could adversely impact our ability to pay cash distributions to our stockholders.

When tenants do not renew their leases or otherwise vacate their space, it is usual that, in order to attract replacement tenants, we expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. In addition, although we expect that our leases with tenants will require tenants to pay routine property maintenance costs, we will likely be responsible for any major structural repairs, such as repairs to the foundation, exterior walls and rooftops. If we need additional capital to improve or maintain our properties or for any other reason, we will have to obtain financing from sources such as cash flow from operations, borrowings, property sales or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both.

We may not be able to sell a property at a price equal to, or greater than, the price for which we purchased such property, which may lead to a decrease in the value of our assets and a reduction in the value of shares held by our stockholders.

Some of our leases will not contain rental increases over time, or the rental increases may be less than the fair market rate at a future point in time. Therefore, the value of the property to a potential purchaser may not increase over time, which may restrict our ability to sell a property, or if we are able to sell such property, may lead to a sale price less than the price that we paid to purchase the property.

Real estate-related taxes may increase and if these increases are not passed on to tenants, our income will be reduced.

Some local real property tax assessors may seek to reassess some of our properties as a result of our acquisition of such properties. From time to time our property taxes may increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although a substantial portion of our tenant leases may permit us to pass through such tax increases to the tenants for payment, there is no assurance that renewal leases or future leases will be negotiated on the same basis. Increases not passed through to tenants will adversely affect our income, cash available for distributions, and the amount of distributions to our stockholders.

Covenants, conditions and restrictions may restrict our ability to operate our properties.

Some of our properties may be contiguous to other parcels of real property, comprising part of the same commercial center. In connection with such properties, there are significant covenants, conditions and restrictions, or CC&Rs, restricting the operation of such properties and any improvements on such properties, and related to granting easements on such properties. Moreover, the operation and management of the contiguous properties may impact such properties. Compliance with CC&Rs may adversely affect our operating costs and reduce the amount of funds that we have available to pay distributions.

Our operating results may be negatively affected by potential development and construction delays and result in increased costs and risks.

We have acquired and developed properties upon which we will construct improvements. We will be subject to uncertainties associated with re-zoning for development, environmental concerns of governmental entities and/or community groups, and our builder's ability to build in conformity with plans, specifications, budgeted costs, and timetables. A builder's performance also may be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. These and other such factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a price at the time we acquire a property. If our projections are inaccurate, we may pay too much for a property, and our return on our investment could suffer.

We may invest in unimproved real property. For purposes of this paragraph, "unimproved real property" is real property which has not been acquired for the purpose of producing rental or other operating income, has no development or construction in process and on which no construction or development is planned in good faith to commence within one year. Returns from development of unimproved properties are also subject to risks associated with re-zoning the land for development and environmental concerns of governmental entities and/or community groups. Although we intend to limit any investment in unimproved property, our stockholders' investment nevertheless is subject to the risks associated with investments in unimproved real property.

Costs of complying with governmental laws and regulations, including those relating to environmental protection, human health and safety and disability accommodation, may adversely affect our income and the cash available for any distributions.

All real property investments and the operations conducted in connection with such investments are subject to federal, state and local laws and regulations relating to environmental protection, human health and safety and disability accommodation. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. They also may impose restrictions on the manner in which real property may be used or businesses may be operated. The costs of complying with these laws and regulations may have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

If we sell properties by providing financing to purchasers, defaults by the purchasers would adversely affect our cash flows.

In some instances we may sell our properties by providing financing to purchasers. When we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon the sale are actually paid, sold, refinanced or otherwise disposed. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price, and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to pay cash distributions to our stockholders.

Risks Associated with Investments in the Healthcare Property Sector

Our properties and tenants may be unable to compete successfully, which could result in lower rent payments, reduce our cash flows from operations and the amount available for distributions to our stockholders.

Our current and potential properties and our tenants may face competition from nearby healthcare facilities and other properties that provide comparable services. Some of our competing facilities may be owned by governmental agencies and are supported by tax revenues, and others are owned by non-profit corporations and therefore are supported to a large extent by endowments and charitable contributions and pay little or no taxes. Not all of our properties will be affiliated with non-profit corporations and receive such support. Additionally, the introduction and expansion of new stakeholders competing with traditional providers in the healthcare market and telemedicine are disrupting "agents" in the healthcare industry and could lead to decreased demand for healthcare properties and new trends in payments. The trend of increasing private equity investment in healthcare providers could also increase competition in the healthcare market. Our tenants' failure to compete successfully with other healthcare providers could adversely affect their ability to make rental payments, which could adversely affect our rental revenues. Further, from time to time and for reasons beyond our control, referral sources, including physicians and managed care organizations, may change their lists of hospitals, physicians or other healthcare providers to which they refer patients or that are permitted to participate in the payer program. This could adversely affect our tenants' ability to make rental payments, which could adversely affect our rental revenues. Any reduction in rental revenues resulting from the inability of our healthcare properties and our tenants to compete successfully may have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Compliance with and changes to healthcare laws and regulations could have a material adverse effect on the financial condition of our tenants and, consequently, their ability to make rent payments and meet obligations to us.

Federal, state and local laws, statutes and regulatory policies, including the Patient Protection and Affordable Care Act of 2010, Transparency in Coverage rule and the Consolidated Appropriations Act of 2021, the laws listed in the paragraph directly below, and any future changes and decisions, may impact one or more specific providers that lease space in any of our properties. In addition, many states also regulate the establishment and construction of healthcare facilities and services, and the expansion of existing healthcare facilities and services through a certificate of need, or CON, laws, which may include regulation of certain licenses, medical equipment, and capital expenditures. Similarly, tenants of our healthcare properties may become subject to legal claims that their services have resulted in patient injury or other adverse effects in violation of applicable laws, including the Federal False Claims Act. Such claims may cause our tenants to incur punitive damages arising from professional liability and general liability claims and/or become subject to governmental investigations, enforcement actions or litigation.

Healthcare provider tenants may be subject to numerous laws and regulations that regulate, among other things, quality and medical necessity of care, insurance and patient billing, the security and privacy of patient information, healthcare provider financial interests and conflicts of interest, self-referrals, price transparency, corporate practice of medicine and surprise billing. Such laws and regulations include, but are not limited to: the Medicare and Medicaid statutes; the Stark Law; the civil False Claims Act; the federal False Claims Law; the federal Anti-Kickback Statute; applicable state law prohibitions against kickbacks, fraud and abuse, patient brokering, advertising and marketing of healthcare items and services and fee splitting; state laws regulating the corporate practice of medicine; the federal Eliminating Kickbacks in Recovery Act; the Program Fraud Civil Remedies Act; the Civil Monetary Penalties Law; the Exclusion Laws; the Health Insurance Portability and Accountability Act of 1996 and applicable state laws regarding patient privacy and the security of patient health information; the Clinical Laboratory Improvement Amendments of 1988; the Travel Act; OIG compliance program elements; and all amendments thereto of the foregoing, including any regulations or decisions promulgated thereunder.

The failure to comply with these laws and regulations, or the failure to secure CON approval to undertake a desired project could adversely affect our tenants' ability to make rent payments to us which may have an adverse effect on our business, financial condition, and results of operations, and our ability to make distributions to our stockholders.

Adverse trends in healthcare provider operations may negatively affect our lease revenues and our ability to make distributions to our stockholders.

The healthcare industry is currently experiencing, among other things: changes in the demand for and methods of delivering healthcare services, particularly as telemedicine and telehealth continue to gain popularity, as well as continued innovation and integration of technological advancements and artificial intelligence; a shift in the provision of healthcare services from inpatient to outpatient settings; changes in third party reimbursement methods and policies, including an increased focus on value-based reimbursement with downside provider risk; consolidation and pressure to integrate within the healthcare industry through acquisitions, joint ventures and managed service organizations; increased scrutiny of billing, referral, and other practices by U.S. federal and state authorities; consolidation of health insurers; competition among healthcare providers including competition for patients among healthcare providers in areas with significant unused capacity; increased

expense for uninsured patients; increased expense arising from an older and sicker patient mix; increased liability insurance expenses; increased emphasis on compliance with privacy and security requirements related to health information; pressures on healthcare providers to control or reduce costs; staffing shortages (particularly nursing staff) and increases in wages as well as inflation in the cost of supplies; regulatory and government reimbursement uncertainty, increased price transparency resulting from the Transparency in Coverage rule and the Consolidated Appropriations Act of 2021, the Hospital Price Transparency regulation of 2021, the No Surprises Act and other healthcare reform laws and court decisions on cases challenging the legality of such laws; federal and state government plans to reduce budget deficits and address debt ceiling limits by lowering healthcare provider Medicaid payment rates; increased scrutiny of control over release of confidential patient medical information and increased attention to compliance with regulations designed to safeguard protected health information and cyberattacks on healthcare entities and their business associates (i.e., vendors who handle patient protected health information); anticipated increased scrutiny and enforcement of anti-trust laws by the Federal Trade Commission and Department of Justice Antitrust Division; and increased scrutiny of billing, referral and other practices by federal and state authorities. These factors may adversely affect demand for healthcare facilities by potential future tenants and/or the economic performance of some or all of our tenants and, in turn, our lease revenues, which may have a material adverse effect on our business, financial condition, results of operations, and our ability to make distributions to our stockholders.

Risks Associated with Debt Financing and Investments

Interest rate exposure could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to stockholders at our current level.

Our revenues are generated by our leases, which typically have fixed rental rates, subject to periodic rent escalators. The generally fixed nature of revenues and the variable rate of debt obligations could create interest rate risk for us. Increases in interest rates may not be matched by increases in our rental income, which could increase our expenses and adversely affect our business, financial condition, results of operations, and our ability to make distributions to our stockholders. During inflationary periods, interest rates have historically increased, which would have a direct effect on the interest expense of our borrowings. As of December 31, 2023, we have hedged all of our variable rate debt by using interest rate swaps to effectively fix the interest rate.

We have broad authority to incur debt, and high debt levels could hinder our ability to make distributions and could decrease the value of our stockholders' investments.

High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of our stockholders' investments.

We incur borrowings, which may increase our business risks, and could hinder our ability to make distributions to our stockholders.

We have obtained a credit facility and may obtain other similar financing arrangements in order to acquire properties. We may also decide to later further leverage our properties. We may pledge all or some of our real properties as security for that debt to obtain funds to acquire real properties. We may borrow if we need funds to pay a desired distribution rate to our stockholders. We may also borrow if we deem it necessary or advisable to ensure that we qualify and maintain our qualification as a REIT for federal income tax purposes. If there is a shortfall between the cash flow from our properties and the cash flow needed to service debt, then the amount available for distribution to our stockholders may be reduced.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to stockholders at our current level.

When providing financing, a lender could impose restrictions on us that affect our distribution and operating policies, and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to discontinue insurance coverage. These or other limitations may adversely affect our flexibility and limit our ability to make distributions to stockholders at our current level.

Disruptions in the credit markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to stockholders at our current level.

In the past, domestic and international financial markets experienced significant disruptions which were brought about in large part by failures in the U.S. banking system. International conflicts and resultant U.S. response, including financial sanctions, have recently disrupted credit markets. These disruptions have severely impacted the availability of credit in the market and contributed to rising costs associated with obtaining credit. If debt financing is not available on terms and conditions we find acceptable, we may not be able to obtain financing for investments. These disruptions in the credit markets have not thus far affected our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets, but they

may do so in the future. If we are unable to borrow monies on terms and conditions that we find acceptable, we may be forced to reduce the number of properties we can purchase and/or dispose of some of our assets. These disruptions could also adversely affect the return on the properties we purchase. In addition, if we pay fees to lock in a favorable interest rate, falling interest rates or other factors could require us to forfeit these fees. All of these events could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to stockholders at our current level.

U.S. Federal Income Tax Risks

Failure to maintain our qualification as a REIT would adversely affect our operations and our ability to make distributions.

In order for us to maintain our qualification as a REIT, we must satisfy certain requirements set forth in the Code and Treasury Regulations and various factual matters and circumstances that are not entirely within our control. We intend to structure our activities in a manner designed to satisfy all of these requirements. However, if certain of our operations were to be recharacterized by the Internal Revenue Service, or IRS, such recharacterization could jeopardize our ability to satisfy all of the requirements for qualification as a REIT.

If we fail to maintain our qualification as a REIT for any taxable year and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the taxable year in which we lost our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional corporate-level tax liability. In addition, distributions to stockholders would no longer qualify for the dividends-paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax. Our failure to qualify as a REIT would adversely affect the return of stockholders' investments.

To maintain our qualification as a REIT, we must meet annual distribution requirements, which may result in us distributing amounts that may otherwise be used for our operations and which could result in our forgoing otherwise attractive investment opportunities.

To maintain the favorable tax treatment afforded to REITs under the Code, we generally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income determined without regard to the dividends-paid deduction and excluding net capital gain. To the extent that we do not distribute all of our net capital gains or distribute less than 100% of our REIT taxable income, as adjusted, we will have to pay tax on the undistributed amounts at corporate tax rates. Furthermore, if we fail to distribute during each calendar year at least the sum of: (a) 85% of our ordinary income for that year; (b) 95% of our capital gain net income for that year; and (c) any undistributed taxable income from prior periods, ((a) through (c), collectively referred to as the Required Distribution), we would have to pay a 4% nondeductible excise tax on the excess of the Required Distribution over the sum of (x) the amounts that we actually distributed; and the amounts we retained and upon which we paid income tax at the corporate level. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets, and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. In addition, we could pay part of these required distributions in shares of our common stock, which could result in stockholders having tax liabilities from such distributions in excess of the cash they receive. It is possible the taxable share distribution will not count towards our distribution requirement, in which case adverse consequences could apply. Although we intend to continue to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes, it is possible that we might not always be able to do so.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on our stockholders' investment.

Our ability to dispose of a property during the first few years following its acquisition may be restricted to a substantial extent as a result of our REIT status. Under applicable provisions of the Code regarding "prohibited transactions" by REITs, we would be subject to a 100% tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or through any subsidiary entity, including our Operating Partnership, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. Properties we own, directly or through any subsidiary entity, including our Operating Partnership, may, depending on how we conduct our operations, be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Any such taxes we pay would reduce our cash available for distribution to our stockholders. Our desire to avoid the prohibited transactions tax may cause us to forego disposition opportunities that would otherwise be advantageous if we were not a REIT.

In certain circumstances, we may be subject to U.S. federal, state and local income taxes as a REIT, which would reduce our cash available for distribution to our stockholders.

Even if we maintain our qualification as a REIT, we may be subject to U.S. federal, state and local income taxes. For example, we may be subject to the prohibited transactions tax and/or the excise tax for failing to make (or be deemed to have made) sufficient distributions, as described above. We also may decide to retain net capital gain we earn from the sale or other disposition of our property and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also may be subject to state and local taxes on our income or property, either directly or indirectly through our Operating Partnership or other companies through which we indirectly own assets. Any taxes we pay would reduce our cash available for distribution to our stockholders.

The use of taxable REIT subsidiaries, which may be required for REIT qualification purposes, would increase our overall tax liability and thereby reduce our cash available for distribution to our stockholders.

Some of our assets may need to be owned by, or operations may need to be conducted through, one or more taxable REIT subsidiaries. Any of our taxable REIT subsidiaries would be subject to U.S. federal, state and local income tax on its taxable income at applicable corporate rates. The after-tax net income of our taxable REIT subsidiaries would be available for distribution to us. Further, we would incur a 100% excise tax on transactions with our taxable REIT subsidiaries that are not conducted on an arm's-length basis. For example, to the extent that the rent paid by one of our taxable REIT subsidiaries exceeds an arm's-length rental amount, such amount would be potentially subject to a 100% excise tax. While we intend that all transactions between us and our taxable REIT subsidiaries would be conducted on an arm's-length basis, and therefore, any amounts paid by our taxable REIT subsidiaries to us would not be subject to the excise tax, no assurance can be given that excise tax would not arise from such transactions. At this time, we have no taxable REIT subsidiaries.

Complying with REIT requirements may force us to forgo and/or liquidate otherwise attractive investment opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of shares of our common stock. We may be required to forego otherwise attractive investments or make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with the REIT asset test requirements may force us to liquidate otherwise attractive investments.

To maintain our qualification as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than government securities, taxable REIT subsidiaries and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets can consist of the securities (other than government securities, taxable REIT subsidiaries, and qualified real estate assets) of any one issuer. No more than 20% of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries, and no more than 25% of the value of our assets may consist of "non-qualified publicly offered REIT instruments." If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

If our leases are not considered as true leases for U.S. federal income tax purposes, we could fail to qualify as a REIT.

To qualify as a REIT, we must satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." In order for rent paid to us to qualify as "rents from real property" for purposes of the REIT gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, joint ventures, or some other type of arrangement. If our leases are not respected as true leases for U.S. federal income tax purposes, we could fail to qualify as a REIT, which would materially and adversely impact the value of an investment in our shares and in our ability to pay dividends to our stockholders.

Legislative or regulatory action could adversely affect the returns to our investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect our taxation

and our ability to continue to qualify as a REIT or the taxation of a stockholder. Any such changes could have a material adverse effect on an investment in our shares or on the market value or the resale potential of our assets.

Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a regular corporation. As a result, our charter provides the Board with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. The Board has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interests of our stockholders.

We urge you to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

Dividends payable by REITs generally are subject to a higher tax rate than regular corporate dividends under current law.

The maximum U.S. federal income tax rate for “qualified dividends” payable to U.S. stockholders that are individuals, trusts and estates generally is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates for qualified dividends and are taxed at ordinary income rates. However, for taxable years beginning after December 31, 2017, and before January 1, 2026, U.S. stockholders that are individuals, trusts and estates generally may deduct 20% of ordinary dividends from a REIT resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. These rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the reduced rates continue to apply to regular corporate qualified dividends; however, investors that are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the value of the shares of REITs, including our common stock.

If our Operating Partnership fails to maintain its status as a partnership, its income may be subject to taxation, which would reduce the cash available for distribution to our stockholders.

We intend to maintain the status of our Operating Partnership as a partnership for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of our Operating Partnership as a partnership or disregarded entity for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our Operating Partnership could make to us. This would also result in our losing REIT status, and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the yield on our stockholders’ investment. In addition, if any of the partnerships or limited liability companies through which our Operating Partnership owns its properties, in whole or in part, loses its characterization as a partnership and is otherwise not disregarded for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to our Operating Partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain REIT status and would have a material adverse impact on us.

Foreign purchasers of our shares may be subject to FIRPTA tax upon the sale of their shares or upon the payment of a capital gain dividend, which would reduce the net amount they would otherwise realize on their investment in our shares.

A foreign person (other than certain foreign pension plans and certain foreign publicly traded entities) disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, as amended, or FIRPTA, on the gain recognized on the disposition. Such FIRPTA tax does not apply to the disposition of stock in a REIT if the REIT is “domestically controlled.” A REIT is “domestically controlled” if less than 50% of the REIT’s stock, by value, has been owned directly or indirectly by persons who are not qualifying U.S. persons during a continuous five-year period ending on the date of disposition or, if shorter, during the entire period of the REIT’s existence. We cannot assure our stockholders that we will qualify as a “domestically controlled” REIT. If we were to fail to so qualify, any gain realized by foreign investors on a sale of our shares would be subject to FIRPTA tax, unless our shares were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 10% of the value of our outstanding common stock.

A foreign investor also may be subject to FIRPTA tax upon the payment of any capital gain dividend by us, which dividend is attributable to gain from sales or exchanges of U.S. real property interests. We encourage our stockholders to consult their own tax advisor to determine the tax consequences applicable to them if they are a foreign investor.

ERISA Risks

If our assets are deemed to be ERISA plan assets, we may be exposed to liabilities under Title I of ERISA and the Internal Revenue Code.

In some circumstances where an Employee Retirement Income Security Act of 1974, as amended, or ERISA, plan holds an interest in an entity, the assets of the entire entity are deemed to be ERISA plan assets unless an exception applies. This is known as the "look-through rule." Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Title I of ERISA and Section 4975 of the Code, as applicable, may be applicable, and there may be liability under these and other provisions of ERISA and the Code. We believe that our assets should not be treated as plan assets because the shares should qualify as "publicly-offered securities" that are exempt from the look-through rules under applicable Treasury Regulations. We note, however, that because certain limitations are imposed upon the transferability of shares so that we may qualify as a REIT, and perhaps for other reasons, it is possible that this exemption may not apply. If that is the case, and if we are exposed to liability under ERISA or the Code, our performance and results of operations could be adversely affected. Prior to making an investment in us, you should consult with your legal and other advisors concerning the impact of ERISA and the Code on your investment and our performance.

General Risk Factors

Our shares of common stock are not listed on an exchange, and we are not required to provide for a liquidity event. Therefore, it may be difficult for stockholders to sell their shares and, if stockholders are able to sell their shares, they may sell them at a substantial discount. Our stockholders are also limited in their ability to sell their shares pursuant to our share repurchase program and may have to hold their shares for an indefinite period of time.

There is currently no public market for our shares. Although we presently intend to consider alternatives for providing liquidity to our stockholders, we do not have a fixed date or method for providing stockholders with liquidity, and our completion of a liquidity event is not guaranteed. If we do not pursue a liquidity transaction, or delay such a transaction due to market conditions, shares may continue to be illiquid and stockholders may, for an indefinite period of time, be unable to convert their investment to cash easily and could suffer losses on their investment. If our stockholders are able to find a buyer for their shares, our stockholders may have to sell them at a substantial discount to their purchase price. Moreover, investors should not rely on our share repurchase program as a method to sell shares promptly because our share repurchase program includes numerous restrictions that limit stockholders' ability to sell shares to us, and the Board may suspend (in whole or in part) the share repurchase program at any time, and may amend, reduce or terminate our share repurchase program upon 30 days' prior notice to our stockholders for any reason it deems appropriate. The restrictions of our share repurchase program limit our stockholders' ability to sell their shares should they require liquidity and limit our stockholders' ability to recover the value they invested. We can only repurchase shares due to death or involuntary exigent circumstance in accordance with our share repurchase program, subject in each case to specified terms and limitations, including, but not limited to, quarterly share limitations, an annual 5.0% share limitation, and DRIP funding limitations. See Part II, Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for more information on the limitations of our share repurchase program.

It may be difficult to accurately reflect material events that may impact our Estimated Per Share NAV between valuations, and accordingly we may be selling and repurchasing shares at too high or too low a price.

Estimated Per Share NAV is based on the estimated value of our assets less the estimated value of our liabilities divided by the number of shares outstanding, calculated as of a certain date. The Estimated Per Share NAV of each of our Class A common stock, Class I common stock and Class T common stock is an estimate as of a certain time and may not reflect the value that stockholders will receive for their investment. The Estimated Per Share NAV is determined by an independent third-party valuation firm, the engagement of which is approved by the Audit Committee. The Financial Industry Regulatory Authority, or FINRA, rules provide no guidance on the methodology an issuer must use to determine its estimated value per share. As with any valuation methodology, our independent valuation firm's methodology is based upon a number of estimates and assumptions that may not be accurate or complete. Some of these estimates and assumptions relate to potential, future events and expectations, so they are inherently subject to inaccuracy and differences from actual results. Different parties with different assumptions and estimates could derive a different estimated value per share, and these differences could be significant. The Estimated Per Share NAV is not audited and does not represent the fair value of our assets or liabilities according to U.S. generally accepted accounting principles, or GAAP. Accordingly, with respect to the Estimated Per Share NAV, we can give no assurance that: (i) a stockholder would be able to resell his or her shares at the Estimated Per Share NAV; (ii) a stockholder would ultimately realize distributions per share equal to the Estimated Per Share NAV upon liquidation of our assets and settlement of our liabilities or a sale of the company; (iii) our shares of common stock would trade at the Estimated Per Share NAV on a national securities exchange; (iv) a different independent third-party appraiser or other third-party

valuation firm would agree with the Estimated Per Share NAV; or (v) the methodology used to estimate our NAV per share would be acceptable to FINRA or comply with ERISA reporting requirements.

The value of our shares will fluctuate over time in response to developments related to individual assets in the portfolio and the management of those assets and in response to the real estate and finance markets. We expect to engage an independent valuation firm to update the Estimated Per Share NAV at least annually.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

We consider a cyber incident to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our tenant and investor relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. There is no guarantee that any processes, procedures and internal controls we have implemented, or will implement, will prevent cybersecurity threats that could adversely affect our business, financial condition, and results of operations. Additionally, as increased regulatory compliance for cybersecurity protocols and disclosures are required by state or federal authorities, there is no guarantee that the increased amount of resources, both time and expense, will not adversely affect our business.

