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

(Mark One)

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

For the quarterly period ended March 31, 2024

or

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

For the transition period from ______________to ______________

Commission file number: 1-8923

WELLTOWER INC.

(Exact name of registrant as specified in its charter)

Delaware	**34-1096634**
(State or other jurisdiction of Incorporation)	(IRS Employer Identification No.)
4500 Dorr Street Toledo, Ohio	**43615**
(Address of principal executive office)	(Zip Code)

(419) - 247-2800

(Registrant’s telephone number, including area code)

Not Applicable

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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	þ	Accelerated filer	¨	Non-accelerated filer	¨	Smaller reporting company	☐	Emerging growth company	☐

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

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

As of April 26, 2024, Welltower Inc. had 597,916,197 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS
WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	March 31, 2024 (Unaudited)	December 31, 2023 (Note)
Assets:		
Real estate investments:		
Real property owned:		
Land and land improvements	$ 4,754,699	$ 4,697,824
Buildings and improvements	37,841,775	37,796,553
Acquired lease intangibles	2,158,915	2,166,470
Real property held for sale, net of accumulated depreciation	422,225	372,883
Construction in progress	1,342,410	1,304,441
Less accumulated depreciation and amortization	(9,537,562)	(9,274,814)
Net real property owned	36,982,462	37,063,357
Right of use assets, net	348,892	350,969
Real estate loans receivable, net of credit allowance	1,426,094	1,361,587
Net real estate investments	38,757,448	38,775,913
Other assets:		
Investments in unconsolidated entities	1,719,646	1,636,531
Goodwill	68,321	68,321
Cash and cash equivalents	2,388,488	1,993,646
Restricted cash	89,847	82,437
Straight-line rent receivable	469,976	443,800
Receivables and other assets	1,059,859	1,011,518
Total other assets	5,796,137	5,236,253
Total assets	$ 44,553,585	$ 44,012,166
Liabilities and equity		
Liabilities:		
Unsecured credit facility and commercial paper	$ —	$ —
Senior unsecured notes	12,171,913	13,552,222
Secured debt	2,033,232	2,183,327
Lease liabilities	381,320	383,230
Accrued expenses and other liabilities	1,419,212	1,521,660
Total liabilities	16,005,677	17,640,439
Redeemable noncontrolling interests	300,915	290,605
Equity:		
Common stock	592,637	565,894
Capital in excess of par value	35,105,097	32,741,949
Treasury stock	(114,842)	(111,578)
Cumulative net income	9,272,190	9,145,044
Cumulative dividends	(17,126,302)	(16,773,773)
Accumulated other comprehensive income (loss)	(180,837)	(163,160)
Total Welltower Inc. stockholders’ equity	27,547,943	25,404,376
Noncontrolling interests	699,050	676,746
Total equity	28,246,993	26,081,122
Total liabilities and equity	$ 44,553,585	$ 44,012,166

Note: The consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

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

(In thousands, except per share data)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues:		
Resident fees and services	$ 1,360,274	$ 1,131,685
Rental income	417,652	384,059
Interest income	52,664	36,405
Other income	29,151	8,580
Total revenues	1,859,741	1,560,729
Expenses:		
Property operating expenses	1,096,913	957,753
Depreciation and amortization	365,863	339,112
Interest expense	147,318	144,403
General and administrative expenses	53,318	44,371
Loss (gain) on derivatives and financial instruments, net	(3,054)	930
Loss (gain) on extinguishment of debt, net	6	5
Provision for loan losses, net	1,014	777
Impairment of assets	43,331	12,629
Other expenses	14,131	22,745
Total expenses	1,718,840	1,522,725
Income (loss) from continuing operations before income taxes and other items	140,901	38,004
Income tax (expense) benefit	(6,191)	(3,045)
Income (loss) from unconsolidated entities	(7,783)	(7,071)
Gain (loss) on real estate dispositions, net	4,707	747
Income (loss) from continuing operations	131,634	28,635
Net income (loss)	131,634	28,635
Less: Net income (loss) attributable to noncontrolling interests[1]	4,488	2,962
Net income (loss) attributable to common stockholders	$ 127,146	$ 25,673
Weighted average number of common shares outstanding:		
Basic	574,049	492,061
Diluted	577,530	494,494
Earnings per share:		
Basic:		
Income (loss) from continuing operations	$ 0.23	$ 0.06
Net income (loss) attributable to common stockholders	$ 0.22	$ 0.05
Diluted:		
Income (loss) from continuing operations	$ 0.23	$ 0.06
Net income (loss) attributable to common stockholders[2]	$ 0.22	$ 0.05