We expect that most of our properties will continue to be located in the continental United States and would be affected by economic downturns, as well as economic cycles and risks inherent to that area.

Our properties are concentrated in, and we expect to continue to acquire commercial real estate located in, the continental United States; however, we may purchase properties in other jurisdictions. Real estate markets are subject to economic downturns, as they have been in the past, and we cannot predict how economic conditions will impact this market in both the short and long term. Declines in the economy or a decline in the real estate market in the continental United States could hurt our financial performance and the value of our properties. The factors affecting economic conditions in the continental United States real estate market include, but are not limited to: financial performance and productivity of, among others, the publishing, advertising, financial, technology, retail, insurance and real estate industries; business layoffs or downsizing; industry slowdowns; potential government shutdowns; relocations of businesses; changing demographics; increased telecommuting and use of alternative workplaces; infrastructure quality; any oversupply of, or reduced demand for, real estate; concessions or reduced rental rates under new leases for properties where tenants defaulted; increased insurance premiums; and increased interest rates.

Distributions paid from sources other than our cash flows from operations, including from the proceeds of our Offerings, will result in us having fewer funds available for the acquisition of properties and real estate-related investments, which may adversely affect our ability to fund future distributions with cash flows from operations and may adversely affect a stockholder's overall return.

We have previously paid, and may pay in the future, distributions from sources other than from our cash flows from operations. We may pay, and have no limits on the amounts we may pay, distributions from any source, such as the sale of assets, the sale of additional securities and funds equal to amounts reinvested in the DRIP, which may reduce the amount of capital we ultimately invest in properties or other permitted investments. Funding distributions from the sale of assets may affect our ability to generate cash flows. Funding distributions from the sale of additional securities could dilute stockholders' interest in us if we sell shares of our common stock to third party investors. Funding distributions to our stockholders will result in us having less funds available for acquiring properties or real estate-related investments. Our inability to acquire such properties or investments may have a negative effect on our ability to generate sufficient cash flows from operations to pay distributions. As a result, the return investors may realize on their investment may be reduced and investors who invested in us before we generated significant cash flow may realize a lower rate of return than later investors. Payment of distributions from any of the aforementioned sources could restrict our ability to generate sufficient cash flows from operations, affect our profitability and/or affect the distributions payable upon a liquidity event, any or all of which may have an adverse effect on an investment in us.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We have developed, implemented, and integrated a cybersecurity program, or the Cybersecurity Program, to protect our information systems by using physical, technical, and administrative safeguards. This includes assessing, identifying, monitoring, reporting, managing and remediating cybersecurity threats. The Cybersecurity Program aims to prevent data ex-filtration, manipulation, and destruction, as well as system and transactional disruption. The Cybersecurity Program utilizes a threat-centric and risk-based approach to identify and assess cybersecurity threats that could affect our business and information systems based on the National Institute of Standards and Technology Cybersecurity Framework, or the NIST Framework.

Our Cybersecurity Program includes the following processes:

- Quarterly control reviews, annual policy reviews and annual investments in our security infrastructure;
- Periodic testing of our information systems to assess our vulnerability to cyber risk, which includes targeted penetration testing and vulnerability scanning;
- Testing and audits of our IT-related internal controls over financial reporting, excluding cybersecurity controls, by our internal auditors;
- Conducting a comprehensive information security and training program for our employees, including mandatory computer-based training, regular internal communications, and ongoing end-user testing to measure the effectiveness of our information security program. As part of this commitment, we require our employees to acknowledge our Information Security policy each year. In addition, we have an established schedule and process for regular phishing awareness campaigns that are designed to emulate real-world contemporary threats and provide immediate feedback (and, if necessary, additional training or remedial action) to employees;
- Annually assess the Cybersecurity Program against the NIST Framework;
- Maintaining business continuity, contingency and recovery plans to quickly react to cybersecurity incidents;
- Conducting security assessments of all third-party service providers with access to personal, confidential or proprietary information before engagement and maintaining ongoing monitoring by reviewing system and organization controls reports, relevant cyber attestations, and other independent cyber ratings;
- Retaining a third-party cybersecurity provider for emergency incident response services in the event of a serious information security breach; and
- Maintaining cybersecurity risk insurance that could help defray the costs of an information security breach as a backstop to the Cybersecurity Program.

Through our incident response plan, we have designated a cybersecurity management committee, or the Cybersecurity Management Committee, composed of our executive officers and management representatives. Led by Our Vice President of Information Technology & Corporate Facilities, our Cybersecurity Management Committee is responsible for the management of the Cybersecurity Program and for the day-to-day investigation of and response to potential information security-related incidents. Pursuant to our incident response plan, incidents meeting specified severity levels are required to be escalated to the Cybersecurity Management Committee for review and response. The goals of the incident response plan are to prevent, detect and react to information security incidents, determine their scope and risk, respond appropriately to the incident, communicate the results and risk to relevant stakeholders, and reduce the likelihood of the incident from reoccurring.

Our Vice President of Information Technology & Corporate Facilities has served in this role since 2018, and has more than 25 years of experience in various roles involving managing information security, technology infrastructure and IT operations.

Our Board plays a role in overseeing risks associated with cybersecurity threats and has delegated to the Audit Committee primary oversight of the Cybersecurity Program. Our executive officers report on our Cybersecurity Program to both the Board and the Audit Committee at least four times per year (including as part of our discussions regarding enterprise risk management). In addition, quarterly reports to the Audit Committee include our internal auditor's reviews of our information security programs and controls. As part of the incident response plan discussed above, in the event we experience a cybersecurity incident that could materially affect us, including our business strategy, results of operations or financial condition, our executive officers (who are also a part of the Cybersecurity Management Committee) will review the incident with the Audit Committee to consider whether and to what extent disclosure is required under Item 1.05 of Form 8-K.

We face risks from cybersecurity threats that could have a material adverse effect on our business strategy, results of operations or financial conditions. See “Risk Factors – General Risk Factors - Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results” in Part I, Item 1A of this Annual Report on Form 10-K for a discussion of these risks. To date, we have not experienced a material cybersecurity incident.

Item 2. Properties.

Our principal executive office is located at 1001 Water Street, Suite 800, Tampa, Florida 33602. As of December 31, 2023, we owned a portfolio of 131 real estate properties, composed of approximately 5,114,000 rentable square feet of commercial spaces, and two undeveloped land parcels. As of December 31, 2023, 117 of our real estate properties were leased to a single-tenant and 14 of our real estate properties were leased to multiple tenants. As of December 31, 2023, 99.4% of our rentable square feet was leased, with a weighted average remaining lease term of 8.5 years. As of December 31, 2023, all of our real estate investments are in healthcare properties and undeveloped land parcels.

Property Statistics

The following table shows the property statistics of our real estate portfolio as of December 31, 2023:

Property Name	MSA/μSA	Date Acquired	Year Constructed	Year Renovated	% Leased	Leased Sq Ft	Encumbrances, \$ (in thousands)
Houston Healthcare Facility	Houston-Pasadena-The Woodlands, TX	07/31/2014	1993	—	100%	13,645	(1)
Cincinnati Healthcare Facility	Cincinnati, OH-KY-IN	10/29/2014	2001	—	100%	14,868	(1)
Winston-Salem Healthcare Facility	Winston-Salem, NC	12/17/2014	2004	—	100%	22,200	(1)
Stoughton Healthcare Facility	Boston-Cambridge-Newton, MA-NH	12/23/2014	1973	1997	100%	180,744	(1)
Fort Worth Healthcare Facility	Dallas-Fort Worth-Arlington, TX	12/31/2014	2014	—	100%	83,464	(1)
Fort Worth Healthcare Facility II	Dallas-Fort Worth-Arlington, TX	12/31/2014	2014	—	100%	8,268	(1)
Winter Haven Healthcare Facility	Lakeland-Winter Haven, FL	01/27/2015	2009	—	100%	7,560	(1)
Overland Park Healthcare Facility	Kansas City, MO-KS	02/17/2015	2014	—	100%	54,568	(1)
Clarion Healthcare Facility	Pittsburgh, PA	06/01/2015	2012	—	100%	33,000	(1)
Webster Healthcare Facility	Houston-Pasadena-The Woodlands, TX	06/05/2015	2015	—	100%	53,514	(1)
Augusta Healthcare Facility	Augusta-Waterville, ME (μSA)	07/22/2015	2010	—	100%	51,000	(1)
Cincinnati Healthcare Facility III	Cincinnati, OH-KY-IN	07/22/2015	2014	—	100%	41,600	(1)
Florence Healthcare Facility	Cincinnati, OH-KY-IN	07/22/2015	2014	—	100%	41,600	(1)
Oakland Healthcare Facility	Augusta-Waterville, ME (μSA)	07/22/2015	2004	—	100%	20,000	(1)
Wyomissing Healthcare Facility	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	07/24/2015	2007	—	100%	33,217	(1)
Luling Healthcare Facility	Austin-Round Rock-San Marcos, TX	07/30/2015	2003	—	100%	40,901	(1)
Omaha Healthcare Facility	Omaha, NE-IA	10/14/2015	2014	—	100%	40,402	(1)
Sherman Healthcare Facility	Sherman-Denison, TX	11/20/2015	2005	2010	100%	57,576	(1)
Sherman Healthcare Facility II	Sherman-Denison, TX	11/20/2015	2005	—	100%	8,055	(1)
Fort Worth Healthcare Facility III	Dallas-Fort Worth-Arlington, TX	12/23/2015	1998	2007/2015	100%	36,800	(1)
Oklahoma City Healthcare Facility	Oklahoma City, OK	12/29/2015	1985	1998/2003	100%	94,076	(1)
Oklahoma City Healthcare Facility II	Oklahoma City, OK	12/29/2015	1994	1999	100%	41,394	(1)
Edmond Healthcare Facility	Oklahoma City, OK	01/20/2016	2002	—	100%	17,700	(1)
Oklahoma City Healthcare Facility III	Oklahoma City, OK	01/27/2016	2006	—	100%	5,000	(1)
Oklahoma City Healthcare Facility IV	Oklahoma City, OK	01/27/2016	2007	—	100%	8,762	(1)
Newcastle Healthcare Facility	Oklahoma City, OK	02/03/2016	1995	1999	100%	7,424	(1)
Oklahoma City Healthcare Facility V	Oklahoma City, OK	02/11/2016	2008	—	100%	43,676	(1)
Rancho Mirage Healthcare Facility	Riverside-San Bernardino-Ontario, CA	03/01/2016	2018	—	100%	47,008	(1)
Oklahoma City Healthcare Facility VI	Oklahoma City, OK	03/07/2016	2007	—	100%	14,676	(1)
Oklahoma City Healthcare Facility VII	Oklahoma City, OK	06/22/2016	2016	—	100%	102,978	(1)
Las Vegas Healthcare Facility	Las Vegas-Henderson-North Las Vegas, NV	06/24/2016	2017	—	100%	56,220	(1)
Oklahoma City Healthcare Facility VIII	Oklahoma City, OK	06/30/2016	1997	2008	100%	62,857	(1)
Marlton Healthcare Facility	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	11/01/2016	1995	—	100%	89,139	(1)
Grand Rapids Healthcare Facility	Grand Rapids-Wyoming-Kentwood, MI	12/07/2016	2008	—	84%	90,150	(1)
Corpus Christi Healthcare Facility	Corpus Christi, TX	12/22/2016	1992	2016	100%	25,102	(1)
Aurora Healthcare Facility	Chicago-Naperville-Elgin, IL-IN	03/30/2017	2002	—	100%	24,722	(1)
Allen Healthcare Facility	Dallas-Fort Worth-Arlington, TX	03/31/2017	2007	—	100%	42,627	(1)
Austin Healthcare Facility	Austin-Round Rock-San Marcos, TX	03/31/2017	2012	—	100%	66,095	(1)
Beaumont Healthcare Facility	Beaumont-Port Arthur, TX	03/31/2017	1991	—	100%	61,000	(1)
San Antonio Healthcare Facility	San Antonio-New Braunfels, TX	06/29/2017	1984	(2)	100%	44,746	(1)
Silverdale Healthcare Facility	Bremerton-Silverdale-Port Orchard, WA	08/25/2017	2005	—	100%	26,127	(1)
Silverdale Healthcare Facility II	Bremerton-Silverdale-Port Orchard, WA	09/20/2017	2007	—	100%	19,184	(1)
Saginaw Healthcare Facility	Saginaw, MI	12/21/2017	2002	—	100%	87,843	(1)
Carrollton Healthcare Facility	Dallas-Fort Worth-Arlington, TX	04/27/2018	2015	—	100%	21,990	(1)
Katy Healthcare Facility	Houston-Pasadena-The Woodlands, TX	06/08/2018	2015	—	100%	34,296	(1)
Indianola Healthcare Facility	Des Moines-West Des Moines, IA	09/26/2018	2014	—	100%	18,116	(1)

Property Name	MSA/μSA	Date Acquired	Year Constructed	Year Renovated	% Leased	Leased Sq Ft	Encumbrances, \$ (in thousands)
Indianola Healthcare Facility II	Des Moines-West Des Moines, IA	09/26/2018	2011	—	100%	20,990	(1)
Benton Healthcare Facility	Little Rock-North Little Rock-Conway, AR	10/17/2018	1992/1999	2012	100%	104,419	(1)
Benton Healthcare Facility II	Little Rock-North Little Rock-Conway, AR	10/17/2018	1983	—	100%	11,350	(1)
Bryant Healthcare Facility	Little Rock-North Little Rock-Conway, AR	10/17/2018	1995	—	100%	23,450	(1)
Hot Springs Healthcare Facility	Little Rock-North Little Rock-Conway, AR	10/17/2018	2009	—	100%	8,573	(1)
Clive Healthcare Facility	Des Moines-West Des Moines, IA	11/26/2018	2008	—	100%	58,156	(1)
Valdosta Healthcare Facility	Valdosta, GA	11/28/2018	2004	—	100%	24,750	(1)
Valdosta Healthcare Facility II	Valdosta, GA	11/28/2018	1992	—	100%	12,745	(1)
Bryant Healthcare Facility II	Little Rock-North Little Rock-Conway, AR	08/16/2019	2016	—	100%	16,425	(1)
Laredo Healthcare Facility	Laredo, TX	09/19/2019	1998	2023	100%	61,677	(1)
Laredo Healthcare Facility II	Laredo, TX	09/19/2019	1998	—	100%	118,132	(1)
Poplar Bluff Healthcare Facility	Poplar Bluff, MO (μSA)	09/19/2019	2013	—	100%	71,519	(1)
Tucson Healthcare Facility	Tucson, AZ	09/19/2019	1998	—	100%	34,009	(1)
Akron Healthcare Facility	Akron, OH	10/04/2019	2012	—	100%	98,705	(1)
Akron Healthcare Facility II	Akron, OH	10/04/2019	2013	—	100%	38,564	(1)
Akron Healthcare Facility III	Akron, OH	10/04/2019	2008	—	100%	54,000	(1)
Alexandria Healthcare Facility	Alexandria, LA	10/04/2019	2007	—	100%	15,600	(1)
Appleton Healthcare Facility	Appleton, WI	10/04/2019	2011	—	100%	7,552	(1)
Austin Healthcare Facility II	Austin-Round Rock-San Marcos, TX	10/04/2019	2006	—	100%	18,273	(1)
Bellevue Healthcare Facility	Green Bay, WI	10/04/2019	2010	—	100%	5,838	(1)
Bonita Springs Healthcare Facility	Cape Coral-Fort Myers, FL	10/04/2019	2002	2005	100%	9,800	—
Bridgeton Healthcare Facility	St. Louis, MO-IL	10/04/2019	2012	—	100%	66,914	(1)
Covington Healthcare Facility	New Orleans-Metairie, LA	10/04/2019	1984	—	100%	43,250	(1)
Crestview Healthcare Facility	Crestview-Fort Walton Beach-Destin, FL	10/04/2019	2004	2010	100%	5,685	—
Dallas Healthcare Facility	Dallas-Fort Worth-Arlington, TX	10/04/2019	2011	—	100%	62,390	(1)
De Pere Healthcare Facility	Green Bay, WI	10/04/2019	2005	—	100%	7,100	(1)
Denver Healthcare Facility	Denver-Aurora-Centennial, CO	10/04/2019	1962	2018	100%	131,210	(1)
El Segundo Healthcare Facility	Los Angeles-Long Beach-Anaheim, CA	10/04/2019	2009	—	100%	12,163	—
Fairlea Healthcare Facility	Hagerstown-Martinsburg, MD-WV	10/04/2019	1999	—	100%	5,200	—
Fayetteville Healthcare Facility	Fayetteville-Springdale-Rogers, AR	10/04/2019	1994	2009	100%	55,740	(1)
Fort Myers Healthcare Facility	Cape Coral-Fort Myers, FL	10/04/2019	1999	—	100%	32,148	—
Fort Myers Healthcare Facility II	Cape Coral-Fort Myers, FL	10/04/2019	2010	2022	100%	47,089	—
Fort Walton Beach Healthcare Facility	Crestview-Fort Walton Beach-Destin, FL	10/04/2019	2005	—	100%	9,017	—
Frankfort Healthcare Facility	Lexington-Fayette, KY	10/04/2019	1993	2019	100%	4,000	—
Frisco Healthcare Facility	Dallas-Fort Worth-Arlington, TX	10/04/2019	2010	2020	100%	57,051	(1)
Goshen Healthcare Facility	Elkhart-Goshen, IN	10/04/2019	2010	—	100%	15,462	(1)
Hammond Healthcare Facility	Hammond, LA	10/04/2019	2006	—	100%	63,000	(1)
Hammond Healthcare Facility II	Hammond, LA	10/04/2019	2004	—	100%	23,835	(1)
Henderson Healthcare Facility	Las Vegas-Henderson-North Las Vegas, NV	10/04/2019	2000	—	100%	6,685	—
Houston Healthcare Facility III	Houston-Pasadena-The Woodlands, TX	10/04/2019	1998	2018	100%	16,217	(1)
Howard Healthcare Facility	Green Bay, WI	10/04/2019	2011	—	100%	7,552	(1)
Jacksonville Healthcare Facility	Jacksonville, FL	10/04/2019	2009	—	100%	13,082	—
Lafayette Healthcare Facility	Lafayette, LA	10/04/2019	2004	2005	100%	73,824	(1)
Lakewood Ranch Healthcare Facility	North Port-Bradenton-Sarasota, FL	10/04/2019	2008	—	100%	10,919	—
Las Vegas Healthcare Facility II	Las Vegas-Henderson-North Las Vegas, NV	10/04/2019	2007	—	100%	6,963	—
Lehigh Acres Healthcare Facility	Cape Coral-Fort Myers, FL	10/04/2019	2002	—	100%	5,746	—
Lubbock Healthcare Facility	Lubbock, TX	10/04/2019	2003	—	100%	102,143	(1)
Manitowoc Healthcare Facility	Green Bay, WI	10/04/2019	2003	—	100%	7,987	(1)
Manitowoc Healthcare Facility II	Green Bay, WI	10/04/2019	1964	2010	100%	36,090	(1)
Marinette Healthcare Facility	Green Bay, WI	10/04/2019	2008	—	100%	4,178	(1)

Property Name	MSA/μSA	Date Acquired	Year Constructed	Year Renovated	% Leased	Leased Sq Ft	Encumbrances, \$ (in thousands)
New Bedford Healthcare Facility	Providence-Warwick, RI-MA	10/04/2019	1942	1995	100%	70,657	—
New Braunfels Healthcare Facility	San Antonio-New Braunfels, TX	10/04/2019	2007	—	100%	27,971	(1)
North Smithfield Healthcare Facility	Providence-Warwick, RI-MA	10/04/2019	1965	2000	100%	92,944	(1)
Oklahoma City Healthcare Facility IX	Oklahoma City, OK	10/04/2019	2007	—	100%	34,970	(1)
Oshkosh Healthcare Facility	Oshkosh-Neenah, WI	10/04/2019	2010	—	100%	8,717	(1)
Palm Desert Healthcare Facility	Riverside-San Bernardino-Ontario, CA	10/04/2019	2005	—	100%	6,963	—
Rancho Mirage Healthcare Facility II	Riverside-San Bernardino-Ontario, CA	10/04/2019	2008	2022	100%	7,432	—
San Antonio Healthcare Facility III	San Antonio-New Braunfels, TX	10/04/2019	2012	—	100%	50,000	(1)
San Antonio Healthcare Facility IV	San Antonio-New Braunfels, TX	10/04/2019	1987	—	100%	113,136	(1)
San Antonio Healthcare Facility V	San Antonio-New Braunfels, TX	10/04/2019	2017	—	81%	47,091	(1)
Santa Rosa Beach Healthcare Facility	Crestview-Fort Walton Beach-Destin, FL	10/04/2019	2003	—	100%	5,000	—
Savannah Healthcare Facility	Savannah, GA	10/04/2019	2014	—	100%	48,184	—
Sturgeon Bay Healthcare Facility	Green Bay, WI	10/04/2019	2007	—	100%	3,100	(1)
Victoria Healthcare Facility	Victoria, TX	10/04/2019	2013	—	100%	34,297	(1)
Victoria Healthcare Facility II	Victoria, TX	10/04/2019	1998	—	100%	28,752	(1)
Wilkes-Barre Healthcare Facility	Scranton-Wilkes-Barre, PA	10/04/2019	2012	—	100%	15,996	(1)
Yucca Valley Healthcare Facility	Riverside-San Bernardino-Ontario, CA	10/04/2019	2009	—	100%	12,240	—
Tucson Healthcare Facility II	Tucson, AZ	12/26/2019	2021	—	100%	60,913	(1)
Tucson Healthcare Facility III	Tucson, AZ	12/27/2019	2020	—	100%	20,000	(1)
Grimes Healthcare Facility	Des Moines-West Des Moines, IA	02/19/2020	2018	—	100%	14,669	(1)
Tampa Healthcare Facility	Tampa-St. Petersburg-Clearwater, FL	09/08/2020	2015	—	100%	33,822	(1)
Tucson Healthcare Facility IV	Tucson, AZ	12/22/2020	2022	—	100%	44,692	(1)
Greenwood Healthcare Facility	Indianapolis-Carmel-Greenwood, IN	04/19/2021	2008	2018	100%	53,560	(1)
Clive Healthcare Facility II	Des Moines-West Des Moines, IA	12/08/2021	2008	—	100%	63,224	(1)
Clive Healthcare Facility III	Des Moines-West Des Moines, IA	12/08/2021	2008	—	100%	33,974	(1)
Clive Healthcare Facility IV	Des Moines-West Des Moines, IA	12/08/2021	2009	2018	100%	35,419	(1)
Clive Undeveloped Land	Des Moines-West Des Moines, IA	12/08/2021	—	—	—%	—	—
Clive Undeveloped Land II	Des Moines-West Des Moines, IA	12/08/2021	—	—	—%	—	—
Yukon Healthcare Facility	Oklahoma City, OK	03/10/2022	2020	—	100%	45,624	(1)
Pleasant Hills Healthcare Facility	Pittsburgh, PA	05/12/2022	2015	—	100%	33,712	(1)
Prosser Healthcare Facility I	Kennewick-Richland, WA	05/20/2022	2020	—	100%	6,000	(1)
Prosser Healthcare Facility II	Kennewick-Richland, WA	05/20/2022	2013	2019	100%	9,230	(1)
Prosser Healthcare Facility III	Kennewick-Richland, WA	05/20/2022	2013	—	100%	5,400	(1)
Tampa Healthcare Facility II	Tampa-St. Petersburg-Clearwater, FL	07/20/2022	2022	—	100%	87,649	(1)
Escondido Healthcare Facility	San Diego-Carlsbad, CA	07/21/2022	2021	—	100%	56,800	(1)
West Palm Beach Healthcare Facility	Miami-Fort Lauderdale-West Palm Beach, FL	06/15/2023	1999	2007/2019	100%	25,150	(1)
Burr Ridge Healthcare Facility	Chicago-Naperville-Elgin, IL-IN	09/27/2023	2010	—	100%	104,912	—
						<u>5,085,257</u>	<u>—</u>

- (1) Property is contributed to the pool of unencumbered properties of our credit facility. As of December 31, 2023, 111 commercial real estate properties were contributed to the pool of unencumbered properties under our credit facility and we had an outstanding principal balance of \$525,000,000.
- (2) Property is currently under renovation.

We believe the properties are adequately covered by insurance and are suitable for their respective intended purposes. Real estate assets, other than land, are depreciated on a straight-line basis over each asset's useful life. Tenant improvements are depreciated on a straight-line basis over the shorter of the respective lease term or expected useful life.

Leases

As of December 31, 2023, the weighted average remaining lease term of our properties was 8.5 years. The properties generally are leased under net leases pursuant to which the tenant bears responsibility for substantially all property costs and expenses associated with ongoing maintenance and operation, including utilities, property taxes and insurance. The majority of our leases provide for fixed increases in rent. Generally, the property leases provide the tenant with one or more multi-year renewal options, subject to generally the same terms and conditions as the initial lease term.

Lease expirations of our real properties based on annualized contractual base rent as of December 31, 2023, for each of the next ten years ending December 31 and thereafter, are as follows:

Year of Lease Expiration	Total Number of Leases	Leased Sq Ft	Annualized Contractual Base Rent (in thousands) ⁽¹⁾	Percentage of Annualized Contractual Base Rent
2024	18	143,230	\$ 4,432	2.7 %
2025	12	246,413	7,768	4.8 %
2026	13	202,884	5,977	3.7 %
2027	9	277,229	7,107	4.4 %
2028	11	238,571	5,301	3.3 %
2029	19	520,887	11,239	7.0 %
2030	14	553,432	18,635	11.5 %
2031	12	497,414	20,412	12.6 %
2032	6	175,658	7,188	4.5 %
2033	12	478,568	20,744	12.8 %
Thereafter	32	1,750,971	52,642	32.7 %
	158	5,085,257	\$ 161,445	100.0 %

(1) Annualized contractual base rent is based on leases in effect as of December 31, 2023.

Item 3. Legal Proceedings.

We are not aware of any material pending legal proceedings to which we are a party or to which our properties are the subject.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

There is no established public trading market for our common stock. Therefore, a stockholder may not be able to sell our stock at a time or price acceptable to the stockholder, or at all. Unless and until our shares are listed on a national securities exchange, we do not expect that a public market for the shares will develop.

As of December 31, 2023, the offering price for the shares in the DRIP Offering was \$7.48 per Class A share, \$7.48 per Class I share and \$7.48 per Class T share, which is equal to the Estimated Per Share NAV, as approved by the Board and effective on December 18, 2023.

We will continue to issue shares of Class A common stock, Class I common stock and Class T common stock under the current DRIP Offering until such time as we sell all of the shares registered for sale under the current DRIP Offering, unless we file a new registration statement with the SEC or the current DRIP Offering is terminated by the Board. We will issue such shares at the applicable Estimated Per Share NAV.

As of May 2022, all outstanding shares of Class T2 common stock (including associated shares of Class T2 DRIP common stock) were converted into shares of Class I common stock. Stockholders received a confirmation notice when their shares of Class T2 common stock were converted into shares of Class I common stock.

Pursuant to the terms of our charter, certain restrictions are imposed on the ownership and transfer of shares.

To assist the FINRA members and their associated persons that participated in our public offerings of common stock, pursuant to FINRA Rule 5110 and NASD Conduct Rule 2340, we disclose in each annual report distributed to stockholders a per share estimated value of the shares, the method by which it was developed, and the date of the data used to develop the estimated value. In addition, we prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares. For these purposes, the Estimated Per Share NAV of our common shares was \$7.48 as of December 31, 2023. However, as set forth above, there is no public trading market for the shares at this time and stockholders may not receive \$7.48 per share if a market did exist.

The Estimated Per Share NAV was approved by the Board, at the recommendation of the Audit Committee, on December 18, 2023, using a methodology that conformed to standard industry practice. In determining the Estimated Per Share NAV, the Board considered information and analyses, including valuation materials that were provided by Cushman & Wakefield of Pennsylvania, LLC, information provided by us and the recommendation of the Audit Committee. See our Current Report on Form 8-K filed with the SEC on December 19, 2023 for additional information regarding Cushman & Wakefield of Pennsylvania, LLC, and its valuation materials and the methodology used to determine the Estimated Per Share NAV.

Stockholder Information

As of February 29, 2024, we had 63,474 stockholders of record. The number of stockholders is based on the records of Computershare Trust Company, N.A., who serves as our registrar and transfer agent.

Distributions

We are taxed and qualify as a REIT for federal income tax purposes. As a REIT, we make distributions each taxable year equal to at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding capital gains). One of our primary goals is to continue to pay monthly distributions to our stockholders.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the quarter ended December 31, 2023.

Share Repurchase Program

Prior to the time that our shares are listed on a national securities exchange, if ever, our Amended and Restated Share Repurchase Program, or the SRP, as described below, may provide eligible stockholders with limited, interim liquidity by enabling them to sell shares back to us, subject to restrictions and applicable law. We are not obligated to repurchase shares under our SRP.

We currently only repurchase shares due to death and involuntary exigent circumstances in accordance with our SRP, subject in each case to the terms and limitations of the SRP, including, but not limited to, quarterly share limitations, an annual 5.0% share limitation, and DRIP funding limitations. Under our SRP, we may waive certain of the terms and requirements of the SRP in the event of the death of a stockholder who is a natural person, including shares held through an Individual Retirement Account, or IRA, or other retirement or profit-sharing plan, and certain trusts meeting the requirements of the SRP. We may also waive certain of the terms and requirements of the SRP in the event of an involuntary exigent circumstance, as determined by us or any of the executive officers thereof, in our or their sole discretion.

Holding Period. Generally, a stockholder must have beneficially held its Class A shares, Class I shares or Class T shares, as applicable, for at least one year prior to offering them for sale to us through our share repurchase program. A stockholder or a stockholder's fiduciary, heir or beneficiary may present to us fewer than all of the shares owned for repurchase.

Distribution Reinvestment Plan. In the event that we repurchase all of one stockholder's shares, any shares that the stockholder purchased pursuant to our DRIP, will be excluded from the one-year holding requirement. In the event that a stockholder requests a repurchase of its shares, and such stockholder is participating in the DRIP, the stockholder will be deemed to have notified us, at the time the stockholder submits the repurchase request, that the stockholder is terminating participation in the DRIP and has elected to receive future distributions in cash. This election for cash distributions will continue in effect even if less than all of the stockholder's shares are accepted for repurchase unless the stockholder notifies us that the stockholder wishes to re-enroll to participate in the DRIP.

Death of a Stockholder. Subject to the conditions and limitations described below, we may waive certain of the terms and requirements of our share repurchase program in the event of the death of a stockholder who is a natural person, including shares held by such stockholder through an IRA or other retirement or profit-sharing plan, and certain trusts meeting the

requirements detailed in this program. With regard to trusts, the right to request a repurchase upon death applies upon the death of the settlor of a trust that holds shares, if the trust becomes irrevocable upon the death of the settlor or settlor's spouse, or the spouse of a settlor of a trust, if the trust became irrevocable upon the death of the settlor and the settlor's spouse was the beneficiary of the trust, as applicable, after receiving written notice from the fiduciary appointed for the stockholder's estate, the recipient of the shares through bequest or inheritance, or, in the case of a trust that becomes irrevocable upon the death of the settlor (or previously became irrevocable upon the death of the settlor's spouse), the then-serving trustee of such trust, who shall be the sole person authorized to request the repurchase on behalf of the trust. We must receive the written repurchase request within 18 months after the death of the stockholder, the date on which a trust became irrevocable due to death, or the date of death of the settlor's surviving spouse who was the beneficiary of a trust that became irrevocable due to the death of the settlor, as applicable, in order for the requesting party to rely on any of the special treatment described below that may be afforded in the event of death. Such written request must be accompanied by a certified copy of the official death certificate of the stockholder, settlor, and or settlor's spouse, as applicable. In addition, written requests in connection with shares held in a trust must include an executed Certification of Trust for Repurchase form, pursuant to which the trustee must agree to indemnify and hold our company harmless from and against any liability arising from the repurchase. If spouses are joint registered holders of the shares, the request to repurchase the shares may be made only if both registered holders are deceased. If the stockholder is not a natural person, as in the case of a trust that does not become irrevocable upon the death of the settlor or the settlor's spouse (as described above in this paragraph), a partnership, a corporation, a limited liability company, or other similar entity, the right of repurchase upon death does not apply.

Qualifying Disability. Subject to the conditions and limitations described within our SRP, we may waive certain of the terms and requirements of our SRP with respect to shares held by a stockholder, including shares held by such stockholder through an IRA or other retirement or profit-sharing plan, with a "Qualifying Disability" as defined in our SRP, after receiving written notice from such stockholder within 18 months from the date that the stockholder becomes subject to the Qualifying Disability; provided that the condition causing the Qualifying Disability was not pre-existing on the date that the stockholder became a stockholder.

Involuntary Exigent Circumstance. The Company or any of its executive officers may, in its or their sole discretion, waive certain of the terms and requirements of our SRP with respect to shares held by a stockholder who is a natural person and certifies in an executed Certification Regarding Exigent Circumstances for Repurchase form, that he or she: (a) has been diagnosed with a condition caused by injury, disease, or illness from which there is no reasonable medical probability of recovery and the stockholder's life expectancy is less than twenty-four (24) months, as evidenced by a physician certification; and (b) is experiencing financial need, such that, if the repurchase request is not granted, the stockholder would be unable to meet the basic financial obligations to support himself/herself and such stockholder's dependents, which is referred to as an "Involuntary Exigent Circumstance" in our SRP. Stockholders requesting repurchases due to Involuntary Exigent Circumstance are required to indemnify and hold the Company harmless from and against any liability arising from the repurchase.

Purchase Price. The purchase price for shares repurchased under our SRP will be 100% of the most recent estimated NAV per share of the Class A common stock, Class I common stock or Class T common stock, as applicable (in each case, as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock). The Board will adjust the estimated NAV per share of each our classes of common stock if we have made one or more special distributions to stockholders. The Board will determine, in its sole discretion, which distributions, if any, constitute a special distribution.

Timing of Share Repurchases. Repurchases of our shares are at our discretion and generally will be made quarterly upon written request to us by the last day of the applicable quarter. Valid repurchase requests will be honored approximately 30 days following the end of the applicable quarter, which we refer to as the "Repurchase Date." Stockholders may withdraw their repurchase request at any time up to 15 days prior to the Repurchase Date. If a repurchase request is granted, we or our agent will send the repurchase amount to each stockholder or heir, beneficiary or estate of a stockholder on or about the Repurchase Date.

Repurchase Limitations. We will determine whether we have sufficient funds and/or shares available as soon as practicable after the end of each fiscal quarter, but in any event prior to the applicable Repurchase Date.

a. ***5% Share Limitation.*** During any calendar year, we will not repurchase shares in excess of 5.0% of the number of shares of common stock outstanding on December 31st of the previous calendar year, or the 5% Share Limitation.

b. ***Quarterly Share Limitations.*** We limit the number of shares repurchased each quarter pursuant to our SRP as follows (subject to the DRIP Funding Limitation (as defined below)):

- On the first quarter Repurchase Date, which generally will be on or about January 30 of the applicable year, we will not repurchase in excess of 1.25% of the number of shares outstanding on December 31st of the previous calendar year;

- On the second quarter Repurchase Date, which generally will be on or about April 30 of the applicable year, we will not repurchase in excess of 1.25% of the number of shares outstanding on December 31st of the previous calendar year;
- On the third quarter Repurchase Date, which generally will be on or about July 30 of the applicable year, we will not repurchase in excess of 1.25% of the number of shares outstanding on December 31st of the previous calendar year; and
- On the fourth quarter Repurchase Date, which generally will be on or about October 30 of the applicable year, we will not repurchase in excess of 1.25% of the number of shares outstanding on December 31st of the previous calendar year.

In the event we do not repurchase 1.25% of the number of shares outstanding on December 31st of the previous calendar year in any particular quarter, we will increase the limitation on the number of shares to be repurchased in the next quarter and continue to adjust the quarterly limitations as necessary in accordance with the 5% annual limitation.

c. *DRIP Funding Limitations.* We intend to fund our SRP with proceeds we received during the prior year ended December 31 from the sale of shares pursuant to the DRIP. We will limit the amount of DRIP proceeds used to fund share repurchases in each quarter to 25% of the amount of DRIP proceeds received during the previous calendar year, or the DRIP Funding Limitation; provided, however, that if we do not reach the DRIP Funding Limitation in any particular quarter, we will apply the remaining DRIP proceeds to the next quarter Repurchase Date and continue to adjust the quarterly limitations as necessary in order to use all of the available DRIP proceeds for a calendar year, if needed. We cannot guarantee that DRIP proceeds will be sufficient to accommodate all requests made each quarter. The Board may, in its sole discretion, reserve other operating funds to fund the SRP, but is not required to reserve such funds.

As a result of the limitations described in (a) - (c) above, some or all of a stockholder's shares may not be repurchased. Each quarter, we will process repurchase requests made in connection with the death of a stockholder, or, in our sole discretion, an Involuntary Exigent Circumstance. If we are unable to process all eligible repurchase requests within a quarter due to the limitations described above or in the event sufficient funds are not available, shares will be repurchased as follows: (i) first, pro rata as to repurchases upon the death of a stockholder; and (ii) second, pro rata as to repurchases to stockholders who demonstrate, in our sole discretion, an Involuntary Exigent Circumstance.

If we do not repurchase all of the shares for which repurchase requests were submitted in any quarter, all outstanding repurchase requests will automatically roll over to the subsequent quarter and priority will be given to the repurchase requests in the subsequent quarter as provided above. A stockholder or his or her estate, heir or beneficiary, as applicable, may withdraw a repurchase request in whole or in part at any time up to 15 days prior to the Repurchase Date.

Deadline for Presentment. A stockholder who wishes to have shares repurchased must mail or deliver to us a written request on a form provided by us and executed by the stockholder, its trustee or authorized agent, which we must receive by the last day of the quarter in which the stockholder is requesting a repurchase of his or her shares. The fiduciary of an estate, heir, beneficiary, or trustee of a trust that wishes to have shares repurchased following the death of a stockholder must mail or deliver to us a written request on a form provided by us, including evidence acceptable to us of the death of the stockholder, and executed by the fiduciary of the estate, the heir or beneficiary, or the trustee, as applicable, which we must receive by the last day of the quarter in which the fiduciary of the estate, heir, beneficiary, or trustee is requesting a repurchase of its shares.

No Encumbrances. All shares presented for repurchase must be owned by the stockholder(s) making the presentment, or the party presenting the shares must be authorized to do so by the owner(s) of the shares. Such shares must be fully transferable and not subject to any liens or encumbrances. Upon receipt of a request for repurchase, we may conduct a Uniform Commercial Code search to ensure that no liens are held against the shares. Any costs in conducting the Uniform Commercial Code search will be borne by us.

Account Minimum. In the event any stockholder fails to maintain a minimum balance of \$2,000 of Class A shares, Class I shares, or Class T shares, we may repurchase all of the shares held by that stockholder at the NAV per share repurchase price in effect on the date we determine that the stockholder has failed to meet the minimum balance.

Termination, Amendment or Suspension of the Program. Our SRP will immediately terminate if our shares are listed on any national securities exchange. In addition, the Board may, in its sole discretion, suspend (in whole or in part) our SRP at any time and from time to time upon notice to our stockholders and may, in its sole discretion amend or terminate our SRP at any time upon 30 days' prior notice to our stockholders for any reason it deems appropriate. Because we generally only repurchase shares on a quarterly basis, depending upon when during the quarter the Board makes this determination, it is possible that our stockholders would not have any additional opportunities to have their shares repurchased under the prior terms of the program, or at all, upon receipt of the notice. Because share repurchases will be funded with the net proceeds we receive from the sale of shares under our DRIP or other operating funds reserved by the Board in its sole discretion, the discontinuance or termination

of the DRIP or the Board's decision not to reserve other operating funds to fund our SRP would adversely affect our ability to repurchase shares under our SRP. We will notify our stockholders of such developments: (1) in a current report on Form 8-K, an annual report on Form 10-K or a quarterly report on Form 10-Q; or (2) by means of a separate mailing to our stockholders.

During the three months ended December 31, 2023, we fulfilled the following repurchase requests pursuant to our SRP:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans and Programs	Approximate Dollar Value of Shares Available that may yet be Repurchased under the Program
October 1, 2023 - October 31, 2023	368,926	\$ 8.13	—	\$ —
November 1, 2023 - November 30, 2023	—	\$ —	—	\$ —
December 1, 2023 - December 31, 2023	—	\$ —	—	\$ —
Total	<u>368,926</u>		<u>—</u>	

During the three months ended December 31, 2023, we repurchased approximately \$2,998,000 of Class A shares, Class I shares and Class T shares of common stock.

Item 6. [Reserved]

Information pertaining to Item 6 is not presented in accordance with amendments to Item 301 of Regulation S-K.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto and the other financial information appearing elsewhere in this Annual Report on Form 10-K. The discussion contains forward looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly under “Risk Factors” and “Forward-Looking Statements.” All forward-looking statements in this document are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements.

This section of the Annual Report on Form 10-K generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. A discussion of the changes in our financial condition and results of operations for the years ended December 31, 2022, and 2021 may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal years ended December 31, 2022 and December 31, 2021.

Overview

We invest in high quality properties leased to tenants capitalizing on critical and structural economic growth drivers. We are primarily focused on investing in healthcare assets across the continuum of care, which we believe typically generate predictable, durable and growing income streams. We may also make other real estate-related investments, which may include equity or debt interests in other real estate entities.

As of December 31, 2023, we owned 131 real estate properties and two undeveloped land parcels.

We raised the equity capital for our real estate investments through our Offerings from May 2014 through November 2018, and we have offered shares pursuant to the DRIP Offerings since November 2017.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. Changes in these estimates and assumptions could have a significant effect on the financial statements. From time to time, we evaluate our estimates based on historical experience and various assumptions that we believe are reasonable under the circumstances. Although our actual results historically have not deviated materially from those determined using estimates, our results of operations or financial condition could differ materially from these estimates under different assumptions or conditions.

We consider our critical accounting estimates to be those used in the determination of the reported amounts and disclosure related to the impairment of long-lived assets.

We review our real estate assets on an asset group basis for impairment. Typically, an individual property constitutes an asset group. We identify an asset group based on the lowest level of identifiable cash flows. In the impairment analysis we must determine whether there are indicators of impairment. For operating properties, these indicators could include a tenant being delinquent or not paying rent, a reduction in our estimated hold period, a significant decline in a property’s leasing percentage, a current period operating loss or negative cash flows combined with a history of losses at the property, a significant decline in lease rates for that property or others in the property’s market, a significant change in the market value of the property, or an adverse change in the financial condition of significant tenants.

If we determine that an asset has indicators of impairment, we then determine whether the undiscounted cash flows associated with the asset group exceed the carrying amount of the asset group. In calculating the undiscounted net cash flows of an asset group, we use considerable judgment to estimate several inputs. We estimate future rental rates, future capital expenditures, future operating expenses, and market capitalization rates for residual values, among other things. In addition, if there are alternative strategies for the future use of the asset, we assess the probability of each alternative strategy and perform a probability-weighted undiscounted cash flow analysis to assess the recoverability of the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, an impairment loss is recognized equal to the excess of carrying value over the estimated fair value of the asset group.

In determining the fair value of an asset group, we exercise considerable judgment on several factors. We may determine fair value by using a direct capitalization method, a discounted cash flow method or by utilizing comparable sales information. The direct capitalization method is based on a capitalization rate applied to the underlying asset group's most recent stabilized trailing twelve-month net operating income at the measurement date. The discounted cash flow method is based on estimated future cash flow projections utilizing discount rates, terminal capitalization rates, and planned capital expenditures. We use

judgment to determine an appropriate discount rate to apply to the cash flows in the discounted cash flow calculation. We also use judgment in analyzing comparable market information because no two real estate assets are identical in location and price.

The estimates and judgments used in the impairment process are highly subjective and susceptible to frequent change. Significant increases or decreases in any of these inputs, particularly with regard to cash flow projections and discount and capitalization rates, would result in a significantly lower or higher fair value measurement of the real estate assets being assessed. Additionally, changes in economic and operating conditions, including changes in the financial condition of our tenants, and changes to our intent and ability to hold the related asset, that occur after our impairment assessment could impact the assumptions used in that assessment and could result in future charges to earnings if assumptions regarding those investments differ from actual results.

Real Estate Acquisitions and Dispositions in 2023

- We purchased two healthcare properties, comprising approximately 130,000 rentable square feet for an aggregate purchase price of approximately \$69,822,000.
- We sold three healthcare properties for an aggregate sale price of \$271,107,000 and generated net proceeds of \$270,306,000.

Factors That May Influence Results of Operations

We are not aware at this time of any material trends or uncertainties, other than national economic conditions and those discussed below and in Part I. Item 1A. "Risk Factors" of this Annual Report on Form 10-K, affecting our real estate properties, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income, management and operation of our properties.

Rental Revenue

The amount of rental revenue generated by our properties depends principally on our ability to maintain the occupancy rates of leased space and to lease available space at existing rental rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. We continually monitor our tenants' ability to meet their lease obligations to pay us rent to determine if any adjustments should be reflected currently. As of December 31, 2023, our real estate properties were 99.4% leased.

GenesisCare Bankruptcy Filing

As disclosed in the Current Report on Form 8-K that the Company filed with the SEC on June 5, 2023, GenesisCare, sponsor and owner of the tenant in 17 of our real estate properties, announced that it filed for Chapter 11 bankruptcy protection under the United States Bankruptcy Code. GenesisCare sought U.S. bankruptcy court approval to reject certain unexpired real property leases. GenesisCare's lease obligations with us were not included in any motions. GenesisCare continues to make its lease payments due to us in accordance with their contractual terms, although we are in ongoing negotiations with GenesisCare regarding certain adjustments to its lease. Bankruptcy proceedings are subject to uncertainty and there can be no assurance how the bankruptcy court's or other parties' actions or decisions may impact GenesisCare. Due to GenesisCare filing for bankruptcy and its subsequent emergence from bankruptcy on February 16, 2024, we determined the collectability of amounts owed under the contractual terms of GenesisCare's lease were no longer reasonably assured. As a result, we ceased recognizing rent on a straight-line basis and have only recorded rent for GenesisCare to the extent we have received cash. In addition, during the year ended December 31, 2023, we wrote off \$1,630,000 of straight-line rent receivables related to GenesisCare, as a reduction in rental revenue, because the amounts were determined to be uncollectible.

Results of Operations

Our results of operations are influenced by the timing of acquisitions and the performance of our real estate properties. The following table shows the property statistics of our real estate properties as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
Number of real estate properties ⁽¹⁾	131	132
Leased square feet	5,085,000	5,508,000
Weighted average percentage of rentable square feet leased	99.4 %	99.5 %

- (1) As of December 31, 2023, we owned 131 real estate properties and two undeveloped land parcels. As of December 31, 2022, we owned 132 real estate properties and two undeveloped land parcels.

The following table summarizes our real estate activity for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
Real estate properties acquired	2	7
Real estate properties disposed	3	— ⁽¹⁾
Aggregate purchase price of real estate properties acquired ⁽²⁾	\$ 69,822,000	\$ 157,194,000
Net book value of real estate properties disposed	\$ 270,279,000	\$ — ⁽¹⁾
Leased square feet of real estate property additions	130,000	284,000
Leased square feet of real estate property dispositions	551,000	—

(1) During the year ended December 31, 2022, we disposed of one land parcel that formerly contained a property.

(2) Includes capitalized acquisition costs associated with transactions determined to be asset acquisitions.

This section describes and compares our results of operations for the years ended December 31, 2023 and 2022. We generate substantially all of our revenue from property operations. In order to evaluate our overall portfolio, management analyzes the results of our same store properties. We define "same store properties" as properties that were owned and operated for the entirety of both calendar periods being compared and exclude properties under development, re-development, or classified as held for sale.

By evaluating the results of our same store properties, management is able to monitor the operations of our existing properties for comparable periods to measure the performance of our current portfolio and readily observe the expected effects of our new acquisitions and dispositions on net income.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

The following table allocates total rental revenue for the year ended December 31, 2023 compared to the comparable period in 2022 (amounts in thousands).