(1) Includes amounts attributable to redeemable noncontrolling interests.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

WELLTOWER INC. AND SUBSIDIARIES

(In thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income (loss)	$ 131,634	$ 28,635
Other comprehensive income (loss):		
Foreign currency translation gain (loss)	(85,830)	80,765
Derivative and financial instruments designated as hedges gain (loss)	60,615	(69,738)
Total other comprehensive income (loss)	(25,215)	11,027
Total comprehensive income (loss)	106,419	39,662
Less: Total comprehensive income (loss) attributable to noncontrolling interests[1]	(3,050)	5,841
Total comprehensive income (loss) attributable to common stockholders	$ 109,469	$ 33,821

[1] Includes amounts attributable to redeemable noncontrolling interests.

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

(In thousands)

	Three Months Ended March 31, 2024							
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2024	$565,894	$32,741,949	$(111,578)	$9,145,044	$(16,773,773)	$ (163,160)	$ 676,746	$26,081,122
Comprehensive income:								
Net income (loss)				127,146			4,180	131,326
Other comprehensive income (loss)						(17,677)	(6,075)	(23,752)
Total comprehensive income								107,574
Net change in noncontrolling interests		(19,282)					6,191	(13,091)
Adjustment to members' interest from change in ownership in Welltower OP		(18,852)					18,852	—
Redemption of OP Units and DownREIT Units	19	825					(844)	—
Amounts related to stock incentive plans, net of forfeitures	112	11,936	(3,264)					8,784
Net proceeds from issuance of common stock	26,612	2,388,521						2,415,133
Dividends paid:								
Common stock dividends					(352,529)			(352,529)
Balances at March 31, 2024	$592,637	$35,105,097	$(114,842)	$9,272,190	$(17,126,302)	$ (180,837)	$ 699,050	$28,246,993

	Three Months Ended March 31, 2023							
	Common Stock	Capital in Excess of Par Value	Treasury Stock	Cumulative Net Income	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balances at January 1, 2023	$491,919	$26,742,750	$(111,001)	$8,804,950	$(15,514,097)	$ (119,707)	$ 714,739	$21,009,553
Comprehensive income:								
Net income (loss)				25,673			2,688	28,361
Other comprehensive income (loss)						8,148	3,023	11,171
Total comprehensive income								39,532
Net change in noncontrolling interests		(8,304)					29,648	21,344
Adjustment to members' interest from change in ownership in Welltower OP		(6,139)					6,139	—
Redemption of OP Units and DownREIT Units	272	17,515					(432)	17,355
Amounts related to stock incentive plans, net of forfeitures	134	9,330	(1,924)					7,540
Net proceeds from issuance of common stock	5,603	404,862						410,465
Dividends paid:								
Common stock dividends					(301,829)			(301,829)
Balances at March 31, 2023	$497,928	$27,160,014	$(112,925)	$8,830,623	$(15,815,926)	$ (111,559)	$ 755,805	$21,203,960

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

(In thousands)