	Year Ended December 31,		\$ Change	% Change
	2023	2022		
Same store rental revenue	\$ 143,381	\$ 145,167	\$ (1,786)	(1.2)%
Same store tenant reimbursements	10,608	10,121	487	4.8 %
Non-same store rental revenue	32,942	23,877	9,065	38.0 %
Non-same store tenant reimbursements	2,128	817	1,311	160.5 %
Other operating income	6	4	2	50.0 %
Total rental revenue	<u>\$ 189,065</u>	<u>\$ 179,986</u>	<u>\$ 9,079</u>	<u>5.0 %</u>

- Same store rental revenue decreased primarily due to a \$1,861,000 decrease related to tenants who ceased paying all or a portion of their rent, an \$834,000 increase in the write-off of straight-line rent receivables related to prior periods due to tenant uncertainty and an impairment of above-market lease intangible assets of \$260,000, partially offset by a \$913,000 increase in annual base rent escalations for leases indexed to CPI and a \$256,000 increase from new and renewal leases.
- Same store tenant reimbursements increased \$487,000 primarily due to higher operating costs in the current year which are generally passed along to our tenants.
- Non-same store rental revenue increased primarily due to lease termination income of \$5,185,000 and a \$6,406,000 increase attributable to properties acquired and properties placed in service since January 1, 2022, partially offset by a \$2,427,000 decrease due to property dispositions and a \$99,000 decrease due to deferment of rent on a property under renovation.
- Non-same store tenant reimbursements increased \$1,311,000 primarily due to properties acquired and placed in service since January 1, 2022.
- There were no significant changes in other operating income.

Changes in our expenses are summarized in the following table (amounts in thousands):

	Year Ended December 31,		\$ Change	% Change
	2023	2022		
Same store rental expenses	\$ 16,796	\$ 16,007	\$ 789	4.9 %
Non-same store rental expenses	3,400	1,943	1,457	75.0 %
General and administrative expenses	23,896	22,079	1,817	8.2 %
Depreciation and amortization	74,293	77,199	(2,906)	(3.8)%
Impairment losses	24,252	47,424	(23,172)	(48.9)%
Total operating expenses	\$ 142,637	\$ 164,652	\$ (22,015)	(13.4)%
Gain on real estate dispositions	\$ 22	\$ 460	\$ (438)	(95.2)%

- Same store rental expenses, certain of which are subject to reimbursement by our tenants, increased \$789,000 primarily due to higher operating costs in the current year.
- Non-same store rental expenses, certain of which are subject to reimbursement by our tenants, increased primarily due to a \$1,666,000 increase from properties acquired and properties placed in service since January 1, 2022, partially offset by a \$209,000 decrease due to property dispositions.
- General and administrative expenses increased primarily due to a \$2,188,000 increase in stock-based compensation due to equity awards granted in 2023, and \$512,000 additional separation pay primarily related to our former chief accounting officer and former chief administrative officer, partially offset by a \$84,000 decrease in accelerated stock-based compensation related to former officers and directors, a decrease of \$449,000 as a result of a reduction in personnel, and a \$350,000 decrease in reporting costs.
- Depreciation and amortization decreased primarily due to a \$1,392,000 decrease from property dispositions, a \$771,000 decrease attributable to fully amortized in-place leases and tenant improvements, a \$1,038,000 decrease related to properties impaired and a \$3,215,000 decrease in impairments of an in-place lease intangible assets, partially offset by a \$3,330,000 increase attributable to properties acquired and properties placed in service since January 1, 2022, and a \$180,000 increase due to capital expenditures placed in service.
- Impairment losses were recorded in the aggregate amount of \$24,252,000 during the year ended December 31, 2023, as a result of property sales and tenant related triggering events that occurred at certain properties. Impairment losses were recorded in the aggregate amount of \$47,424,000 during the year ended December 31, 2022, as a result of tenant related triggering events that occurred at certain properties.
- Gains on real estate dispositions were \$22,000 and \$460,000 during the years ended December 31, 2023 and 2022, respectively.

Changes in interest expense and interest and other income are summarized in the following table (amounts in thousands):

	Year Ended December 31,		\$ Change	% Change
	2023	2022		
Interest expense	\$ 23,110	\$ 24,077	\$ (967)	(4.0)%
Interest and other income	(702)	(305)	(397)	130.2 %

- Interest expense decreased primarily due to \$3,367,000 in loss on extinguishment of debt and \$1,400,000 in interest rate swap amortization recognized during the year ended December 31, 2022, partially offset by an increase of \$3,054,000 related to changes in the weighted average interest rate on our credit facility that was subject to variable rates during the year and an increase of \$856,000 due to an increase in the weighted average outstanding principal balance on our credit facility of \$32,452,000.
- Interest and other income increased primarily due to a \$457,000 increase in dividend income from investments in money market funds, a \$118,000 increase in interest income from cash deposits, and a \$105,000 increase in interest income on a note receivable, partially offset by a decrease of \$283,000 in settlement income from disposed properties.

Liquidity and Capital Resources

Our principal uses of funds are for acquisitions of real estate and real estate-related investments, capital expenditures, operating expenses, distributions to, and share repurchases from, stockholders, and principal and interest payments on current

and future indebtedness. While interest rates on variable rate debt have increased and may continue to increase, we believe our exposure is limited at this time due to our hedging strategy, which has effectively fixed 100% of our outstanding debt as of December 31, 2023, allowing us to reasonably project our liquidity needs. Generally, cash for these items is generated from operations of our current and future investments. Our sources of funds are primarily operating cash flows, funds equal to amounts reinvested in the DRIP, our credit facility and other potential borrowings.

When we acquire a property, we prepare a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capital needs may also include, for example, costs of refurbishment, tenant improvements or other major capital expenditures. The capital plan also sets forth the anticipated sources of the necessary capital, which may include a line of credit, operating cash generated by the investment, additional equity investments from us, and when necessary, capital reserves. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or, as necessary, to respond to unanticipated additional capital needs.

Short-term Liquidity and Capital Resources

For at least the next twelve months, we expect our principal demands for funds will be for operating expenses, including our general and administrative expenses, as well as the acquisition of real estate and real estate-related investments and funding of capital improvements and tenant improvements, distributions to and stock repurchases from stockholders, and interest payments on our credit facility. We expect to meet our short-term liquidity requirements through net cash flows provided by operations, funds equal to amounts reinvested in the DRIP and borrowings on our credit facility and potential other borrowings.

We believe we will have sufficient liquidity available to meet our obligations in a timely manner, under both normal and stressed conditions, for the next twelve months.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, we expect our principal demands for funds will be for costs to acquire additional real estate properties, interest and principal payments on our credit facility, long-term capital investment demands for our real estate properties and our distributions necessary to maintain our REIT status.

We currently expect to meet our long-term liquidity requirements through proceeds from cash flows from operations and borrowings on our credit facility and potential other borrowings.

We expect to pay distributions to our stockholders from cash flows from operations; however, we have used, and may continue to use, other sources to fund distributions, as necessary, such as funds equal to amounts reinvested in the DRIP. To the extent cash flows from operations are lower due to lower-than-expected returns on the properties held or the disposition of properties, distributions paid to stockholders may be lower. We currently expect that substantially all net cash flows from our operations will be used to fund acquisitions, certain capital expenditures identified at acquisition, ongoing capital expenditures, interest and principal payments on outstanding debt and distributions to our stockholders.

Material Cash Requirements

As of December 31, 2023, we had approximately \$202,019,000 in cash and cash equivalents. In addition to the cash we need to conduct our normal business operations, we expect to require approximately \$19,944,000 in cash over the next twelve months, of which \$17,198,000 is related to estimated interest payments on our outstanding debt (calculated based on our effective interest rates as of December 31, 2023) and \$2,746,000 is related to our various obligations as lessee. We cannot provide assurances, however, that actual expenditures will not exceed these estimates. The 2024 Term Loan (as defined below) has a maturity date of December 31, 2024, and, at our election, may be extended for a period of six-months on no more than two occasions, subject to the satisfaction of certain conditions, including the payment of an extension fee. We currently meet these conditions and therefore may exercise our option to extend the maturity date if we so choose.

As of December 31, 2023, we had material obligations beyond 12 months (or that we will meet the extension criteria on the maturity date) in the amount of approximately \$676,064,000, inclusive of \$560,444,000 related to principal and estimated interest payments on our outstanding debt (calculated based on our effective interest rates as of December 31, 2023) and \$115,620,000 related to our various obligations as lessee.

One of our principal liquidity needs is the payment of principal and interest on outstanding indebtedness. As of December 31, 2023, we had \$525,000,000 of principal outstanding under our Unsecured Credit Facility (as defined below). We are required by the terms of certain loan documents to meet certain covenants, such as financial ratios and reporting requirements. As of December 31, 2023, we were in compliance with all such covenants and requirements on our Unsecured Credit Facility.

As of December 31, 2023, the aggregate notional amount under our derivative instruments was \$525,000,000. We have agreements with each derivative counterparty that contain cross-default provisions; if we default on our indebtedness, then we could also be declared in default on our derivative obligations, resulting in an acceleration of payment of any net amounts due under our derivative contracts. As of December 31, 2023, we were in compliance with all such cross-default provisions.

Debt Service Requirements

Credit Facility

As of December 31, 2023, the maximum commitments available under our senior unsecured revolving line of credit with Truist Bank, as Administrative Agent for the lenders, or the Revolving Credit Agreement, were \$500,000,000, which may be increased, subject to lender approval, through incremental term loans and/or revolving loan commitments in an aggregate amount not to exceed \$1,000,000,000. The maturity date for the Revolving Credit Agreement is February 15, 2026, which, at our election, may be extended for a period of six-months on no more than two occasions, subject to certain conditions, including the payment of an extension fee. As of December 31, 2023, the Revolving Credit Agreement had no outstanding principal balance.

As of December 31, 2023, the maximum commitments available under our senior unsecured term loan with Truist Bank, as Administrative Agent for the lenders, or the 2024 Term Loan Agreement, were \$250,000,000, which may be increased, subject to lender approval, to an aggregate amount not to exceed \$550,000,000. The 2024 Term Loan Agreement has a maturity date of December 31, 2024, and, at our election, may be extended for a period of six-months on no more than two occasions, subject to the satisfaction of certain conditions (which we currently meet), including the payment of an extension fee. As of December 31, 2023, the 2024 Term Loan Agreement had an aggregate outstanding principal balance of \$250,000,000.

As of December 31, 2023, the maximum commitments available under our senior unsecured term loan with Truist Bank, as Administrative Agent for the lenders, or the 2028 Term Loan Agreement, were \$275,000,000, which may be increased, subject to lender approval, to an aggregate amount not to exceed \$500,000,000 and has a maturity date of January 31, 2028. The 2028 Term Loan Agreement is pari passu with our Revolving Credit Agreement and 2024 Term Loan Agreement. As of December 31, 2023, the 2028 Term Loan Agreement had an aggregate outstanding principal balance of \$275,000,000.

We refer to the Revolving Credit Agreement, the 2024 Term Loan Agreement and the 2028 Term Loan Agreement, collectively, as the “Unsecured Credit Facility,” which has aggregate commitments available of \$1,025,000,000, as of December 31, 2023. Generally, the proceeds of loans made under our Unsecured Credit Facility may be used for acquisition of real estate investments, funding of tenant improvements and leasing commissions with respect to real estate, repayment of indebtedness, funding of capital expenditures with respect to real estate, and general corporate and working capital purposes.

As of December 31, 2023, we had a total pool availability under our Unsecured Credit Facility of \$1,025,000,000 and an aggregate outstanding principal balance of \$525,000,000; therefore, \$500,000,000 was available to be drawn under our Unsecured Credit Facility. We were in compliance with all the financial covenant requirements as of December 31, 2023.

Cash Flows

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

<i>(in thousands)</i>	Year Ended December 31,		Change
	2023	2022	
Net cash provided by operating activities	\$ 128,924	\$ 121,675	\$ 7,249
Net cash provided by (used in) investing activities	\$ 197,307	\$ (142,812)	\$ 340,119
Net cash (used in) provided by financing activities	\$ (137,129)	\$ 1,340	\$ (138,469)

Operating Activities

- Net cash provided by operating activities increased primarily due to an increase in cash collected for rent resulting from acquiring and placing properties in service, annual rent increases, new leasing and renewal activity and the receipt of lease termination income, partially offset by a decrease related to property dispositions and tenants who ceased paying all or a portion of their rent and an increase in interest paid on our credit facility.

Investing Activities

Significant investing activities included:

- Investment of \$69,822,000 to purchase two properties during the year ended December 31, 2023, compared to an investment of \$157,194,000 to purchase seven properties during the year ended December 31, 2022.
- Sale of three properties for net proceeds of \$270,306,000 during the year ended December 31, 2023, compared to receiving \$22,822,000 from the sale of a land parcel that formerly contained a property during the year ended December 31, 2022.

- Incurred capital expenditures, primarily for tenant improvements, of \$3,177,000 during the year ended December 31, 2023, compared to incurring \$8,440,000 during the year ended December 31, 2022.

Financing Activities

Significant financing activities included:

- Payment of \$66,515,000 in cash distributions to common stockholders during the year ended December 31, 2023, compared to \$65,310,000 during the year ended December 31, 2022.
- Repurchase of \$12,374,000 of common stock under our share repurchase program during the year ended December 31, 2023, compared to \$9,217,000 during the year ended December 31, 2022.
- The following Unsecured Credit Facility related activity during the year ended December 31, 2023:
 - Repayment of \$58,000,000 on the Revolving Credit Agreement with cash flows from operations and proceeds from a disposition;
 - Repayment of \$50,000,000 on the 2024 Term Loan Agreement with proceeds from dispositions, the collection of a note receivable related to a disposition and cash flows from operations; and
 - Draw of \$50,000,000 on the Revolving Credit Agreement to fund an acquisition.
- The following Unsecured Credit Facility related activity during the year ended December 31, 2022:
 - Draw of \$70,000,000 on the Revolving Credit Agreement to fund acquisitions;
 - Draw of \$70,000,000 on the 2028 Term Loan Agreement to fund acquisitions;
 - Repayment of \$57,000,000 on the Revolving Credit Agreement with proceeds from dispositions and cash flows from operations;
 - Replacement of \$500,000,000 from our prior unsecured credit facility with borrowings from our new Revolving Credit Agreement and 2024 Term Loan Agreement;
 - Draw of \$205,000,000 on the 2028 Term Loan Agreement at closing to pay down the \$205,000,000 outstanding balance on the Revolving Credit Agreement; and
 - Payment of \$6,937,000 in deferred financing costs as a result of entering into the Revolving Credit Agreement, 2024 Term Loan Agreement and 2028 Term Loan Agreement during the year ended December 31, 2022.

Distributions to Stockholders

We have paid, and may continue to pay, distributions from sources other than from our cash flows from operations. For the year ended December 31, 2023, our cash flows provided by operations of approximately \$128,924,000 covered 100% of our ordinary distributions paid (total ordinary distributions were approximately \$91,266,000, of which \$66,515,000 was cash and \$24,751,000 was reinvested in shares of our common stock pursuant to the DRIP) during such period. For the year ended December 31, 2022, our cash flows provided by operations of approximately \$121,675,000 covered 100% of our ordinary distributions paid (total ordinary distributions were approximately \$90,144,000, of which \$65,310,000 was cash and \$24,834,000 was reinvested in shares of our common stock pursuant to the DRIP) during such period.

We do not currently have any limits on the sources of funding distribution payments to our stockholders. We may pay distributions from any source, such as the sale of assets, the sale of additional securities, and offering proceeds and we do not currently have any limits on the amounts we may pay from such sources. See “Risk Factors – General Risk Factors – Distributions paid from sources other than our cash flows from operations, including from the proceeds of our Offerings, will result in us having fewer funds available for the acquisition of properties and real estate-related investments, which may adversely affect our ability to fund future distributions with cash flows from operations and may adversely affect a stockholder’s overall return” in Part I, Item 1A of this Annual Report on Form 10-K for a discussion of risks related to funding distribution payments from various sources.

For federal income tax purposes, distributions to common stockholders are characterized as ordinary dividends, capital gain distributions, or nontaxable distributions. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, such excess will be a nontaxable return of capital, reducing the tax basis in each U.S. stockholder’s shares. Further, the amount of distributions in excess of a U.S. stockholder’s tax basis in such shares will be taxable as a realized gain.

The following table shows the sources of distributions paid during the years ended December 31, 2023 and 2022 (amounts in thousands):

Character of Distributions ⁽¹⁾ :	Year Ended December 31,	
	2023	2022
Ordinary dividends	61.41 %	40.94 %
Capital gain distributions	— %	— %
Nontaxable distributions	38.59 %	59.06 %
Total	100.00 %	100.00 %

- (1) Attributable to Class A shares, Class I shares, Class T shares of common stock for the year ended December 31, 2023. Attributable to Class A shares, Class I shares, Class T shares, and Class T2 shares of common stock for the years ended December 31, 2022 and 2021.

The amount of distributions payable to our stockholders is determined by the Board and is dependent on a number of factors, including our funds available for distribution, financial condition, lenders' restrictions and limitations, capital expenditure requirements, corporate law restrictions and the annual distribution requirements needed to maintain our status as a REIT under the Internal Revenue Code of 1986, as amended. The Board must authorize each distribution and may, in the future, authorize lower amounts of distributions or not authorize additional distributions and, therefore, distribution payments are not guaranteed.

The following table shows the sources of distributions paid during the years ended December 31, 2023 and 2022 (amounts in thousands):

	Year Ended December 31,			
	2023		2022	
Distributions paid in cash - common stockholders	\$	66,515	\$	65,310
Distributions reinvested (shares issued)		24,751		24,834
Total distributions	\$	91,266	\$	90,144
Source of distributions:				
Cash flows provided by operations	\$	66,515	73 % ⁽¹⁾	\$ 65,310 72 % ⁽¹⁾
Offering proceeds from issuance of common stock pursuant to the DRIP		24,751	27 % ⁽¹⁾	24,834 28 % ⁽¹⁾
Total sources	\$	91,266	100 %	\$ 90,144 100 %

- (1) Percentages were calculated by dividing the respective source amount by the total sources of distributions.

Total distributions declared but not paid on Class A shares, Class I shares and Class T shares as of December 31, 2023, were approximately \$7,782,000 for common stockholders. These distributions were paid on January 8, 2024.

Share Repurchase Program

Our SRP allows for repurchases of shares of our common stock when certain criteria are met. Under the SRP, we currently only repurchase shares due to death or involuntary exigent circumstances, subject in each case to the terms and limitations of the SRP, including, but not limited to, quarterly share limitations, an annual 5.0% share limitation and DRIP funding limitations. See Part II, Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for more information on the SRP.

During the year ended December 31, 2023, we repurchased 1,513,997 Class A shares, Class I shares and Class T shares of common stock (1,182,006 Class A shares, 105,660 Class I shares and 226,331 Class T shares), for an aggregate purchase price of approximately \$12,374,000 (an average of \$8.17 per share). During the year ended December 31, 2022, we repurchased 1,123,183 Class A shares, Class I shares and Class T shares of common stock (981,772 Class A shares, 31,666 Class I shares and 109,745 Class T shares), for an aggregate purchase price of approximately \$9,217,000 (an average of \$8.21 per share).

Commitments and Contingencies

For a discussion of our commitments and contingencies, see Note 17—"Commitments and Contingencies" to the consolidated financial statements that are a part of this Annual Report on Form 10-K.

Non-GAAP Financial Measures

In the real estate industry, analysts and investors employ certain non-GAAP supplemental financial measures in order to facilitate meaningful comparisons between periods and among peer companies. We believe that these measures are useful to investors to consider because they may assist them to better understand and measure the performance of our business over time and against similar companies. We use the following non-GAAP financial measures: Funds From Operations, or FFO, Core Funds From Operations, or Core FFO, and Adjusted Funds From Operations, or AFFO.

Net Income (Loss) and FFO, Core FFO and AFFO

A description of FFO, Core FFO, and AFFO and reconciliations of these non-GAAP measures to net income (loss), the most directly comparable GAAP measure, are provided below.

The National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated the FFO measure, which we believe is an appropriate additional measure to reflect the operating performance of a REIT. The use of FFO is recommended by the REIT industry as a supplemental performance measure. FFO is not equivalent to our net income as determined under GAAP.

We define FFO, consistent with NAREIT's definition, as net income (loss) (calculated in accordance with GAAP), excluding gains (or losses) from sales of real estate assets and impairments of real estate assets, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. To date, we do not have any investments in unconsolidated partnerships or joint ventures.

We, along with many of our peers in the real estate industry, consider FFO to be an appropriate supplemental measure of a REIT's operating performance, because it is based on a net income (loss) analysis of real estate portfolio performance that excludes non-cash items such as real estate depreciation and amortization and real estate impairments. We believe FFO provides a useful understanding of our performance to the investors and to our management, and when compared to year over year, FFO reflects the impact on our operations from trends in occupancy.

We calculate Core FFO by adjusting FFO to remove the effect of items that are not expected to impact our operating performance on an ongoing basis and consider it to be a useful supplemental measure because it provides investors with additional information to understand our sustainable performance. These include severance, write-off of straight-line rent receivables related to prior periods, accelerated stock-based compensation, amortization of above- and below-market lease intangibles (including ground leases) and loss on extinguishment of debt.

We calculate AFFO by further adjusting Core FFO for the following items: deferred rent, current period straight-line rent adjustments, amortization of deferred financing costs and stock-based compensation.

Presentation of this information is intended to assist management and investors in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO, Core FFO and AFFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO, Core FFO and AFFO are not necessarily indicative of cash flows available to fund cash needs and should not be considered as an alternative to net income (loss) as an indication of our performance or as an indication of our liquidity, including our ability to make distributions to our stockholders. FFO, Core FFO and AFFO may be useful in assisting management and investors in assessing the sustainability of operating performance in future operating periods. All of our non-GAAP financial measures should be reviewed in conjunction with other measurements as an indication of our performance. The method used to evaluate the value and performance of real estate under GAAP should be considered as a more relevant measure of operating performance and considered more prominent than the non-GAAP financial measures presented here.

Reconciliation of Net Income (Loss) to FFO, Core FFO and AFFO

The following table presents a reconciliation of net income (loss) attributable to common stockholders, which is the most directly comparable GAAP financial measure, to FFO, Core FFO and AFFO for the years ended December 31, 2023 and 2022 (amounts in thousands):

	Year Ended December 31,	
	2023	2022
Net income (loss) attributable to common stockholders	\$ 24,042	\$ (7,978)
Adjustments:		
Depreciation and amortization of real estate assets	74,202	77,099
Gain on real estate dispositions	(22)	(460)
Impairment losses	24,252	47,424
FFO	<u>\$ 122,474</u>	<u>\$ 116,085</u>
Adjustments:		
Severance	1,401	889
Write-off of straight-line rent receivables related to prior periods	3,268	2,434
Accelerated stock-based compensation	318	402
Amortization of above (below) market lease intangibles, including ground leases	1,386	1,044
Loss on extinguishment of debt	—	3,367
Core FFO	<u>\$ 128,847</u>	<u>\$ 124,221</u>
Adjustments:		
Deferred rent	1,644	1,535
Straight-line rent adjustments	(5,465)	(9,695)
Amortization of deferred financing costs	1,665	1,679
Stock-based compensation	5,966	3,778
AFFO	<u>\$ 132,657</u>	<u>\$ 121,518</u>

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

We have obtained variable rate debt financing and we are exposed to such changes in the one-month Term SOFR. Loans under the Unsecured Credit Facility may be made as Base Rate Loans or SOFR Loans, at our election, and all of our interest rate swap agreements are indexed to SOFR. Our objectives in managing interest rate risk are to limit the impact of interest rate fluctuations on operations and cash flows, and to lower overall borrowing costs. To achieve these objectives, we will borrow primarily at interest rates with the lowest margins available and, in some cases, with the ability to convert variable interest rates to fixed rates.

As of December 31, 2023, our total principal debt outstanding of \$525,000,000 was fixed through 11 interest rate swap agreements, which mature on various dates from December 2024 to January 2028. As of December 31, 2023, the interest rate swap agreements had an aggregate notional amount of \$525,000,000 and an aggregate settlement asset value of \$18,182,000. The settlement value of these interest rate swap agreements is dependent upon existing market interest rates and swap spreads. As of December 31, 2023, an increase of 50 basis points in the market rates of interest would have resulted in an increase to the settlement asset value of these interest rate swaps to a value of \$24,111,000. These interest rate swap agreements were designated as cash flow hedging instruments.

As of December 31, 2023, the weighted average interest rate on our total debt outstanding was 3.3%. We have entered, and may continue to enter, into additional derivative financial instruments, such as interest rate swaps, in order to mitigate our interest rate risk on a given variable rate financial instrument. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not possess credit risk. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We manage the market risk associated with

interest rate contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. We have not entered, and do not intend to enter, into derivative or interest rate swap transactions for speculative purposes. We may also enter into rate-lock arrangements to lock interest rates on future borrowings.

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

We do not have any foreign operations and thus we are not exposed to foreign currency fluctuation risks.

Item 8. Financial Statements and Supplementary Data.

See the index at Part IV, Item 15. Exhibits and Financial Statement Schedules

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and we necessarily were required to apply our judgment in evaluating whether the benefits of the controls and procedures that we adopt outweigh their costs.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, we conducted an evaluation as of December 31, 2023, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of December 31, 2023, were effective at a reasonable assurance level.

(b) *Management's Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal control is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Under the supervision, and with the participation, of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission, or the Original Framework. Based on our evaluation under the Original Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the permanent deferral adopted by the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

(c) *Changes in internal control over financial reporting.* There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the three months ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Insider trading arrangements and policies. During the three months ended December 31, 2023, none of the Company's officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of Company

securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of stockholders, which is expected to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Our Board has adopted a Code of Business Conduct and Ethics that is applicable to all members of our Board, our officers and our employees. The policy may be located on our Investor website at <https://investors.silarealtytrust.com> by clicking on “About Us,” and then on “Governance Documents.” If, in the future, we amend, modify or waive a provision in the Code of Business Conduct and Ethics, we may, rather than filing a Current Report on Form 8-K, satisfy the disclosure requirement by posting such information on our website as necessary.

Item 11. Executive Compensation.

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of stockholders, which is expected to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of stockholders, which is expected to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of stockholders, which is expected to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of stockholders, which is expected to be filed with the SEC within 120 days after December 31, 2023, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this Annual Report:

(a)(1) *Consolidated Financial Statements:*

The index of the consolidated financial statements contained herein is set forth on page F-1 hereof.

(a)(2) *Financial Statement Schedules:*

The financial statement schedules are listed in the index of the consolidated financial statements on page F-1 hereof.

No additional financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required is disclosed in the Consolidated Financial Statements and notes thereto.

(a)(3) *Exhibits:*

The exhibits listed on the Exhibit Index are included, or incorporated by reference, in this Annual Report.

(b) *Exhibits:*

See Item 15(a)(3) above.

(c) *Financial Statement Schedules:*

See Item 15(a)(2) above.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
OF SILA REALTY TRUST, INC.**

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Sila Realty Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sila Realty Trust, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of real estate for impairment

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company assesses the recoverability of the carrying value of its real estate for impairment whenever events or changes in circumstances indicate that such amounts may not be recoverable. If the carrying amount of a real estate asset group exceeds its estimated undiscounted future cash flows, an impairment loss is recognized for the amount by which the carrying amount of the asset group exceeds its estimated fair value. The Company recognized impairment losses of \$24,252,000 during the year ended December 31, 2023, a portion of which related to real estate. The real estate balance was \$1,628,652,000 as of December 31, 2023.

We identified the evaluation of real estate for impairment as a critical audit matter. Subjective and challenging auditor judgment was required to evaluate certain assumptions used in the impairment tests, including the terminal capitalization rates and market rental rates used to estimate the undiscounted cash flows and the sales prices of comparable properties and market rental rates used to estimate the fair value.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the Company's real estate impairment process, including controls related to the assumptions noted above. For certain properties, we performed sensitivity analyses over terminal capitalization rates and market rental rates to assess the impact of changes in that assumption to the undiscounted cashflows. In addition, for certain properties we involved valuation professionals with specialized skills and knowledge, who assisted in (1) assessing terminal capitalization rates and market rental rates used by the Company to estimate the undiscounted cash flows by comparing them to publicly available market data for comparable entities, and (2) evaluating market rental rates and sales prices of comparable properties used by the Company to estimate the fair value, including adjustments to such transactions, by comparing them to publicly available market data for comparable entities and to publicly available market data for an independent selection of sales of similar properties.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Tampa, Florida
March 6, 2024

SILA REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2023	December 31, 2022
ASSETS		
Real estate:		
Land	\$ 157,821	\$ 163,419
Buildings and improvements, less accumulated depreciation of \$227,156 and \$209,118, respectively	1,470,831	1,716,663
Total real estate, net	1,628,652	1,880,082
Cash and cash equivalents	202,019	12,917
Intangible assets, less accumulated amortization of \$102,456 and \$90,239, respectively	134,999	167,483
Goodwill	17,700	21,710
Right-of-use assets	36,384	37,443
Other assets	79,825	100,167
Total assets	\$ 2,099,579	\$ 2,219,802
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Credit facility, net of deferred financing costs of \$1,847 and \$2,412, respectively	\$ 523,153	\$ 580,588
Accounts payable and other liabilities	30,381	30,619
Intangible liabilities, less accumulated amortization of \$7,417 and \$5,923, respectively	10,452	11,946
Lease liabilities	41,158	41,554
Total liabilities	605,144	664,707
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 100,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value per share, 510,000,000 shares authorized; 244,617,615 and 241,425,332 shares issued, respectively; 227,934,254 and 226,255,969 shares outstanding, respectively	2,279	2,263
Additional paid-in capital	2,042,741	2,024,176
Distributions in excess of accumulated earnings	(567,188)	(499,334)
Accumulated other comprehensive income	16,603	27,990
Total stockholders' equity	1,494,435	1,555,095
Total liabilities and stockholders' equity	\$ 2,099,579	\$ 2,219,802

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

SILA REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except share data and per share amounts)

	Year Ended December 31,		
	2023	2022	2021
Revenue:			
Rental revenue	\$ 189,065	\$ 179,986	\$ 172,838
Expenses:			
Rental expenses	20,196	17,950	17,712
General and administrative expenses	23,896	22,079	21,388
Depreciation and amortization	74,293	77,199	70,259
Impairment losses	24,252	47,424	27,837
Total operating expenses	142,637	164,652	137,196
Gain on real estate dispositions	22	460	89
Interest and other income	702	305	3,110
Interest expense	23,110	24,077	37,625
Income (loss) from continuing operations	24,042	(7,978)	1,216
Income from discontinued operations	—	—	401,444
Net income (loss) attributable to common stockholders	\$ 24,042	\$ (7,978)	\$ 402,660
Other comprehensive (loss) income - unrealized (loss) gain on interest rate swaps, net	(11,387)	32,837	15,597
Comprehensive income attributable to common stockholders	\$ 12,655	\$ 24,859	\$ 418,257
Weighted average number of common shares outstanding:			
Basic	227,199,543	225,320,043	223,325,293
Diluted	229,046,546	225,320,043	224,293,339
Net income (loss) per common share attributable to common stockholders:			
Basic:			
Continuing operations	\$ 0.11	\$ (0.03)	\$ —
Discontinued operations	—	—	1.80
Net income (loss) attributable to common stockholders	\$ 0.11	\$ (0.03)	\$ 1.80
Diluted:			
Continuing operations	\$ 0.10	\$ (0.03)	\$ —
Discontinued operations	—	—	1.79
Net income (loss) attributable to common stockholders	\$ 0.10	\$ (0.03)	\$ 1.79

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

SILA REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	No. of Shares	Par Value				
Balance, December 31, 2022	226,255,969	\$ 2,263	\$ 2,024,176	\$ (499,334)	\$ 27,990	\$ 1,555,095
Issuance of common stock under the distribution reinvestment plan	3,031,829	30	24,721	—	—	24,751
Vesting of restricted stock	160,453	—	—	—	—	—
Stock-based compensation	—	1	6,283	—	—	6,284
Other offering costs	—	—	(80)	—	—	(80)
Repurchase of common stock	(1,513,997)	(15)	(12,359)	—	—	(12,374)
Distributions to common stockholders	—	—	—	(91,896)	—	(91,896)
Other comprehensive loss	—	—	—	—	(11,387)	(11,387)
Net income	—	—	—	24,042	—	24,042
Balance, December 31, 2023	<u>227,934,254</u>	<u>\$ 2,279</u>	<u>\$ 2,042,741</u>	<u>\$ (567,188)</u>	<u>\$ 16,603</u>	<u>\$ 1,494,435</u>

	Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	No. of Shares	Par Value				
Balance, December 31, 2021	224,179,939	\$ 2,242	\$ 2,004,404	\$ (400,669)	\$ (4,847)	\$ 1,601,130
Issuance of common stock under the distribution reinvestment plan	3,026,326	30	24,804	—	—	24,834
Vesting of restricted stock	172,887	—	—	—	—	—
Stock-based compensation	—	2	4,178	—	—	4,180
Other offering costs	—	—	(4)	—	—	(4)
Repurchase of common stock	(1,123,183)	(11)	(9,206)	—	—	(9,217)
Distributions to common stockholders	—	—	—	(90,687)	—	(90,687)
Other comprehensive income	—	—	—	—	32,837	32,837
Net loss	—	—	—	(7,978)	—	(7,978)
Balance, December 31, 2022	<u>226,255,969</u>	<u>\$ 2,263</u>	<u>\$ 2,024,176</u>	<u>\$ (499,334)</u>	<u>\$ 27,990</u>	<u>\$ 1,555,095</u>

	Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	No. of Shares	Par Value				
Balance, December 31, 2020	222,045,522	\$ 2,220	\$ 1,983,361	\$ (311,264)	\$ (20,444)	\$ 1,653,873
Issuance of common stock under the distribution reinvestment plan	3,243,363	33	27,551	—	—	27,584
Vesting of restricted stock	24,955	—	—	—	—	—
Stock-based compensation	—	—	2,379	—	—	2,379
Distribution and servicing fees	—	—	639	—	—	639
Other offering costs	—	—	(9)	—	—	(9)
Repurchase of common stock	(1,133,901)	(11)	(9,517)	—	—	(9,528)
Distributions to common stockholders	—	—	—	(492,065)	—	(492,065)
Other comprehensive income	—	—	—	—	15,597	15,597
Net income	—	—	—	402,660	—	402,660
Balance, December 31, 2021	<u>224,179,939</u>	<u>\$ 2,242</u>	<u>\$ 2,004,404</u>	<u>\$ (400,669)</u>	<u>\$ (4,847)</u>	<u>\$ 1,601,130</u>

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

SILA REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income (loss) attributable to common stockholders	\$ 24,042	\$ (7,978)	\$ 402,660
Adjustments to reconcile net income (loss) attributable to common stockholders to net cash provided by operating activities:			
Depreciation and amortization	74,293	77,199	82,018
Amortization of deferred financing costs	1,665	1,679	3,425
Amortization of above- and below-market leases	733	484	(1,098)
Other amortization expenses	794	2,302	3,269
Gain on real estate dispositions from continuing operations	(22)	(460)	(89)
Gain on real estate dispositions of discontinued operations	—	—	(395,801)
Loss on extinguishment of debt	—	3,367	28,751
Impairment losses	24,252	47,424	27,837
Straight-line rent adjustments, net of write-offs	(2,197)	(7,261)	(15,665)
Stock-based compensation	6,284	4,180	2,379
Changes in operating assets and liabilities:			
Accounts payable and other liabilities	26	(170)	(4,521)
Other assets	(946)	909	3,777
Net cash provided by operating activities	128,924	121,675	136,942
Cash flows from investing activities:			
Investments in real estate	(69,822)	(157,194)	(71,462)
Consideration paid for the internalization transaction	—	—	(15,000)
Proceeds from real estate dispositions and related notes receivable	270,306	22,822	1,338,709
Capital expenditures and other costs	(3,177)	(8,440)	(25,405)
Net cash provided by (used in) investing activities	197,307	(142,812)	1,226,842
Cash flows from financing activities:			
Payments on notes payable	—	—	(453,422)
Proceeds from credit facility	50,000	845,000	15,000
Payments on credit facility	(108,000)	(762,000)	(453,000)
Payments for extinguishment of debt	—	(4)	(29,244)
Payments of deferred financing costs	(193)	(6,937)	(444)
Repurchase of common stock	(12,374)	(9,217)	(9,528)
Offering costs on issuance of common stock	(47)	(192)	(2,326)
Distributions to common stockholders	(66,515)	(65,310)	(465,849)
Net cash (used in) provided by financing activities	(137,129)	1,340	(1,398,813)
Net change in cash, cash equivalents and restricted cash	189,102	(19,797)	(35,029)
Cash, cash equivalents and restricted cash - Beginning of year	13,083	32,880	67,909
Cash, cash equivalents and restricted cash - End of year	\$ 202,185	\$ 13,083	\$ 32,880
Supplemental cash flow disclosure:			
Interest paid, net of interest capitalized of \$0, \$44 and \$395, respectively	\$ 21,671	\$ 17,361	\$ 38,558
Supplemental disclosure of non-cash transactions:			
Common stock issued through distribution reinvestment plan	\$ 24,751	\$ 24,834	\$ 27,584
Change in accrued distributions to common stockholders	\$ 630	\$ 543	\$ (1,368)
Change in accounts payable and other liabilities related to capital expenditures and investments in real estate	\$ (1,332)	\$ (3,705)	\$ (243)
Right-of-use assets obtained in exchange for new lease liabilities	\$ —	\$ 15,305	\$ 625

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

SILA REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

Note 1—Organization and Business Operations

Sila Realty Trust, Inc., or the Company, is a Maryland corporation, headquartered in Tampa, Florida, that has elected, and currently qualifies, to be taxed as a real estate investment trust, or a REIT, under the Internal Revenue Code of 1986, as amended, or the Code, for federal income tax purposes. The Company is primarily focused on investing in high quality healthcare assets across the continuum of care, which the Company believes typically generate predictable, durable and growing income streams. The Company may also make other real estate-related investments, which may include equity or debt interests in other real estate entities.

Substantially all of the Company's business is conducted through Sila Realty Operating Partnership, LP, a Delaware limited partnership, or the Operating Partnership. The Company is the sole general partner of the Operating Partnership and directly and indirectly owns 100% of the Operating Partnership.

Except as the context otherwise requires, the "Company" refers to Sila Realty Trust, Inc., the Operating Partnership and their wholly-owned subsidiaries.

Note 2—Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding the Company's consolidated financial statements. Such consolidated financial statements and the accompanying notes thereto are the responsibility of management. These accounting policies conform to U.S. generally accepted accounting principles, or GAAP, in all material respects, and have been consistently applied in preparing the consolidated financial statements.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company, the Operating Partnership, and their wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements and accompanying notes in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are made and evaluated on an ongoing basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Cash consists of demand deposits at commercial banks. Cash equivalents consist of highly liquid investments in money market funds with original maturities of three months or less at the time of purchase. Restricted cash consists of cash held in an escrow account in accordance with a tenant's lease agreement. Restricted cash is reported in other assets in the accompanying consolidated balance sheets. The Company maintains its cash, cash equivalents and restricted cash at various financial institutions. As of December 31, 2023, certain of the Company's cash deposits exceeded federally insured amounts. To date, the Company has experienced no loss or lack of access to cash in its accounts. The Company attempts to limit cash investments to financial institutions with high credit standing; therefore, the Company believes it is not exposed to any significant credit risk on its cash deposits.

The following table presents a reconciliation of the beginning of year and end of year cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the totals shown in the consolidated statements of cash flows (amounts in thousands):

	Year Ended December 31,		
	2023	2022	2021
Beginning of year:			
Cash and cash equivalents	\$ 12,917	\$ 32,359	\$ 53,174
Restricted cash	166	521	14,735
Cash, cash equivalents and restricted cash	<u>\$ 13,083</u>	<u>\$ 32,880</u>	<u>\$ 67,909</u>
End of year:			
Cash and cash equivalents	\$ 202,019	\$ 12,917	\$ 32,359
Restricted cash	166	166	521
Cash, cash equivalents and restricted cash	<u>\$ 202,185</u>	<u>\$ 13,083</u>	<u>\$ 32,880</u>

Investment in Real Estate

Real estate costs related to the acquisition, development, construction and improvement of properties are capitalized. Repair and maintenance costs are expensed as incurred, and significant replacements and improvements are capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate assets. The Company considers the period of future benefit of an asset in determining the appropriate useful life. Real estate assets, other than land, are depreciated on a straight-line basis over each asset's useful life. The Company anticipates the estimated useful lives of its assets by class as follows:

Buildings and improvements	15 – 40 years
Tenant improvements	Shorter of lease term or expected useful life
Furniture, fixtures, and equipment	3 – 10 years

Allocation of Purchase Price of Real Estate

Upon the acquisition of real estate properties, the Company evaluates whether the acquisition is a business combination or an asset acquisition. For both business combinations and asset acquisitions, the Company allocates the purchase price of properties to acquired tangible assets, consisting of land, buildings and improvements, and intangible assets and liabilities, consisting of the value of above-market and below-market leases and the value of in-place leases. For asset acquisitions, the Company capitalizes transaction costs and allocates the purchase price using a relative fair value method allocating all accumulated costs. For business combinations, the Company expenses transaction costs incurred and allocates the purchase price based on the estimated fair value of each separately identifiable asset and liability. For the year ended December 31, 2023, all of the Company's acquisitions were determined to be asset acquisitions.

The fair value of the tangible assets of an acquired property (which includes land, buildings and improvements) is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings and improvements based on management's determination of the relative fair value of these assets.

The amount allocated to in-place leases includes an estimate of direct costs associated with obtaining a new tenant and opportunity costs associated with lost rentals that are avoided by acquiring an in-place lease. These lease intangibles are amortized to depreciation and amortization expense over the remaining terms of the respective leases. If a lease is terminated prior to its stated expiration, all unamortized amounts of in-place lease assets relating to that lease would be expensed.

The amounts allocated to above-market and below-market leases are recorded based on the present value of the difference between: (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) an estimate of current market lease rates for the corresponding leases, measured over a period equal to the remaining non-cancelable term of the lease including any fixed rate bargain renewal periods, with respect to a below-market lease. These above-market and below-market amounts are amortized as an adjustment of rental revenue over the remaining terms of the respective leases. If a lease is terminated prior to its stated expiration, all unamortized amounts of above-market and below-market lease values related to that lease would be recorded as an adjustment to rental revenue.

Held for Sale

The Company classifies a real estate property as held for sale upon satisfaction of all of the following criteria: (i) management commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such properties; (iii) there is an active program to locate a buyer; (iv) the sale of the property is probable and transfer of the asset is expected to be completed within one year; (v) the property is being actively marketed for sale; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Upon the determination to classify a property as held for sale, the Company ceases depreciation and amortization on the real estate property held for sale, as well as the amortization of any related intangible assets. Such properties are recorded at the lesser of the carrying value or estimated fair value less estimated costs to sell.

Impairments

The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of its real estate assets may not be recoverable. When indicators of potential impairment suggest that the carrying value of real estate assets may not be recoverable, the Company assesses the recoverability of the asset group by estimating undiscounted future cash flows, including eventual disposition. Based on this analysis, if the Company does not believe that it will be able to recover the carrying value of the asset group, an impairment charge will be recorded to the extent that the carrying value exceeds the estimated fair value of the asset group.

When developing estimates of expected future cash flows, the Company makes certain assumptions regarding future market rental rates subsequent to the expiration of current lease arrangements, property operating expenses, terminal capitalization and discount rates, probability weighting of potential uses of the property, sale prices of comparable properties, required tenant improvements and the number of years the property will be held for investment. The use of alternative assumptions in the future cash flow analysis could result in a different determination of the property's future cash flows and a different conclusion regarding the existence of an impairment, the extent of such loss, if any, as well as the carrying value of the real estate assets.

In addition, the Company determines fair value by using a direct capitalization method, a discounted cash flow method using the assumptions noted above, or by utilizing comparable market information based on the view of a market participant. The use of alternative assumptions in these approaches could result in a different determination of the property's estimated fair value and a different conclusion regarding the existence of an impairment, the extent of such loss, if any, as well as the carrying value of the real estate assets.

The Company accounts for goodwill in accordance with Accounting Standards Codification, or ASC, 350, *Intangibles - Goodwill and Other*, and allocates its goodwill to its reporting units, which have been determined to be at the individual property level. Goodwill has an indefinite life and is not amortized.

The Company evaluates goodwill for impairment at least annually, as of the last day of each year, or upon the occurrence of a triggering event. A triggering event is an event or circumstance that would more-likely-than-not indicate that the fair value of a reporting unit is below its carrying value.

The Company has the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. Under a qualitative assessment, the impairment analysis for goodwill represents an evaluation of whether it is more-likely-than-not the reporting unit's fair value is less than its carrying value, including goodwill. If a qualitative analysis indicates that it is more-likely-than-not that the estimated carrying value of a reporting unit, including goodwill, exceeds its fair value, the Company performs the quantitative analysis. The quantitative analysis consists of estimating the fair value of each reporting unit using discounted projected future cash flows and comparing those estimated fair values with the carrying values, which include the allocated goodwill. If the estimated fair value is less than the carrying value, the Company would then recognize a goodwill impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Deferred Financing Costs

Deferred financing costs are loan fees, legal fees and other third-party costs associated with obtaining and further modifying financing. These costs are amortized over the terms of the respective financing agreements using the effective interest method. Deferred financing costs related to the term loan portion of the credit facility are recorded as a reduction of the related debt on the accompanying consolidated balance sheets. Deferred financing costs related to the revolving line of credit are recorded in other assets in the accompanying consolidated balance sheets.

Fair Value

ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820, defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is intended to be a market-based measurement, as opposed to a transaction-specific measurement.

Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate the fair value. Assets and liabilities are measured using inputs from three levels of the fair value hierarchy, as follows:

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Inputs other than quoted prices for similar assets and liabilities in active markets that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs, only used to the extent that observable inputs are not available, reflect the Company's assumptions about the pricing of an asset or liability.

Revenue Recognition and Tenant Receivables

The majority of the Company's revenue is derived from rental revenue, which is accounted for in accordance with ASC 842, *Leases*, or ASC 842. Under ASC 842, rental revenue is recognized on a straight-line basis over the term of the related lease (including rent holidays). For lease arrangements where it is not probable that the Company will collect all or substantially all of the remaining lease payments under the term of the lease, rental revenue is limited to the lesser of the rental revenue that would be recognized on a straight-line basis or the lease payments that have been collected from the lessee. Differences between rental revenue recognized and amounts contractually due under the lease agreements are credited or charged to straight-line rent receivable. Tenant reimbursements, which are comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, are recognized when the services are provided and the performance obligations are satisfied.

Share Repurchase Program

The Company's Amended and Restated Share Repurchase Program, or the SRP, allows for repurchases of shares of the Company's common stock upon meeting certain criteria. The SRP provides that all repurchases during any calendar year, including those redeemable upon death or a "Qualifying Disability" (as defined in the Company's SRP) of a stockholder, be limited to those that can be funded with equivalent proceeds raised from the Company's distribution reinvestment plan, or DRIP, during the prior calendar year and other operating funds, if any, as the Company's board of directors, or the Board, in its sole discretion, may reserve for this purpose.

Repurchases of shares of the Company's common stock are at the sole discretion of the Board, provided, however, that the Company limits the number of shares repurchased during any calendar year to 5.0% of the total number of shares of common stock outstanding as of December 31st of the previous calendar year. The SRP is subject to terms and limitations, including, but not limited to, quarterly share limitations, an annual 5.0% share limitation and DRIP funding limitations and any amendments to the plan. In addition, the Board, in its sole discretion, may suspend (in whole or in part) the SRP at any time, and may amend, reduce, terminate or otherwise change the SRP upon 30 days' prior notice to the Company's stockholders for any reason it deems appropriate.

The Company will currently only repurchase shares due to death and involuntary exigent circumstances in accordance with the SRP, subject in each case to the terms and limitations of the SRP. Under the SRP, the Company may waive certain of the terms and requirements of the SRP in the event of the death of a stockholder who is a natural person, including shares held through an Individual Retirement Account or other retirement or profit-sharing plan, and certain trusts meeting the requirements of the SRP. The Company may also waive certain of the terms and requirements of the SRP in the event of an involuntary exigent circumstance, as determined by the Company or any of the executive officers thereof, in its or their sole discretion.

Distribution Policy

In order to maintain its status as a REIT, the Company is required to make distributions each taxable year equal to at least 90% of its REIT taxable income, computed without regard to the dividends paid deduction and excluding capital gains. To the extent funds are available, the Company intends to continue to pay regular distributions to stockholders. Distributions are paid to stockholders of record as of the applicable record dates. Distributions to stockholders are determined by the Board and are dependent upon a number of factors, including funds available for the payment of distributions, financial condition, the timing

of property acquisitions, capital expenditure requirements, and annual distribution requirements in order to maintain the Company's status as a REIT.