	Three Months Ended March 31,	
	2024	2023
Operating activities:		
Net income	$ 131,634	$ 28,635
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	365,863	339,112
Other amortization expenses	13,105	9,792
Provision for loan losses, net	1,014	777
Impairment of assets	43,331	12,629
Stock-based compensation expense	12,048	9,456
Loss (gain) on derivatives and financial instruments, net	(3,054)	930
Loss (gain) on extinguishment of debt, net	6	5
Loss (income) from unconsolidated entities	7,783	7,071
Rental income less than (in excess of) cash received	(30,503)	(36,827)
Amortization related to above (below) market leases, net	(5)	(82)
Loss (gain) on real estate dispositions, net	(4,707)	(747)
Proceeds from (payments on) interest rate swap settlements	(59,555)	—
Distributions by unconsolidated entities	1,609	3,418
Increase (decrease) in accrued expenses and other liabilities	(29,420)	(4,503)
Decrease (increase) in receivables and other assets	(42,343)	6,392
Net cash provided from (used in) operating activities	406,806	376,058
Investing activities:		
Cash disbursed for acquisitions, net of cash acquired	(62,771)	(402,719)
Cash disbursed for capital improvements to existing properties	(132,509)	(91,339)
Cash disbursed for construction in progress	(231,763)	(226,226)
Capitalized interest	(13,809)	(10,335)
Investment in loans receivable	(116,789)	(54,831)
Principal collected on loans receivable	36,472	15,592
Other investments, net of payments	(11,723)	(80,548)
Contributions to unconsolidated entities	(103,825)	(112,822)
Distributions by unconsolidated entities	10,039	4,800
Net proceeds from net investment hedge settlements	913	3,933
Proceeds from sales of real property	44,834	21,658
Net cash provided from (used in) investing activities	(580,931)	(932,837)
Financing activities:		
Net increase (decrease) under unsecured credit facility and commercial paper	—	—
Payments to extinguish senior unsecured notes	(1,350,000)	—
Net proceeds from the issuance of secured debt	1,379	362,900
Payments on secured debt	(132,833)	(39,573)
Net proceeds from the issuance of common stock	2,416,484	411,032
Payments for deferred financing costs and prepayment penalties	(6)	(6,444)
Contributions by noncontrolling interests[1]	23,797	83,480

WELLTOWER INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Business

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

We are structured as an umbrella partnership REIT under which substantially all of our business is conducted through Welltower OP LLC, the day-to-day management of which is exclusively controlled by Welltower Inc. Unless stated otherwise or the context otherwise requires, references to "Welltower" mean Welltower Inc. and references to "Welltower OP" mean Welltower OP LLC. References to "we," "us" and "our" mean collectively Welltower, Welltower OP and those entities/subsidiaries owned or controlled by Welltower and/or Welltower OP. Welltower's weighted average ownership in Welltower OP was 99.745% for the three months ended March 31, 2024. As of March 31, 2024, Welltower owned 99.726% of the issued and outstanding units of Welltower OP, with other investors owning the remaining 0.274% of outstanding units. We adjust the noncontrolling members' interest at the end of each period to reflect their interest in the net assets of Welltower OP.

2. Accounting Policies and Related Matters

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (such as normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2024 are not necessarily an indication of the results that may be expected for the year ending December 31, 2024. For further information, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

New Accounting Standards

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all periods presented in the financial statements. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09")," which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. We are currently evaluating the potential impact of adopting this new guidance on our consolidated financial statements and disclosures.

3. Real Property Acquisitions and Development

The total purchase price for all properties acquired has been allocated to the tangible and identifiable intangible assets and liabilities at cost on a relative fair value basis. Liabilities assumed and any associated noncontrolling interests are reflected at fair value. The results of operations for these acquisitions have been included in our consolidated results of operations since the date of acquisition and are a component of the appropriate segments. Transaction costs primarily represent costs incurred with acquisitions, including due diligence costs, fees for legal and valuation services, termination of pre-existing relationships computed based on the fair value of the assets acquired, lease termination fees and other acquisition-related costs. Transaction costs directly related to asset acquisitions are capitalized as a component of purchase price and all other non-capitalizable costs are reflected in other expenses on our Consolidated Statements of Comprehensive Income. Our acquisition of properties are at times subject to earn out provisions based on the future operating performance of the acquired properties, which could result in incremental payments in the future. Our policy is to recognize such contingent consideration when the contingency is resolved and the consideration becomes payable.