Stock-based Compensation

On March 6, 2020, the Board approved the Amended and Restated 2014 Restricted Share Plan, or the A&R Incentive Plan, pursuant to which the Company has the authority and power to grant awards of restricted shares of its Class A common stock to its directors, officers and employees. The Company accounts for its stock awards in accordance with ASC 718-10, *Compensation—Stock Compensation*. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period). For performance-based awards, compensation costs are recognized over the service period if it is probable that the performance condition will be satisfied, with changes of the assessment at each reporting period and recording the effect of the change in the compensation cost as a cumulative catch-up adjustment. The compensation costs for restricted stock are recognized based on the fair value of the restricted stock awards at grant date. Forfeitures are accounted for as they occur.

Earnings Per Share

The Company calculates basic earnings per share by dividing net income (loss) attributable to common stockholders for the period by the weighted average shares of its common stock outstanding for that period. All classes of common stock are allocated net income (loss) attributable to common stockholders at the same rate per share and receive the same gross distribution per share. Diluted earnings per share is computed based on the weighted average number of shares outstanding and all potentially dilutive securities. Shares of non-vested restricted common stock and performance-based deferred stock unit awards, or Performance DSUs, are considered to be participating securities because they contain non-forfeitable rights to distributions and give rise to potentially dilutive shares of common stock.

Reportable Segments

ASC 280, *Segment Reporting*, establishes standards for reporting financial and descriptive information about an entity's reportable segments. As of December 31, 2023 and December 31, 2022, all of the Company's consolidated revenues were generated from real estate investments in healthcare properties. The Company's chief operating decision maker evaluates operating performance of healthcare properties on an individual property level, which are aggregated into one operating segment due to their similar economic characteristics. The aggregated operating segment is the Company's only reportable segment.

Derivative Instruments and Hedging Activities

As required by ASC 815, *Derivatives and Hedging*, or ASC 815, the Company records all derivative instruments at fair value as assets and liabilities on its consolidated balance sheets. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

In accordance with the fair value measurement guidance in Accounting Standards Update, or ASU, 2011-04, *Fair Value Measurement*, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

The Company is exposed to variability in expected future cash flows that are attributable to interest rate changes in the normal course of business. The Company's primary strategy in entering into derivative contracts is to add stability to future cash flows by managing its exposure to interest rate fluctuations. The Company utilizes derivative instruments, including interest rate swaps, to effectively convert its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

In accordance with ASC 815, the Company designates interest rate swap contracts as cash flow hedges of floating-rate borrowings. For derivative instruments that are designated and qualify as cash flow hedges, the gains or losses on the derivative instruments are reported as other comprehensive (loss) income - unrealized (loss) gain on interest rate swaps, net in the consolidated statements of comprehensive income and are reclassified into earnings in the same line item associated with the forecasted transaction in the same period during which the hedged transactions affect earnings.

Income Taxes

The Company currently qualifies and is taxed as a REIT under Sections 856 through 860 of the Code. Accordingly, it will generally not be subject to corporate U.S. federal or state income tax to the extent that it makes qualifying distributions to stockholders, and provided it satisfies, on a continuing basis, through actual investment and operating results, the REIT requirements, including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT,

it would be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which it lost its REIT qualification, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Accordingly, failure to qualify as a REIT could have a material adverse impact on the results of operations and amounts available for distribution to stockholders.

The dividends paid deduction of a REIT for qualifying dividends paid to its stockholders is computed using the Company's taxable income as opposed to net income reported in the consolidated financial statements. Taxable income, generally, will differ from net income reported in the consolidated financial statements because the determination of taxable income is based on tax provisions and not financial accounting principles.

The Company has concluded that there was no impact related to uncertain tax positions from results of operations of the Company for the years ended December 31, 2023, 2022 and 2021. The earliest tax year currently subject to examination is 2020.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board issued ASU 2023-07, Segment Reporting (Topic 280), *Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. ASU 2023-07 expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. The Company is evaluating the disclosure requirements of ASU 2023-07 and does not anticipate that this update will have a material impact on its consolidated financial statements.

Note 3—Real Estate

Acquisitions

During the year ended December 31, 2023, the Company purchased two real estate properties in two separate transactions, which were determined to be asset acquisitions. The Company allocated the purchase price to tangible assets, consisting of land, building and improvements and tenant improvements, and intangible assets, consisting of in-place leases, based on the relative fair value method of allocating all accumulated costs.

The following table summarizes the consideration transferred and the purchase price allocation for acquisitions during the year ended December 31, 2023 (amounts in thousands):

Property Description	Date Acquired	Ownership Percentage	Consideration Transferred (amount in thousands)
West Palm Beach Healthcare Facility	06/15/2023	100%	\$ 9,920
Burr Ridge Healthcare Facility	09/27/2023	100%	59,902
Total			\$ 69,822
			Total
Land			\$ 6,892
Building and improvements			51,337
Tenant improvements			1,826
In-place leases			9,767
Total assets acquired			\$ 69,822

The Company capitalized acquisition costs of approximately \$158,000, which are included in the allocation of the real estate acquisitions presented above.

Dispositions

During the year ended December 31, 2023, the Company sold three real estate properties for \$271,107,000, generating net proceeds of \$270,306,000.

Investment Risk Concentrations

As of December 31, 2023, the Company had one exposure to geographic concentration that accounted for at least 10.0% of rental revenue for the year ended December 31, 2023. Real estate properties located in the Houston-Pasadena-The Woodlands, Texas metropolitan statistical area accounted for 10.2% of rental revenue for the year ended December 31, 2023.

As of December 31, 2023, the Company had one exposure to tenant concentration that accounted for at least 10.0% of rental revenue for the year ended December 31, 2023. The leases with tenants at properties under the common control of Post Acute Medical, LLC and its affiliates accounted for 14.5% of rental revenue for the year ended December 31, 2023.

Impairment Losses

The Company recorded impairment losses on real estate of \$24,252,000 (including goodwill impairments of \$4,010,000), for the year ended December 31, 2023, as a result of property sales and tenant related triggering events that occurred at certain properties. In addition, during the year ended December 31, 2023, the Company recorded an impairment of in-place lease and above-market lease intangible assets of \$1,130,000 and \$260,000, respectively. The fair values of these properties were determined based on the guidance in ASC 820. These impairments were allocated to the asset groups, for each respective property, on a pro-rata basis, which included land, buildings and improvements, and their related intangible assets.

During the year ended December 31, 2022, the Company recorded impairment losses on real estate of \$47,424,000 (including goodwill impairments of \$1,574,000). In addition, during the year ended December 31, 2022, the Company recorded an impairment of an in-place lease intangible asset of \$4,345,000.

During the year ended December 31, 2021, the Company recorded impairment losses on real estate of \$27,837,000 (including goodwill impairments of \$671,000). The impaired properties related to the 2021 impairments were all subsequently sold.

Impairment losses on real estate (including goodwill impairments) are recorded as impairment losses in the accompanying consolidated statements of comprehensive income. Impairments of in-place leases are included in depreciation and amortization in the accompanying consolidated statements of comprehensive income. Impairments of above-market leases are recorded as a reduction to rental revenue in the accompanying consolidated statements of comprehensive income.

The following table summarizes the rollforward of goodwill for the years ended December 31, 2023 and 2022 (amounts in thousands):

	Year Ended December 31,	
	2023	2022
Balance at beginning of year	\$ 21,710	\$ 23,284
Impairment losses	(4,010)	(1,574)
Balance at end of year	<u>\$ 17,700</u>	<u>\$ 21,710</u>

Note 4—Discontinued Operations

The Company formerly invested in data center properties and during the second quarter of 2021, the Board made a determination to sell the Company's data center properties. On May 19, 2021, the Company and certain of its wholly-owned subsidiaries entered into a purchase and sale agreement, or the PSA, for the sale of 29 data center properties owned by the Company, which constituted the entirety of the Company's data center segment. The decision of the Board to sell the data center properties, as well as the execution of the PSA, represented a strategic shift that had a major effect on the Company's results and operations. On July 22, 2021, the Company completed the sale of its data center segment, or the Data Center Sale, for an aggregate sale price of \$1,320,000,000, and generated net proceeds of approximately \$1,295,367,000. Concurrently, the Board declared a special cash distribution of \$1.75 per share of Class A, Class I, Class T and Class T2 shares of common stock. The special cash distribution was funded with the proceeds from the Data Center Sale. The special cash distribution was paid on

July 30, 2021 to stockholders of record at the close of business on July 26, 2021, in an aggregate amount of approximately \$392,685,000.

The operations reflected in income from discontinued operations (which consisted solely of the Company's former data center segment) on the consolidated statements of comprehensive income for the year ended December 31, 2021, were as follows (amounts in thousands):

	Year Ended December 31, 2021
Revenue:	
Rental revenue	\$ 57,903
Lease termination revenue	7,075
Total revenue	64,978
Expenses:	
Rental expenses	15,737
Depreciation and amortization	11,759
Total expenses	27,496
Interest and other expense, net ⁽¹⁾	31,839
Income from discontinued operations	5,643
Gain on real estate dispositions	395,801
Net income from discontinued operations attributable to common stockholders	\$ 401,444

- (1) Interest expense attributable to discontinued operations for the year ended December 31, 2021 was \$31,856,000, which related to notes payable on certain data center properties. On July 22, 2021, in connection with the Data Center Sale, the Company paid off all data center and healthcare related notes payable, with an outstanding principal balance of \$450,806,000 at the time of repayment and incurred approximately \$23,738,000 of debt extinguishment costs related to the data center properties.

Capital expenditures on a cash basis for the year ended December 31, 2021, was \$2,763,000, related to properties classified within discontinued operations.

There were no significant non-cash operating or investing activities for the properties classified within discontinued operations for the year ended December 31, 2021.

Note 5—Intangible Assets, Net

Intangible assets, net, consisted of the following as of December 31, 2023 and 2022 (amounts in thousands, except weighted average remaining life amounts):

	December 31, 2023	December 31, 2022
In-place leases, net of accumulated amortization of \$95,325 and \$83,788, respectively (with a weighted average remaining life of 7.8 years and 8.9 years, respectively)	\$ 125,188	\$ 155,365
Above-market leases, net of accumulated amortization of \$7,131 and \$6,451, respectively (with a weighted average remaining life of 6.7 years and 7.9 years, respectively)	9,811	12,118
	\$ 134,999	\$ 167,483

The aggregate weighted average remaining life of the intangible assets was 7.7 years and 8.8 years as of December 31, 2023 and 2022, respectively.

Amortization of intangible assets was \$23,766,000, \$27,389,000 and \$23,157,000 for the years ended December 31, 2023, 2022, and 2021, respectively. Amortization of in-place leases is included in depreciation and amortization, and amortization of above-market leases is recorded as an adjustment to rental revenue in the accompanying consolidated statements of comprehensive income.

Estimated amortization expense on the intangible assets as of December 31, 2023, for each of the next five years ending December 31 and thereafter, is as follows (amounts in thousands):

Year	Amount
2024	\$ 20,351
2025	18,362
2026	16,815
2027	15,238
2028	13,704
Thereafter	50,529
	<u>\$ 134,999</u>

Note 6—Intangible Liabilities, Net

Intangible liabilities, net, consisted of the following as of December 31, 2023 and 2022 (amounts in thousands, except weighted average remaining life amounts):

	December 31, 2023	December 31, 2022
Below-market leases, net of accumulated amortization of \$7,417 and \$5,923, respectively (with a weighted average remaining life of 7.4 years and 8.4 years, respectively)	\$ 10,452	\$ 11,946

Amortization of below-market leases was \$1,494,000, \$1,479,000 and \$1,322,000 for the years ended December 31, 2023, 2022, and 2021 respectively. Amortization of below-market leases is recorded as an adjustment to rental revenue in the accompanying consolidated statements of comprehensive income.

Estimated amortization of the intangible liabilities as of December 31, 2023, for each of the next five years ending December 31 and thereafter, are as follows (amounts in thousands):

Year	Amount
2024	\$ 1,494
2025	1,494
2026	1,475
2027	1,450
2028	1,146
Thereafter	3,393
	<u>\$ 10,452</u>

Note 7—Leases

Lessor

The Company's real estate properties are leased to tenants under operating leases with varying terms. Typically, the leases have provisions to extend the terms of the lease agreements. The Company retains substantially all of the risks and benefits of ownership of the real estate properties leased to tenants.

Future rent to be received from the Company's investments in real estate assets under the terms of non-cancellable operating leases in effect as of December 31, 2023, for each of the next five years ending December 31, and thereafter, are as follows (amounts in thousands):

	December 31, 2023
2024	\$ 177,637
2025	173,816
2026	168,143
2027	165,189
2028	160,868
Thereafter	829,692
Total	<u>\$ 1,675,345</u>

Lessee

The Company is subject to various non-cancellable operating lease agreements on which certain of its properties reside and for its corporate offices.

The Company's operating leases do not provide implicit interest rates. In order to calculate the present value of the remaining operating lease payments, the Company used incremental borrowing rates, or IBRs, adjusted for a number of factors. The determination of an appropriate IBR involves multiple inputs and judgments. The Company determined its IBRs considering the general economic environment, term of the underlying leases, and various financing and asset specific adjustments to ensure the IBRs are appropriate for the intended use of the underlying operating leases.

The effects of the Company's leases are recorded in right-of-use assets and lease liabilities on the consolidated balance sheets.

The future rent payments, discounted by the Company's IBRs, under non-cancellable operating leases in effect as of December 31, 2023, for each of the next five years ending December 31 and thereafter, are as follows (amounts in thousands):

	December 31, 2023
2024	\$ 2,746
2025	2,768
2026	2,715
2027	2,681
2028	2,692
Thereafter	104,764
Total undiscounted rental payments	118,366
Less imputed interest	(77,208)
Total lease liabilities	<u>\$ 41,158</u>
Weighted average IBR	5.5 %
Weighted average remaining lease term	36.5 years

The following table provides details of the Company's total lease costs for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands):

		Year Ended December 31,		
	Location in Consolidated Statements of Comprehensive Income	2023	2022	2021
Operating lease costs:				
Ground lease costs ⁽¹⁾	Rental expenses	\$ 2,727	\$ 2,246	\$ 1,846
Ground lease costs ⁽²⁾	Income from discontinued operations	—	—	414
Corporate operating lease costs	General and administrative expenses	735	741	1,129
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases		\$ 732	\$ 531	\$ 1,067

- (1) The Company receives reimbursements from tenants for certain operating ground leases, which are recorded as rental revenue in the accompanying consolidated statements of comprehensive income.
- (2) Amount relates to lease costs attributable to operating ground leases related to data center properties disposed of in the Data Center Sale on July 22, 2021.

Note 8—Other Assets

Other assets consisted of the following as of December 31, 2023 and 2022 (amounts in thousands):

	December 31, 2023	December 31, 2022
Deferred financing costs, related to the revolver portion of the credit facility, net of accumulated amortization of \$1,917 and \$889, respectively	\$ 2,271	\$ 3,178
Leasing commissions, net of accumulated amortization of \$191 and \$167, respectively	593	775
Restricted cash	166	166
Tenant receivables	2,398	1,736
Straight-line rent receivable	53,248	62,457
Prepaid and other assets	4,089	3,865
Derivative assets	17,060	27,990
	<u>\$ 79,825</u>	<u>\$ 100,167</u>

Amortization of deferred financing costs related to the revolver portion of the credit facility for the years ended December 31, 2023, 2022, and 2021 was \$1,027,000, \$1,087,000, and \$1,430,000, respectively, which was recorded as interest expense, in the accompanying consolidated statements of comprehensive income.

Note 9—Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following as of December 31, 2023 and 2022 (amounts in thousands):

	December 31, 2023	December 31, 2022
Accounts payable and accrued expenses	\$ 3,906	\$ 5,387
Accrued interest expense	1,714	1,941
Accrued property taxes	3,687	2,421
Accrued personnel costs	4,425	3,940
Distributions payable to stockholders	7,782	7,719
Performance DSUs distributions payable	1,140	573
Tenant deposits	877	877
Deferred rental income	6,393	7,761
Derivative liabilities	457	—
	<u>\$ 30,381</u>	<u>\$ 30,619</u>

Note 10—Credit Facility

The Company's outstanding credit facility as of December 31, 2023 and 2022 consisted of the following (amounts in thousands):

	Weighted Average Contractual Rate ⁽¹⁾	December 31, 2023	December 31, 2022
Variable rate revolving line of credit	—%	\$ —	\$ 8,000
Variable rate term loans fixed through interest rate swaps	3.28%	525,000	485,000
Variable rate term loans	—%	—	90,000
Total credit facility, principal amount outstanding	3.28%	525,000	583,000
Unamortized deferred financing costs related to credit facility term loans		(1,847)	(2,412)
Total credit facility, net of deferred financing costs		<u>\$ 523,153</u>	<u>\$ 580,588</u>

(1) Weighted average contractual rate is as of December 31, 2023.

Significant activities regarding the credit facility during the year ended December 31, 2023 include:

- On February 17, 2023, the Company entered into an interest rate swap agreement to hedge \$40,000,000 of its variable rate term loans with an effective date of March 1, 2023.
- On March 8, 2023, the Company repaid \$8,000,000 on its revolving line of credit with cash flows from operations.
- On April 13, 2023, the Company repaid \$10,000,000 on its 2024 term loan with proceeds from a disposition and cash flows from operations.
- On July 13, 2023, the Company repaid \$10,000,000 on its 2024 term loan with proceeds from the collection of a note receivable related to a disposition and cash flows from operations.
- On September 26, 2023, the Company drew \$50,000,000 on its revolving line of credit to fund an acquisition.
- On November 1, 2023, the Company repaid \$8,000,000 on its revolving line of credit with cash flows from operations and proceeds from a disposition.
- On December 8, 2023, the Company, the Operating Partnership, and Truist Bank amended the credit facility to address the calculation of pool availability, including (i) removing the implied debt service coverage ratio restriction which reduces the impact of market interest rate volatility on the Company's ability to access commitments available, (ii) removing the ground lease concentration limitation, and (iii) amending the credit facility from a borrowing base calculation to an unencumbered pool structure, including the addition of an unsecured interest coverage ratio requirement.
- On December 19, 2023, the Company repaid \$42,000,000 on its revolving line of credit and \$30,000,000 on its 2024 term loan with proceeds from a disposition.

The principal payments due on the credit facility as of December 31, 2023, for each of the next five years ending December 31 and thereafter, are as follows (amounts in thousands):

	Amount
2024 ⁽¹⁾	\$ 250,000
2025	—
2026	—
2027	—
2028	275,000
Thereafter	—
	<u>\$ 525,000</u>

- (1) The 2024 term loan has a maturity date of December 31, 2024, and, at the Company's election, may be extended for a period of six-months on no more than two occasions, subject to the satisfaction of certain conditions, including the payment of an extension fee. The Company currently meets these conditions and therefore may choose to exercise its option to extend the maturity date of the 2024 term loan.

As of December 31, 2023, the maximum commitments available under the revolving line of credit were \$500,000,000, which may be increased, subject to lender approval, through incremental term loans and/or revolving loan commitments in an aggregate amount not to exceed \$1,000,000,000. As of December 31, 2023, the maximum commitments available under the 2024 Term Loan were \$250,000,000, which may be increased, subject to lender approval, to an aggregate amount not to exceed \$550,000,000. As of December 31, 2023, the maximum commitments available under the 2028 Term Loan Agreement were \$275,000,000, which may be increased, subject to lender approval, to an aggregate amount not to exceed \$500,000,000.

At the Company's election, loans under the credit facility may be made as Base Rate Loans or Secured Overnight Financing Rate, or SOFR, Loans. The applicable margin for loans that are Base Rate Loans is adjustable based on a total leverage ratio, ranging from 0.25% to 0.90%. The applicable margin for loans that are SOFR Loans is adjustable based on a total leverage ratio, ranging from 1.25% to 1.90%.

In addition to interest, the Company is required to pay a fee on the unused portion of the lenders' commitments under the revolving line of credit at a rate per annum equal to 0.20% if the average daily amount outstanding under the revolving line of credit is less than 50% of the aggregate commitments, or 0.15% if the average daily amount outstanding under the revolving line of credit is equal to or greater than 50% of the aggregate commitments. The unused fee is payable quarterly in arrears and recorded as interest expense in the accompanying consolidated statements of comprehensive income.

The revolving line of credit contains customary financial and operating covenants, including covenants relating to a maximum consolidated leverage ratio, maximum secured leverage ratio, fixed charge coverage ratio, unsecured interest coverage ratio, minimum consolidated tangible net worth, maximum distribution/payout ratio, covenants restricting the issuance of debt, imposition of liens, and entering into affiliate transactions.

Note 11—Fair Value

Cash and cash equivalents, restricted cash, tenant receivables, prepaid and other assets, accounts payable and other liabilities—The Company considers the carrying values of these financial instruments, assets and liabilities, to approximate fair value because of the short period of time between origination of the instruments and their expected realization.

Credit facility—The outstanding principal of the credit facility was \$525,000,000 and \$583,000,000, which approximated its fair value due to the variable nature of the terms as of December 31, 2023 and 2022, respectively.

The fair value of the Company's credit facility is estimated based on the interest rates currently offered to the Company by its financial institutions.

Derivative instruments—The Company's derivative instruments consist of interest rate swaps. These swaps are carried at fair value to comply with the provisions of ASC 820. The fair value of these instruments is determined using interest rate market pricing models. The Company incorporated credit valuation adjustments to appropriately reflect the Company's nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. The Company determined that the majority of the inputs used to value its interest rate swaps fall within Level 2 of the fair value hierarchy. The credit valuation adjustments associated with these instruments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Company and the respective counterparty. However, as of December 31, 2023, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of its interest rate swaps. As a result, the Company determined that its interest rate swaps valuation in its entirety is classified in Level 2 of the fair value hierarchy.

Considerable judgment is necessary to develop estimated fair values of financial assets and liabilities. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize or be liable for on disposition of the financial assets and liabilities.

The following tables show the fair value of the Company's financial assets and liabilities that are required to be measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022 (amounts in thousands):

	December 31, 2023				
	Fair Value Hierarchy				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Total Fair Value
Assets:					
Derivative assets	\$ —	\$ 17,060	\$ —	\$	17,060
Total assets at fair value	\$ —	\$ 17,060	\$ —	\$	17,060
Liabilities:					
Derivative liabilities	\$ —	\$ 457	\$ —	\$	457
Total liabilities at fair value	\$ —	\$ 457	\$ —	\$	457
	December 31, 2022				
	Fair Value Hierarchy				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Total Fair Value
Assets:					
Derivative assets	\$ —	\$ 27,990	\$ —	\$	27,990
Total assets at fair value	\$ —	\$ 27,990	\$ —	\$	27,990

Derivative assets and liabilities are reported in the consolidated balance sheets as other assets and accounts payable and other liabilities, respectively.

Real Estate Assets—Certain real estate assets (which include land, buildings and improvements and intangible assets) were adjusted to fair value as a result of impairments which occurred during the year ended December 31, 2023. The fair values of real estate assets were determined by using either third-party purchase offers, the direct capitalization method or comparable sales information. The fair values of real estate assets based on third-party purchase offers are reflected in the Level 2 fair value hierarchy. The direct capitalization method is based on applying a capitalization rate to the estimated market rental income to be generated by the property. The comparable sales technique uses estimates of properties similar to the subject property by comparing prices per square foot considering recent transaction activity. The estimates of comparable sales and prices per square foot have been adjusted, and are considered significant inputs and thus are classified within Level 3 of the fair value hierarchy.

The following table shows the fair value of the Company's real estate assets, including intangible assets (at fair value measured on a non-recurring basis on the date of impairment), which the Company continues to own, as of December 31, 2023 (amounts in thousands):

December 31, 2023						
Fair Value Hierarchy						
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) ⁽¹⁾	Significant Unobservable Inputs (Level 3)	Total Fair Value	Total Losses ⁽²⁾	
Real estate assets	\$ —	\$ 21,400	\$ 16,200	\$ 37,600	\$ 20,758	

- (1) Amount includes \$1,400,000 attributable to a real estate asset that was adjusted to fair value on December 31, 2022, which the Company continues to own as of December 31, 2023. The Company recorded total losses of \$29,010,000 for this real estate asset during the year ended December 31, 2022.
- (2) Amount represents losses recorded during 2023 and includes impairments of in-place lease intangible assets of \$1,130,000, and real estate assets of \$19,628,000 (including goodwill impairments of \$792,000).

The following table sets forth quantitative information about the significant unobservable inputs of the Company's Level 3 real estate recorded as of December 31, 2023:

Significant Unobservable Inputs	December 31, 2023	
Overall capitalization rate	8.5%	
Market rent per square foot	\$45.00	
Range of comparable sale price per square foot	\$	60.86 - \$ 98.04

Note 12—Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy.

For derivatives designated and qualifying as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest is incurred on the Company's variable rate debt. During the next twelve months, the Company estimates that an additional \$14,114,000 will be reclassified from accumulated other comprehensive income as a reduction to interest expense.

The following table summarizes the notional amount and fair value of the Company's derivative instruments (amounts in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Effective Dates	Maturity Dates	December 31, 2023			December 31, 2022	
				Outstanding Notional Amount	Fair Value of		Outstanding Notional Amount	Fair Value of
					Assets	(Liabilities)		Assets
Interest rate swaps	(1)	05/01/2022 to 05/01/2023	12/31/2024 to 01/31/2028	\$ 525,000	\$ 17,060	\$ (457)	\$ 485,000	\$ 27,990

- (1) Derivative assets and liabilities are reported in the consolidated balance sheets as other assets and accounts payable and other liabilities, respectively.

The notional amount under the agreements is an indication of the extent of the Company's involvement in each instrument at the time, but does not represent exposure to credit, interest rate or market risks.

The table below summarizes the amount of income and loss recognized on the interest rate derivatives designated as cash flow hedges for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands):

Derivatives in Cash Flow Hedging Relationships	Amount of Income (Loss) Recognized in Other Comprehensive Income on Derivatives	Location of Income (Loss) Reclassified From Accumulated Other Comprehensive Income to Net Income (Loss)	Amount of Income (Loss) Reclassified From Accumulated Other Comprehensive Income to Net Income (Loss)	Total Amount of Line Item in Consolidated Statements of Comprehensive Income
Year Ended December 31, 2023				
Interest rate swaps	\$ 5,293	Interest expense	\$ 16,680	\$ 23,110
Year Ended December 31, 2022				
Interest rate swaps	\$ 32,317	Interest expense	\$ (520)	\$ 24,077
Year Ended December 31, 2021				
Interest rate swaps - continuing operations	\$ 5,956	Interest expense	\$ (8,031)	\$ 37,625
Interest rate swaps - discontinued operations	(37)	Income from discontinued operations	(1,647)	401,444
Total	\$ 5,919		\$ (9,678)	

Credit Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. The Company records credit risk valuation adjustments on its interest rate swaps based on the respective credit quality of the Company and the counterparty. The Company believes it mitigates its credit risk by entering into agreements with creditworthy counterparties. As of December 31, 2023, the Company had no derivatives with fair value in a net liability position, inclusive of accrued interest but excluding any adjustment for nonperformance risk related to the agreement. As of December 31, 2023, there were no termination events or events of default related to the interest rate swaps.

Tabular Disclosure Offsetting Derivatives

The Company has elected not to offset derivative positions in its consolidated financial statements. The following tables present the effect on the Company's financial position had the Company made the election to offset its derivative positions as of December 31, 2023 and December 31, 2022 (amounts in thousands):

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		
				Financial Instruments Collateral	Cash Collateral	Net Amount
December 31, 2023	\$ 17,060	\$ —	\$ 17,060	\$ (457)	\$ —	\$ 16,603
December 31, 2022	\$ 27,990	\$ —	\$ 27,990	\$ —	\$ —	\$ 27,990

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		
				Financial Instruments Collateral	Cash Collateral	Net Amount
December 31, 2023	\$ 457	\$ —	\$ 457	\$ (457)	\$ —	\$ —

Note 13—Stockholders' Equity

Distributions Paid and Distributions Payable

The Company declared distributions per share of common stock in the amounts of \$0.40, \$0.40 and \$2.19 for the years ended December 31, 2023, 2022 and 2021, respectively. The distributions declared for the year ended December 31, 2021, includes a special cash distribution of \$1.75 per share of Class A, Class I, Class T and Class T2 shares of common stock. The special cash distribution was funded with the proceeds from the Data Center Sale. The special cash distribution was paid on July 30, 2021 to stockholders of record at the close of business on July 26, 2021. As of December 31, 2023, the Company had distributions payable of approximately \$7,782,000. Of these distributions payable, approximately \$5,729,000 was paid in cash and approximately \$2,053,000 was reinvested in shares of common stock pursuant to the DRIP on January 8, 2024.

Share Repurchase Program

The Company's Amended and Restated Share Repurchase Program allows for repurchases of shares of the Company's common stock upon meeting certain criteria. During the year ended December 31, 2023, the Company repurchased 1,513,997 Class A shares, Class I shares and Class T shares of common stock (1,182,006 Class A shares, 105,660 Class I shares and 226,331 Class T shares), or 0.67% of shares outstanding as of December 31, 2022, for an aggregate purchase price of approximately \$12,374,000 (an average of \$8.17 per share). During the year ended December 31, 2022, the Company repurchased 1,123,183 Class A shares, Class I shares and Class T shares of common stock (981,772 Class A shares, 31,666 Class I shares and 109,745 Class T shares), or 0.50% of shares outstanding as of December 31, 2021, for an aggregate purchase price of approximately \$9,217,000 (an average of \$8.21 per share).

Accumulated Other Comprehensive Income

The following table presents a rollforward of amounts recognized in accumulated other comprehensive income by component for the years ended December 31, 2023, 2022, and 2021 (amounts in thousands):

	Unrealized Income (Loss) on Derivative Instruments
Balance as of December 31, 2020	\$ (20,444)
Other comprehensive income before reclassification	5,919
Amount of loss reclassified from accumulated other comprehensive loss to net income	9,678
Other comprehensive income	15,597
Balance as of December 31, 2021	\$ (4,847)
Other comprehensive income before reclassification	32,317
Amount of loss reclassified from accumulated other comprehensive loss to net loss	520
Other comprehensive income	32,837
Balance as of December 31, 2022	\$ 27,990
Other comprehensive income before reclassification	5,293
Amount of income reclassified from accumulated other comprehensive income to net income	(16,680)
Other comprehensive loss	(11,387)
Balance as of December 31, 2023	\$ 16,603

The following table presents reclassifications out of accumulated other comprehensive income for the years ended December 31, 2023, 2022 and 2021 (amounts in thousands):

Details about Accumulated Other Comprehensive Income Components	(Income) Loss Amounts Reclassified from Accumulated Other Comprehensive Income to Net Income (Loss)			Affected Line Items in the Consolidated Statements of Comprehensive Income
	Year Ended December 31,			
	2023	2022	2021	
Interest rate swap contracts - continuing operations	\$ (16,680)	\$ 520	\$ 8,031	Interest expense
Interest rate swap contracts - discontinued operations	—	—	1,647	Income from discontinued operations
Interest rate swap contracts	\$ (16,680)	\$ 520	\$ 9,678	

Note 14—Earnings Per Share

The Company calculates basic earnings per share by dividing net income (loss) attributable to common stockholders for the period by the weighted average shares of its common stock outstanding for that period. All classes of common stock are allocated net income (loss) attributable to common stockholders at the same rate per share and receive the same gross distribution per share. Diluted earnings per share is computed based on the weighted average number of shares outstanding and all potentially dilutive securities. Shares of non-vested restricted common stock and performance-based deferred stock unit awards, or Performance DSUs, are considered to be participating securities because they contain non-forfeitable rights to distributions and give rise to potentially dilutive shares of common stock. For the year ended December 31, 2023, diluted earnings per share reflected the effect of approximately 1,847,000 non-vested shares of restricted common stock and Performance DSUs that were outstanding. For the year ended December 31, 2022, diluted earnings per share was computed the same as basic earnings per share because the Company recorded a loss from continuing operations, which would make potentially dilutive shares of 1,341,000 related to non-vested shares of restricted common stock and Performance DSUs, anti-dilutive. For the year ended December 31, 2021, diluted earnings per share reflected the effect of approximately 968,000 non-vested shares of restricted common stock and Performance DSUs that were outstanding.

Note 15—Stock-based Compensation

The Board has authorized a total of 5,000,000 Class A shares of common stock for issuance under the A&R Incentive Plan on a fully diluted basis at any time. Subject to certain limited exceptions, restricted stock may not be sold, assigned, transferred, pledged, encumbered, hypothecated or otherwise disposed of and is subject to forfeiture within the vesting period.

The Company recognized total stock-based compensation expense of \$6,284,000, \$4,180,000, and \$2,379,000 respectively, for the years ended December 31, 2023, 2022, and 2021. Stock-based compensation expense is reported in general and administrative expenses in the accompanying consolidated statements of comprehensive income, and forfeitures are recorded as they occur.

As of December 31, 2023 and 2022, there was \$6,807,000 and \$6,834,000, respectively, of total unrecognized compensation expense related to nonvested shares of the Company's restricted Class A common stock and Performance DSUs. This expense is expected to be recognized over a remaining weighted average period of 1.94 years. This expected expense does not include the impact of any future stock-based compensation awards.

The fair value of each restricted stock and Performance DSU award is estimated based on the most recent Estimated Per Share NAV. As of December 31, 2023 and 2022, the fair value of the nonvested shares of restricted Class A common stock and Performance DSUs was \$15,098,000 and \$11,703,000, respectively. The following table summarizes restricted Class A common stock activity, including Performance DSUs, for the year ended December 31, 2023:

	Shares
Nonvested at December 31, 2022	1,423,690
Granted	793,718
Vested	(160,453)
Forfeited	(38,451)
Nonvested at December 31, 2023	2,018,504

Note 16—Income Taxes

As a REIT, the Company generally will not be subject to U.S. federal income tax on taxable income that it distributes to the stockholders. For U.S. federal income tax purposes, distributions to stockholders are characterized as either ordinary dividends, capital gain distributions, or nontaxable distributions. Nontaxable distributions will reduce U.S. stockholders' respective bases in their shares. The following table shows the character of distributions the Company paid on a percentage basis during the years ended December 31, 2023, 2022 and 2021:

Character of Distributions ⁽¹⁾ :	Year Ended December 31,		
	2023	2022	2021
Ordinary dividends	61.41 %	40.94 %	27.91 %
Capital gain distributions	— %	— %	— %
Nontaxable distributions	38.59 %	59.06 %	72.09 %
Total	100.00 %	100.00 %	100.00 %

Character of Special Distribution ⁽¹⁾ :	Year Ended December 31,		
	2023	2022	2021
Ordinary dividends	— %	— %	12.39 %
Capital gain distributions	— %	— %	86.66 %
Nontaxable distributions	— %	— %	0.95 %
Total	— %	— %	100.00 %

- (1) Attributable to Class A shares, Class I shares, Class T shares of common stock for the year ended December 31, 2023. Attributable to Class A shares, Class I shares, Class T shares, and Class T2 shares of common stock for the years ended December 31, 2022 and 2021.

The Company applies the rules under ASC 740-10, *Accounting for Uncertainty in Income Taxes*, for uncertain tax positions using a “more likely than not” recognition threshold for tax positions. Pursuant to these rules, the financial statement effects of a tax position are initially recognized when it is more likely than not, based on the technical merits of the tax position, that such a position will be sustained upon examination by the relevant tax authorities. If the tax benefit meets the “more likely than not” threshold, the measurement of the tax benefit will be based on the Company's estimate of the ultimate tax benefit to be sustained if audited by the taxing authority. The Company concluded there was no impact related to uncertain tax positions

from the results of the operations of the Company for the years ended December 31, 2023, 2022 and 2021. The earliest tax year currently subject to examination is 2020.

The Company's policy is to recognize accrued interest related to unrecognized tax benefits as a component of interest expense and penalties related to unrecognized tax benefits as a component of general and administrative expenses. From inception through December 31, 2023, the Company has not recognized any interest expense or penalties related to unrecognized tax benefits.

Note 17—Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, the Company may become subject to litigation or claims. As of December 31, 2023, there were, and currently there are, no material pending legal proceedings to which the Company is a party. While the resolution of a lawsuit or proceeding may have an impact to the Company's financial results for the period in which it is resolved, the Company believes that the final resolution of the lawsuits or proceedings in which it is currently involved, either individually or in the aggregate, will not have a material adverse effect on its financial position, results of operations or liquidity.

Note 18—Subsequent Events

Distributions Paid to Stockholders

The following table summarizes the Company's distributions paid to stockholders on January 8, 2024, for the period from December 1, 2023 through December 31, 2023 (amounts in thousands):

Payment Date	Common Stock	Cash	DRIP	Total Distribution
January 8, 2024	Class A	\$ 4,597	\$ 1,190	\$ 5,787
January 8, 2024	Class I	347	229	576
January 8, 2024	Class T	785	634	1,419
		<u>\$ 5,729</u>	<u>\$ 2,053</u>	<u>\$ 7,782</u>

The following table summarizes the Company's distributions paid to stockholders on February 7, 2024, for the period from January 1, 2024 through January 31, 2024 (amounts in thousands):

Payment Date	Common Stock	Cash	DRIP	Total Distribution
February 7, 2024	Class A	\$ 4,600	\$ 1,181	\$ 5,781
February 7, 2024	Class I	347	229	576
February 7, 2024	Class T	786	632	1,418
		<u>\$ 5,733</u>	<u>\$ 2,042</u>	<u>\$ 7,775</u>

Distributions Authorized

The following tables summarize the daily distributions approved and authorized by the Board subsequent to December 31, 2023:

Authorization Date ⁽¹⁾	Common Stock	Daily Distribution Rate ⁽¹⁾	Annualized Distribution Per Share
January 15, 2024	Class A	\$ 0.00109290	\$ 0.40
January 15, 2024	Class I	\$ 0.00109290	\$ 0.40
January 15, 2024	Class T	\$ 0.00109290	\$ 0.40

Authorization Date ⁽²⁾	Common Stock	Daily Distribution Rate ⁽²⁾	Annualized Distribution Per Share
February 15, 2024	Class A	\$ 0.00109290	\$ 0.40
February 15, 2024	Class I	\$ 0.00109290	\$ 0.40
February 15, 2024	Class T	\$ 0.00109290	\$ 0.40

Authorization Date ⁽³⁾	Common Stock	Daily Distribution Rate ⁽³⁾	Annualized Distribution Per Share
March 5, 2024	Class A	\$ 0.00109290	\$ 0.40
March 5, 2024	Class I	\$ 0.00109290	\$ 0.40
March 5, 2024	Class T	\$ 0.00109290	\$ 0.40

- (1) Distributions approved and authorized to stockholders of record as of the close of business on each day of the period commencing on February 1, 2024 and ending on February 29, 2024. The distributions are calculated based on 366 days in the calendar year. The distributions declared for each record date in February 2024 will be paid in March 2024. The distributions are payable to stockholders from legally available funds therefor.
- (2) Distributions approved and authorized to stockholders of record as of the close of business on each day of the period commencing on March 1, 2024 and ending on March 31, 2024. The distributions will be calculated based on 366 days in the calendar year. The distributions declared for each record date in March 2024 will be paid in April 2024. The distributions will be payable to stockholders from legally available funds therefor.
- (3) Distributions approved and authorized to stockholders of record as of the close of business on each day of the period commencing on April 1, 2024 and ending on April 30, 2024. The distributions will be calculated based on 366 days in the calendar year. The distributions declared for each record date in April 2024 will be paid in May 2024. The distributions will be payable to stockholders from legally available funds therefor.

Disposition of New Bedford Healthcare Facility

On January 31, 2024, the Company sold the New Bedford Healthcare Facility for \$1,500,000, generating net proceeds of \$1,407,000, after transaction costs and other prorations, subject to additional transaction costs paid subsequent to the closing date.

Acquisition of Brownsburg Healthcare Facility

On February 26, 2024, the Company purchased 100% of the ownership interests in a healthcare property in Brownsburg, Indiana, or the Brownsburg Healthcare Facility, for a contract purchase price of \$39,063,000.

SCHEDULE III — REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
December 31, 2023
(in thousands)

Property Description	Location	Initial Cost			Cost Capitalized Subsequent to Acquisition (b)	Gross Amount Carried at December 31, 2023			Accumulated Depreciation (d)	Year Constructed	Year Renovated	Date Acquired				
		Encumbrances	Buildings and Improvements			Land	Buildings and Improvements (c)	Total								
			\$	(a)									\$	762	\$	3,076
Houston Healthcare Facility	Houston, TX	—	(a)	\$	762	\$	2,970	\$	106	\$	762	\$	3,838	1993	—	07/31/2014
Cincinnati Healthcare Facility	Cincinnati, OH	—	(a)	356	3,167	114	356	3,281	3,637	907	2001	—	10/29/2014			
Winston-Salem Healthcare Facility	Winston-Salem, NC	—	(a)	684	4,903	—	684	4,903	5,587	1,322	2004	—	12/17/2014			
Stoughton Healthcare Facility	Stoughton, MA	—	(a)	4,049	19,991	(13,054)	2,018	8,968	10,986	—	1973	1997	12/23/2014			
Fort Worth Healthcare Facility	Fort Worth, TX	—	(a)	8,297	35,615	—	8,297	35,615	43,912	8,443	2014	—	12/31/2014			
Fort Worth Healthcare Facility II	Fort Worth, TX	—	(a)	367	1,587	201	367	1,788	2,155	665	2014	—	12/31/2014			
Winter Haven Healthcare Facility	Winter Haven, FL	—	(a)	—	2,805	—	—	2,805	2,805	697	2009	—	01/27/2015			
Overland Park Healthcare Facility	Overland Park, KS	—	(a)	1,558	20,549	—	1,558	20,549	22,107	4,794	2014	—	02/17/2015			
Clarion Healthcare Facility	Clarion, PA	—	(a)	462	5,377	—	462	5,377	5,839	1,553	2012	—	06/01/2015			
Webster Healthcare Facility	Webster, TX	—	(a)	1,858	20,140	—	1,858	20,140	21,998	4,511	2015	—	06/05/2015			
Augusta Healthcare Facility	Augusta, ME	—	(a)	556	14,401	103	556	14,504	15,060	3,455	2010	—	07/22/2015			
Cincinnati Healthcare Facility III	Cincinnati, OH	—	(a)	446	10,239	4	446	10,243	10,689	2,304	2014	—	07/22/2015			
Florence Healthcare Facility	Florence, KY	—	(a)	650	9,919	—	650	9,919	10,569	2,223	2014	—	07/22/2015			
Oakland Healthcare Facility	Oakland, ME	—	(a)	229	5,416	—	229	5,416	5,645	1,400	2004	—	07/22/2015			
Wyomissing Healthcare Facility	Wyomissing, PA	—	(a)	1,504	20,193	—	1,504	20,193	21,697	4,615	2007	—	07/24/2015			
Luling Healthcare Facility	Luling, TX	—	(a)	824	7,530	—	824	7,530	8,354	1,712	2003	—	07/30/2015			
Omaha Healthcare Facility	Omaha, NE	—	(a)	1,259	9,796	—	1,259	9,796	11,055	2,113	2014	—	10/14/2015			
Sherman Healthcare Facility	Sherman, TX	—	(a)	1,679	23,926	—	1,679	23,926	25,605	5,051	2005	2010	11/20/2015			
Sherman Healthcare Facility II	Sherman, TX	—	(a)	214	3,209	—	214	3,209	3,423	683	2005	—	11/20/2015			
Fort Worth Healthcare Facility III	Fort Worth, TX	—	(a)	3,120	9,312	—	3,120	9,312	12,432	1,970	1998	2007/2015	12/23/2015			
Oklahoma City Healthcare Facility	Oklahoma City, OK	—	(a)	4,626	30,509	99	4,626	30,608	35,234	6,663	1985	1998/2003	12/29/2015			
Oklahoma City Healthcare Facility II	Oklahoma City, OK	—	(a)	991	8,366	—	991	8,366	9,357	1,942	1994	1999	12/29/2015			
Edmond Healthcare Facility	Edmond, OK	—	(a)	796	3,199	—	796	3,199	3,995	749	2002	—	01/20/2016			
Oklahoma City Healthcare Facility III	Oklahoma City, OK	—	(a)	452	1,081	—	452	1,081	1,533	260	2006	—	01/27/2016			
Oklahoma City Healthcare Facility IV	Oklahoma City, OK	—	(a)	368	2,344	28	368	2,372	2,740	549	2007	—	01/27/2016			
Newcastle Healthcare Facility	Newcastle, OK	—	(a)	412	1,173	—	412	1,173	1,585	281	1995	1999	02/03/2016			
Oklahoma City Healthcare Facility V	Oklahoma City, OK	—	(a)	541	12,445	—	541	12,445	12,986	2,891	2008	—	02/11/2016			
Rancho Mirage Healthcare Facility	Rancho Mirage, CA	—	(a)	2,724	7,626	29,843	2,725	37,468	40,193	5,035	2018	—	03/01/2016			
Oklahoma City Healthcare Facility VI	Oklahoma City, OK	—	(a)	896	3,684	84	896	3,768	4,664	873	2007	—	03/07/2016			
Oklahoma City Healthcare Facility VII	Oklahoma City, OK	—	(a)	3,203	32,380	—	3,203	32,380	35,583	6,408	2016	—	06/22/2016			
Las Vegas Healthcare Facility	Las Vegas, NV	—	(a)	2,614	639	22,091	2,895	22,449	25,344	3,577	2017	—	06/24/2016			
Oklahoma City Healthcare Facility VIII	Oklahoma City, OK	—	(a)	2,002	15,384	—	2,002	15,384	17,386	3,003	1997	2008	06/30/2016			
Marlton Healthcare Facility	Marlton, NJ	—	(a)	—	57,154	5	—	57,159	57,159	10,185	1995	—	11/01/2016			
Grand Rapids Healthcare Facility	Grand Rapids, MI	—	(a)	2,533	39,487	1,554	2,533	41,041	43,574	8,282	2008	—	12/07/2016			
Corpus Christi Healthcare Facility	Corpus Christi, TX	—	(a)	975	4,963	793	1,002	5,729	6,731	1,150	1992	2016	12/22/2016			
Aurora Healthcare Facility	Aurora, IL	—	(a)	973	9,632	19	973	9,651	10,624	1,768	2002	—	03/30/2017			
Allen Healthcare Facility	Allen, TX	—	(a)	857	20,582	—	857	20,582	21,439	3,763	2007	—	03/31/2017			
Austin Healthcare Facility	Austin, TX	—	(a)	1,368	32,039	—	1,368	32,039	33,407	5,858	2012	—	03/31/2017			