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

	Three Months Ended							
	March 31, 2024				March 31, 2023			
	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals	Seniors Housing Operating	Triple-net	Outpatient Medical	Totals
Land and land improvements	$ 26,691	$ 710	$ —	$ 27,401	$ 2,517	$ 7,370	$ 60,527	$ 70,414
Buildings and improvements	48,615	253	—	48,868	16,434	74,289	255,706	346,429
Acquired lease intangibles	5,861	—	—	5,861	865	—	39,090	39,955
Right of use assets, net	—	—	—	—	—	—	927	927
Total net real estate assets	81,167	963	—	82,130	19,816	81,659	356,250	457,725
Receivables and other assets	24	—	—	24	234	—	358	592
Total assets acquired	81,191	963	—	82,154	20,050	81,659	356,608	458,317
Secured debt	—	—	—	—	(5,501)	—	(40,953)	(46,454)
Lease liabilities	—	—	—	—	—	—	(953)	(953)
Accrued expenses and other liabilities	(532)	—	—	(532)	(120)	—	(8,071)	(8,191)
Total liabilities acquired	(532)	—	—	(532)	(5,621)	—	(49,977)	(55,598)
Non-cash acquisition related activity(1)	(18,141)	(710)	—	(18,851)	—	—	—	—
Cash disbursed for acquisitions	62,518	253	—	62,771	14,429	81,659	306,631	402,719
Construction in progress additions	165,140	28	83,529	248,697	131,944	4,995	101,609	238,548
Less: Capitalized interest	(11,660)	—	(2,149)	(13,809)	(7,950)	(1,248)	(1,137)	(10,335)
Accruals (2)	2,248	72	(5,445)	(3,125)	2,303	—	(4,290)	(1,987)
Cash disbursed for construction in progress	155,728	100	75,935	231,763	126,297	3,747	96,182	226,226
Capital improvements to existing properties	104,812	6,064	21,633	132,509	69,783	4,427	17,129	91,339
Total cash invested in real property, net of cash acquired	$323,058	$ 6,417	$ 97,568	$427,043	$210,509	$ 89,833	$ 419,942	$720,284

(1) Primarily relates to the acquisition of assets previously financed as real estate loans receivable.

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

Affinity Living Communities ("Affinity") Acquisition

In February 2024, we entered into a definitive agreement to acquire 25 Seniors Housing Operating properties for a total purchase price of $969 million, which will be managed under the Affinity brand. The transaction is expected to close in the second quarter of 2024 and will be funded through a combination of cash and the assumption of $523 million of secured debt, subject to customary closing conditions and lender consents.

Construction Activity

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Development projects:		
Seniors Housing Operating	$ 88,680	$ 26,712
Outpatient Medical	91,248	9,351
Total development projects	179,928	36,063
Expansion projects	3,083	17,245
Total construction in progress conversions	$ 183,011	$ 53,308

4. Real Estate Intangibles

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

	March 31, 2024	December 31, 2023
Assets:		
In place lease intangibles	$ 1,988,594	$ 2,001,827
Above market tenant leases	66,663	66,663
Lease commissions	103,658	97,980
Gross historical cost	2,158,915	2,166,470
Accumulated amortization	(1,682,328)	(1,651,656)
Net book value	$ 476,587	$ 514,814
Liabilities:		
Below market tenant leases	$ 70,364	$ 70,364
Accumulated amortization	(49,162)	(47,939)
Net book value	$ 21,202	$ 22,425

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

	Three Months Ended March 31,	
	2024	2023
Rental income related to (above)/below market tenant leases, net	$ (31)	$ 45
Amortization related to in place lease intangibles and lease commissions	(46,791)	(56,151)

5. Dispositions, Real Property Held for Sale and Impairment

We periodically sell properties for various reasons, including favorable market conditions, the exercise of tenant purchase options or reduction of concentrations (i.e., property type, relationship or geography). At March 31, 2024, 21 Seniors Housing Operating properties, one Triple-net property, and four Outpatient Medical properties with an aggregate real estate balance of $422,225,000 were classified as held for sale. In addition to the real property balances, secured debt balances of $171,292,000 and net other assets and (liabilities) of $21,925,000 are included in the Consolidated Balance Sheets related to the held for sale properties. Expected gross sales proceeds related to the held for sale properties are approximately $611,468,000, which includes non-cash consideration relating to 14 Canadian Revera properties discussed below.