Property Description	Location	Initial Cost			Cost Capitalized Subsequent to Acquisition (b)	Gross Amount Carried at December 31, 2023			Accumulated Depreciation (d)	Year Constructed	Year Renovated	Date Acquired
		Encumbrances	Buildings and Improvements			Land	Buildings and Improvements (c)	Total				
			Land									
Beaumont Healthcare Facility	Beaumont, TX	— (a)	946	8,372	—	946	8,372	9,318	1,539	1991	—	03/31/2017
San Antonio Healthcare Facility	San Antonio, TX	— (a)	1,813	11,706	—	1,813	11,706	13,519	2,076	1984	— (e)	06/29/2017
Silverdale Healthcare Facility	Silverdale, WA	— (a)	1,530	7,506	48	1,530	7,554	9,084	1,469	2005	—	08/25/2017
Silverdale Healthcare Facility II	Silverdale, WA	— (a)	1,542	4,981	—	1,542	4,981	6,523	1,052	2007	—	09/20/2017
Saginaw Healthcare Facility	Saginaw, MI	— (a)	1,251	15,878	235	1,251	16,113	17,364	3,519	2002	—	12/21/2017
Carrollton Healthcare Facility	Carrollton, TX	— (a)	1,995	5,870	39	1,995	5,909	7,904	943	2015	—	04/27/2018
Katy Healthcare Facility	Katy, TX	— (a)	1,443	12,114	—	1,443	12,114	13,557	1,742	2015	—	06/08/2018
Indianola Healthcare Facility	Indianola, IA	— (a)	330	5,698	67	330	5,765	6,095	828	2014	—	09/26/2018
Indianola Healthcare Facility II	Indianola, IA	— (a)	709	6,061	—	709	6,061	6,770	904	2011	—	09/26/2018
Benton Healthcare Facility	Benton, AR	— (a)	—	19,048	—	—	19,048	19,048	2,694	1992/1999	2012	10/17/2018
Benton Healthcare Facility II	Benton, AR	— (a)	—	1,647	—	—	1,647	1,647	259	1983	—	10/17/2018
Bryant Healthcare Facility	Bryant, AR	— (a)	930	3,539	57	930	3,596	4,526	554	1995	—	10/17/2018
Hot Springs Healthcare Facility	Hot Springs, AR	— (a)	384	2,077	—	384	2,077	2,461	334	2009	—	10/17/2018
Clive Healthcare Facility	Clive, IA	— (a)	336	22,332	158	336	22,490	22,826	3,637	2008	—	11/26/2018
Valdosta Healthcare Facility	Valdosta, GA	— (a)	659	5,626	—	659	5,626	6,285	907	2004	—	11/28/2018
Valdosta Healthcare Facility II	Valdosta, GA	— (a)	471	2,780	—	471	2,780	3,251	455	1992	—	11/28/2018
Bryant Healthcare Facility II	Bryant, AR	— (a)	647	3,364	—	647	3,364	4,011	419	2016	—	08/16/2019
Laredo Healthcare Facility	Laredo, TX	— (a)	—	12,137	—	—	12,137	12,137	1,412	1998	2023	09/19/2019
Laredo Healthcare Facility II	Laredo, TX	— (a)	—	23,677	83	—	23,760	23,760	2,816	1998	—	09/19/2019
Poplar Bluff Healthcare Facility	Poplar Bluff, MO	— (a)	—	13,515	—	—	13,515	13,515	1,579	2013	—	09/19/2019
Tucson Healthcare Facility	Tucson, AZ	— (a)	—	5,998	—	—	5,998	5,998	704	1998	—	09/19/2019
Akron Healthcare Facility	Green, OH	— (a)	3,503	38,512	—	3,503	38,512	42,015	4,320	2012	—	10/04/2019
Akron Healthcare Facility II	Green, OH	— (a)	1,085	10,277	—	1,085	10,277	11,362	1,385	2013	—	10/04/2019
Akron Healthcare Facility III	Akron, OH	— (a)	2,206	26,044	—	2,206	26,044	28,250	2,823	2008	—	10/04/2019
Alexandria Healthcare Facility	Alexandria, LA	— (a)	—	5,076	—	—	5,076	5,076	550	2007	—	10/04/2019
Appleton Healthcare Facility	Appleton, WI	— (a)	414	1,900	—	414	1,900	2,314	274	2011	—	10/04/2019
Austin Healthcare Facility II	Austin, TX	— (a)	3,229	7,534	(2,807)	2,195	5,761	7,956	641	2006	—	10/04/2019
Bellevue Healthcare Facility	Green Bay, WI	— (a)	567	1,269	—	567	1,269	1,836	190	2010	—	10/04/2019
Bonita Springs Healthcare Facility	Bonita Springs, FL	—	1,199	4,373	—	1,199	4,373	5,572	487	2002	2005	10/04/2019
Bridgeton Healthcare Facility	Bridgeton, MO	— (a)	—	39,740	—	—	39,740	39,740	4,289	2012	—	10/04/2019
Covington Healthcare Facility	Covington, LA	— (a)	2,238	16,635	—	2,238	16,635	18,873	1,786	1984	—	10/04/2019
Crestview Healthcare Facility	Crestview, FL	—	400	1,536	—	400	1,536	1,936	191	2004	2010	10/04/2019
Dallas Healthcare Facility	Dallas, TX	— (a)	6,072	27,457	—	6,072	27,457	33,529	2,900	2011	—	10/04/2019
De Pere Healthcare Facility	De Pere, WI	— (a)	615	1,596	—	615	1,596	2,211	231	2005	—	10/04/2019
Denver Healthcare Facility	Thornton, CO	— (a)	3,586	32,363	—	3,586	32,363	35,949	3,525	1962	2018	10/04/2019
El Segundo Healthcare Facility	El Segundo, CA	—	2,659	9,016	—	2,659	9,016	11,675	981	2009	—	10/04/2019
Fairlea Healthcare Facility	Fairlea, WV	—	139	1,910	—	139	1,910	2,049	220	1999	—	10/04/2019
Fayetteville Healthcare Facility	Fayetteville, AR	— (a)	485	24,855	—	485	24,855	25,340	2,669	1994	2009	10/04/2019
Fort Myers Healthcare Facility	Fort Myers, FL	—	2,153	2,387	(562)	2,012	1,966	3,978	36	1999	—	10/04/2019
Fort Myers Healthcare Facility II	Fort Myers, FL	—	3,557	11,064	(2,304)	3,272	9,045	12,317	152	2010	2022	10/04/2019
Fort Walton Beach Healthcare Facility	Fort Walton Beach, FL	—	385	3,182	—	385	3,182	3,567	363	2005	—	10/04/2019

Property Description	Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition (b)	Gross Amount Carried at December 31, 2023		Accumulated Depreciation (d)	Year Constructed	Year Renovated	Date Acquired
			Land	Buildings and Improvements		Land	Buildings and Improvements (c)				
Frankfort Healthcare Facility	Frankfort, KY	—	342	950	—	342	950	1,292	1993	2019	10/04/2019
Frisco Healthcare Facility	Frisco, TX	— (a)	—	22,114	4,790	—	26,904	26,904	2010	2020	10/04/2019
Goshen Healthcare Facility	Goshen, IN	— (a)	383	5,355	—	383	5,355	5,738	2010	—	10/04/2019
Hammond Healthcare Facility	Hammond, LA	— (a)	2,693	23,750	—	2,693	23,750	26,443	2006	—	10/04/2019
Hammond Healthcare Facility II	Hammond, LA	— (a)	950	12,147	—	950	12,147	13,097	2004	—	10/04/2019
Henderson Healthcare Facility	Henderson, NV	—	839	2,390	—	839	2,390	3,229	2000	—	10/04/2019
Houston Healthcare Facility III	Houston, TX	— (a)	752	5,832	—	752	5,832	6,584	1998	2018	10/04/2019
Howard Healthcare Facility	Howard, WI	— (a)	529	1,818	—	529	1,818	2,347	2011	—	10/04/2019
Jacksonville Healthcare Facility	Jacksonville, FL	—	1,233	6,173	—	1,233	6,173	7,406	2009	—	10/04/2019
Lafayette Healthcare Facility	Lafayette, LA	— (a)	4,819	35,424	—	4,819	35,424	40,243	2004	2005	10/04/2019
Lakewood Ranch Healthcare Facility	Lakewood Ranch, FL	—	636	1,784	—	636	1,784	2,420	2008	—	10/04/2019
Las Vegas Healthcare Facility II	Las Vegas, NV	—	651	5,323	—	651	5,323	5,974	2007	—	10/04/2019
Lehigh Acres Healthcare Facility	Lehigh Acres, FL	—	441	2,956	—	441	2,956	3,397	2002	—	10/04/2019
Lubbock Healthcare Facility	Lubbock, TX	— (a)	5,210	39,939	—	5,210	39,939	45,149	2003	—	10/04/2019
Manitowoc Healthcare Facility	Manitowoc, WI	— (a)	257	1,733	—	257	1,733	1,990	2003	—	10/04/2019
Manitowoc Healthcare Facility II	Manitowoc, WI	— (a)	250	11,231	—	250	11,231	11,481	1964	2010	10/04/2019
Marinette Healthcare Facility	Marinette, WI	— (a)	208	1,002	—	208	1,002	1,210	2008	—	10/04/2019
New Bedford Healthcare Facility	New Bedford, MA	—	2,464	26,297	(27,522)	115	1,124	1,239	1942	1995	10/04/2019
New Braunfels Healthcare Facility	New Braunfels, TX	— (a)	2,568	11,386	—	2,568	11,386	13,954	2007	—	10/04/2019
North Smithfield Healthcare Facility	North Smithfield, RI	— (a)	1,309	14,024	—	1,309	14,024	15,333	1965	2000	10/04/2019
Oklahoma City Healthcare Facility IX	Oklahoma City, OK	— (a)	1,316	9,822	—	1,316	9,822	11,138	2007	—	10/04/2019
Oshkosh Healthcare Facility	Oshkosh, WI	— (a)	414	2,043	(1)	413	2,043	2,456	2010	—	10/04/2019
Palm Desert Healthcare Facility	Palm Desert, CA	—	582	5,927	—	582	5,927	6,509	2005	—	10/04/2019
Rancho Mirage Healthcare Facility II	Rancho Mirage, CA	—	2,286	5,481	(3,767)	1,227	2,773	4,000	2008	2022	10/04/2019
San Antonio Healthcare Facility III	San Antonio, TX	— (a)	1,824	22,809	—	1,824	22,809	24,633	2012	—	10/04/2019
San Antonio Healthcare Facility IV	San Antonio, TX	— (a)	—	31,694	—	—	31,694	31,694	1987	—	10/04/2019
San Antonio Healthcare Facility V	San Antonio, TX	— (a)	3,273	19,697	1,023	3,273	20,720	23,993	2017	—	10/04/2019
Santa Rosa Beach Healthcare Facility	Santa Rosa Beach, FL	—	741	3,049	—	741	3,049	3,790	2003	—	10/04/2019
Savannah Healthcare Facility	Savannah, GA	—	2,300	20,186	—	2,300	20,186	22,486	2014	—	10/04/2019
Sturgeon Bay Healthcare Facility	Sturgeon Bay, WI	— (a)	248	700	—	248	700	948	2007	—	10/04/2019
Victoria Healthcare Facility	Victoria, TX	— (a)	328	12,908	—	328	12,908	13,236	2013	—	10/04/2019
Victoria Healthcare Facility II	Victoria, TX	— (a)	446	12,986	—	446	12,986	13,432	1998	—	10/04/2019
Wilkes-Barre Healthcare Facility	Mountain Top, PA	— (a)	821	4,139	—	821	4,139	4,960	2012	—	10/04/2019
Yucca Valley Healthcare Facility	Yucca Valley, CA	—	901	4,788	(4,310)	241	1,138	1,379	2009	—	10/04/2019
Tucson Healthcare Facility II	Tucson, AZ	— (a)	—	—	25,324	—	25,324	25,324	2021	—	12/26/2019
Tucson Healthcare Facility III	Tucson, AZ	— (a)	1,763	—	8,177	1,763	8,177	9,940	2020	—	12/27/2019
Grimes Healthcare Facility	Grimes, IA	— (a)	831	3,690	—	831	3,690	4,521	2018	—	02/19/2020
Tampa Healthcare Facility	Tampa, FL	— (a)	—	10,297	—	—	10,297	10,297	2015	—	09/08/2020
Tucson Healthcare Facility IV	Tucson, AZ	—	—	58	18,057	—	18,115	18,115	2022	—	12/22/2020
Greenwood Healthcare Facility	Greenwood, IN	— (a)	1,603	22,588	—	1,603	22,588	24,191	2008	2018	04/19/2021
Clive Healthcare Facility II	Clive, IA	— (a)	1,555	17,898	—	1,555	17,898	19,453	2008	—	12/08/2021

Property Description	Location	Encumbrances	Initial Cost		Cost Capitalized Subsequent to Acquisition (b)	Gross Amount Carried at December 31, 2023			Accumulated Depreciation (d)	Year Constructed	Year Renovated	Date Acquired	
			Land	Buildings and Improvements		Land	Buildings and Improvements (c)	Total					
Clive Healthcare Facility III	Clive, IA	—	(a)	843	12,299	57	843	12,356	13,199	634	2008	—	12/08/2021
Clive Healthcare Facility IV	Clive, IA	—	(a)	720	7,863	—	720	7,863	8,583	499	2009	2018	12/08/2021
Clive Undeveloped Land	Clive, IA	—		1,061	—	—	1,061	—	1,061	—	—	—	12/08/2021
Clive Undeveloped Land II	Clive, IA	—		460	—	—	460	—	460	—	—	—	12/08/2021
Yukon Healthcare Facility	Yukon, OK	—		1,288	16,779	—	1,288	16,779	18,067	835	2020	—	03/10/2022
Pleasant Hills Healthcare Facility	Pleasant Hills, PA	—		922	12,905	—	922	12,905	13,827	701	2015	—	05/12/2022
Prosser Healthcare Facility I	Prosser, WA	—		282	1,933	—	282	1,933	2,215	105	2020	—	05/20/2022
Prosser Healthcare Facility II	Prosser, WA	—		95	3,374	—	95	3,374	3,469	176	2013	2019	05/20/2022
Prosser Healthcare Facility III	Prosser, WA	—		59	2,070	—	59	2,070	2,129	107	2013	—	05/20/2022
Tampa Healthcare Facility II	Tampa, FL	—		—	47,042	—	—	47,042	47,042	1,821	2022	—	07/20/2022
Escondido Healthcare Facility	Escondido, CA	—		—	57,675	—	—	57,675	57,675	2,163	2021	—	07/21/2022
West Palm Beach Healthcare Facility	West Palm Beach, FL	—		2,064	7,011	30	2,065	7,040	9,105	107	1999	2007/2019	06/15/2023
Burr Ridge Healthcare Facility	Burr Ridge, IL	—		4,828	46,152	—	4,828	46,152	50,980	387	2010	—	09/27/2023
		\$		\$165,071	\$ 1,631,875	\$ 58,862	\$157,821	\$ 1,697,987	\$ 1,855,808	\$ 227,156			

- (a) Property is contributed to the pool of unencumbered properties of the Company's credit facility. As of December 31, 2023, 111 commercial real estate properties were contributed to the pool of unencumbered properties under the Company's credit facility and the Company had an outstanding principal balance of \$525,000,000.
- (b) The reduction to costs capitalized subsequent to acquisition primarily include impairment charges, property dispositions and other adjustments.
- (c) The aggregated cost for federal income tax purposes is approximately \$2,011,524,000 (unaudited).
- (d) The Company's assets are depreciated or amortized using the straight-line method over the useful lives of the assets by class. Generally, buildings and improvements are depreciated over 15-40 years and tenant improvements are depreciated over the shorter of lease term or expected useful life.
- (e) Property is currently under renovation.

NOTES TO SCHEDULE III — REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
December 31, 2023
(in thousands)

	Year Ended December 31,		
	2023	2022	2021
Real Estate:			
Balance at beginning of year	\$ 2,089,200	\$ 2,015,330	\$ 2,890,958
Additions:			
Acquisitions	60,055	144,424	66,890
Improvements	1,727	4,735	23,288
Other adjustments	—	182	978
Deductions:			
Impairment	(28,651)	(53,230)	(29,673)
Dispositions	(266,523)	(22,241)	(936,594)
Other adjustments	—	—	(517)
Balance at end of year	<u>\$ 1,855,808</u>	<u>\$ 2,089,200</u>	<u>\$ 2,015,330</u>
Accumulated Depreciation:			
Balance at beginning of year	\$ (209,118)	\$ (165,784)	\$ (197,134)
Additions:			
Depreciation	(52,404)	(51,584)	(56,999)
Deductions:			
Impairment	8,409	8,250	2,507
Dispositions	25,957	—	85,325
Other adjustments	—	—	517
Balance at end of year	<u>\$ (227,156)</u>	<u>\$ (209,118)</u>	<u>\$ (165,784)</u>

Item 6. Exhibits.

<u>Exhibit No:</u>	
3.1	Third Articles of Amendment and Restatement (included as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on August 15, 2022, and incorporated herein by reference).
3.2	Second Amended and Restated Bylaws of Sila Realty Trust, Inc. (included as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on June 20, 2023, and incorporated here by reference).
4.1	Subscription Agreement and Subscription Agreement Signature Page (included as Appendix B to the prospectus, incorporated by reference to the Registrant's final prospectus filed pursuant to Rule 424(b)(3), filed on November 27, 2017 (File No. 333-217579)).
4.2	Additional Subscription Agreement and Subscription Agreement Signature Page (included as Appendix C to the prospectus, incorporated by reference to the Registrant's final prospectus filed pursuant to Rule 424(b)(3), filed on November 27, 2017 (File No. 333-217579)).
4.3	Automatic Purchase Program Enrollment Form (included as Appendix D to the prospectus, incorporated by reference to the Registrant's final prospectus filed pursuant to Rule 424(b)(3), filed on November 27, 2017, and incorporated herein by reference).
4.4	Third Amended and Restated Distribution Reinvestment Plan (included as Appendix E to the prospectus attached to Post-Effective Amendment No. 11 to the Registrant's Registration Statement on Form S-11 (File No. 333-191706) filed on January 20, 2017, and incorporated herein by reference).
4.5	Fourth Amended and Restated Distribution Reinvestment Plan (included as Appendix A in the prospectus that is part of the Registrant's Registration Statement on Form S-3 (File No. 333-220940), filed on December 6, 2017, and incorporated herein by reference).
4.6	Fifth Amended and Restated Distribution Reinvestment Plan (included as Appendix A in the prospectus that is a part of the Registrant's Registration Statement on Form S-3 (File No. 333-275799), filed on November 30, 2023, and incorporated herein by reference).
4.7	Form of Multi-Product Subscription Agreement (included as Appendix F to the prospectus, incorporated by reference to the Registrant's final prospectus filed pursuant to Rule 424(b)(3), filed on February 10, 2017 (File No. 333-191706) and incorporated herein by reference).
4.8	Description of Capital Stock Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (included as Exhibit 4.7 to the Registrant's Annual Report on Form 10-K (File No. 000-55435) filed on March 16, 2023, and incorporated herein by reference).
10.1†	Employment Agreement, by and among Carter Validus Mission Critical REIT II, Inc., Carter Validus Operating Partnership II, LP, CV Manager, LLC and Michael A. Seton, dated as of July 28, 2020 (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on July 29, 2020, and incorporated herein by reference).
10.1.1†	Amendment to Employment Agreement made and entered into on June 21, 2022, by and between Sila Realty Trust, Inc., Sila Realty Operating Partnership, LP, Sila Realty Management Company, LLC and Michael A. Seton (included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on June 21, 2022, and incorporated herein by reference).
10.2†	Employment Agreement, by and among Carter Validus Mission Critical REIT II, Inc., Carter Validus Operating Partnership II, LP, CV Manager, LLC and Kay C. Neely, dated as of July 28, 2020 (included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on July 29, 2020, and incorporated herein by reference).

- 10.2.1† Amendment to Employment Agreement made and entered into on June 21, 2022, by and between Sila Realty Trust, Inc., Sila Realty Operating Partnership, LP, Sila Realty Management Company, LLC and Mary (“Kay”) C. Neely (included as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on June 21, 2022, and incorporated herein by reference).
- 10.3† Form of Deferred Stock Award Agreement (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on January 8, 2021, and incorporated herein by reference).
- 10.3.1† Form of First Amendment to Deferred Stock Award Agreement (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on September 10, 2021, and incorporated herein by reference).
- 10.4 Revolving Credit Agreement, dated as of February 15, 2022, among Sila Realty Trust, Inc., as Borrower, the lenders from time to time as party to this agreement, the issuing banks from time to time as party to the Revolving Credit Agreement, Truist Bank, as Administrative Agent, Hancock Whitney Bank, as Documentation Agent, Truist Securities, Inc., BMO Capital Markets Corp., Capital One, National Association, and Wells Fargo Securities LLC, as Co-Syndication Agents, and Truist Securities, Inc., BMO Capital Markets Corp., Capital One, National Association, and Wells Fargo Securities LLC, as Joint Lead Arrangers and Joint Book Runners (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on February 22, 2022, and incorporated herein by reference).
- 10.4.1 First Amendment to the Revolving Credit Agreement, dated as of December 8, 2023, by and among Sila Realty Trust, Inc., as Borrower, Truist Bank, as Administrative Agent, and the lenders from time to time as party to the Revolving Credit Agreement (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on December 8, 2023, and incorporated herein by reference).
- 10.5 Term Loan Agreement, dated as of February 15, 2022, among Sila Realty Trust, Inc., as Borrower, the lenders from time to time as party to the Term Loan Agreement, Truist Bank, as Administrative Agent, and Truist Securities, Inc., BMO Capital Markets Corp., Capital One, National Association, and Wells Fargo Securities LLC as Joint Lead Arrangers and Joint Book Runners (included as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on February 22, 2022, and incorporated herein by reference).
- 10.5.1 First Amendment to the Term Loan Agreement (2024 Term Loan Agreement), dated as of December 8, 2023, by and among Sila Realty Trust, Inc., as Borrower, Truist Bank, as Administrative Agent, and the lenders from time to time as party to the Term Loan Agreement (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on December 8, 2023, and incorporated herein by reference).
- 10.6 Guaranty Agreement (Revolving Credit Agreement), dated as of February 15, 2022, by and among Sila Realty Operating Partnership, LP, Sila Operating Partnership, LP, and Sila REIT, LLC, each a Required Guarantor, and collectively, the Required Guarantors, and each of the subsidiaries of Sila Realty Trust, Inc., as Borrower, that are signatories to the agreement and each additional guarantor that may become a party to the Guaranty Agreement, individually and collectively, jointly and severally, the Guarantors, to and for the benefit of Truist Bank, as Administrative Agent, for itself and the lenders listed in the Guaranty Agreement (included as Exhibit 10.3 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on February 22, 2022, and incorporated herein by reference).
- 10.7 Guaranty Agreement (Term Loan Agreement), dated as of February 15, 2022, by and among Sila Realty Operating Partnership, LP, Sila Operating Partnership, LP, and Sila REIT, LLC, each a Required Guarantor, and collectively, the Required Guarantors, and each of the subsidiaries of Sila Realty Trust, Inc., as Borrower, that are signatories to the agreement and each additional guarantor that may become a party to the Guaranty Agreement, individually and collectively, jointly and severally, the Guarantors, to and for the benefit of Truist Bank, as Administrative Agent, for itself and the lenders listed in the Guaranty Agreement (included as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on February 22, 2022, and incorporated herein by reference).
- 10.8 Term Loan Agreement, dated as of May 17, 2022, by and among Sila Realty Trust, Inc., as Borrower, the lenders from time to time as party to the Term Loan Agreement, Truist Bank, as Administrative Agent, and Truist Securities, Inc., BMO Capital Markets Corp., Capital One, National Association, and Wells Fargo Securities LLC as Joint Lead Arrangers and Joint Book Runners (included as exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on May 18, 2022, and incorporated herein by reference).
- 10.8.1 First Amendment to the Term Loan Agreement (2028 Term Loan Agreement), dated as of December 8, 2023, by and among Sila Realty Trust, Inc., as Borrower, Truist Bank, as Administrative Agent, and the lenders from time to time as party to the Term Loan Agreement (included as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 000-55435) filed on December 8, 2023, and incorporated herein by reference).

- 10.9 Guaranty Agreement, dated as of May 17, 2022, by and among Sila Realty Operating Partnership, LP, Sila Operating Partnership, LP, and Sila REIT, LLC, each a Required Guarantor, and collectively, the Required Guarantors, and each of the subsidiaries of Sila Realty Trust, Inc., as Borrower, that are signatories to the agreement and each additional guarantor that may become a party to the Guaranty Agreement, individually and collectively, jointly and severally, the Guarantors, to and for the benefit of Truist Bank, as Administrative Agent, for itself and the lenders listed in the Guaranty Agreement Runners (included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-55435) filed on May 18, 2022, and incorporated herein by reference).
- 21.1 List of the Company's Significant Subsidiaries (included as Exhibit 21.1 to the Registrant's Annual Report on Form 10-K (File No. 000-55435) filed on March 16, 2023, and incorporated herein by reference).
- 23.1* Consent of KPMG, LLP, Independent Registered Public Accounting Firm.
- 31.1* Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1** Certification of Chief Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2** Certification of Chief Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.1* Consent of Cushman & Wakefield of Pennsylvania, LLC.
- 101.INS* XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104* Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith in accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

† Management contract or compensatory plan.

Item 16. Form 10-K Summary.

The Company has elected not to provide summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILA REALTY TRUST, INC.

(Registrant)

Date: March 6, 2024

By: /s/ MICHAEL A. SETON

Michael A. Seton
Chief Executive Officer
(Principal Executive Officer)

Date: March 6, 2024

By: /s/ KAY C. NEELY

Kay C. Neely
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ MICHAEL A. SETON</u> Michael A. Seton	Chief Executive Officer, Director and President (Principal Executive Officer)	March 6, 2024
<u>/s/ KAY C. NEELY</u> Kay C. Neely	Chief Financial Officer, Executive Vice President and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 6, 2024
<u>/s/ JONATHAN KUCHIN</u> Jonathan Kuchin	Chair of the Board of Directors	March 6, 2024
<u>/s/ Z. JAMIE BEHAR</u> Z. Jamie Behar	Director	March 6, 2024
<u>/s/ ADRIENNE KIRBY</u> Adrienne Kirby	Director	March 6, 2024
<u>/s/ VERETT MIMS</u> Verett Mims	Director	March 6, 2024
<u>/s/ ROGER PRATT</u> Roger Pratt	Director	March 6, 2024

Forward Looking Statements

This Annual Report contains forward-looking statements (within the meaning of federal securities laws). Please see the introduction of the Form 10-K filed with the Securities and Exchange Commission (and also included in this Annual Report) for additional information regarding forward-looking statements.





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