During the three months ended March 31, 2024, we entered into a definitive agreement and subsequently closed on the sale of four Seniors Housing Operating properties. In conjunction with this transaction, an impairment charge of $23,795,000 was recognized related to two properties. Additionally, we recorded $15,584,000 of impairment charges related to six Seniors Housing Operating properties classified as held for sale and not yet sold as of March 31, 2024 for which the carrying value exceeded the estimated fair value less costs to sell. Impairment charges of $3,952,000 related to two Seniors Housing Operating properties classified as held for use for which the carrying value exceeded the estimated fair value were also recognized.

During the three months ended March 31, 2023, we recorded $12,629,000 of impairment charges related to three Seniors Housing Operating properties classified as held for sale for which the carrying value exceeded the estimated fair value less costs to sell, and one Seniors Housing Operating property classified as held for use for which the carrying value exceeded the estimated fair value.

Operating results attributable to properties sold or classified as held for sale which do not meet the definition of discontinued operations are not reclassified on our Consolidated Statements of Comprehensive Income. We recognized income (loss) from continuing operations before income taxes and other items from properties sold or classified as held for sale as of March 31, 2024 of $(37,190,000) and $(14,525,000) for the three months ended March 31, 2024 and 2023, respectively.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Real estate dispositions:		
Seniors Housing Operating[1]	$ 39,985	$ 18,572
Triple-net	—	2,028
Total dispositions	39,985	20,600
Gain (loss) on real estate dispositions, net	4,707	747
Net other assets/(liabilities) disposed	142	311
Cash proceeds from real estate dispositions	$ 44,834	$ 21,658

[1] Dispositions occurring in the three months ended March 31, 2024 include the disposition of an unconsolidated equity method investment that owned six properties.

Strategic Dissolution of Revera Joint Ventures

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

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

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

We closed the portion of the transactions predominantly related to the U.S. portfolio during the third quarter of 2023 through (i) the acquisition of the remaining interests in ten properties currently under development or recently developed by Sunrise Senior Living that were previously held within an equity method joint venture owned 34% by us and 66% by Revera, (ii) the disposition of our minority interests in 12 U.S. properties and one Canadian development project and (iii) the disposition of our 34% interest in the Sunrise Senior Living management company. We recorded net real estate investments of $479,525,000 related to the ten acquired and now consolidated properties, which was comprised of $31,456,000 of cash consideration and $448,069,000 of non-cash consideration. Non-cash consideration primarily includes $270,486,000 of assumed mortgage debt secured by the acquired properties, which was subsequently repaid in full by us immediately following the transaction, $47,734,000 of carryover investment from our prior 34% equity method ownership interest and $119,258,000 of fair value interests in the 13 properties transferred by us to Revera. We also derecognized $56,905,000 of equity method investments related to the 13 properties retained by Revera and recorded a gain on real estate dispositions of $62,075,000. In conjunction with this transaction, operations for two of the now wholly-owned properties, along with operations for 26 existing wholly-owned properties, transitioned to Oakmont Management Group.

The Canadian portfolio consists of 85 properties in a joint venture owned 75% by us and 25% by Revera. On April 1, 2024, we closed the Canadian portion of the transaction, which included acquiring Revera's interest in 71 properties and selling our interests in the remaining 14 properties. Operations for the 71 retained properties previously transitioned to new operators.

6. Leases

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

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

		Three Months Ended	
	Classification	March 31, 2024	March 31, 2023
Operating lease cost: [1]			
Real estate lease expense	Property operating expenses	$ 5,693	$ 5,520
Non-real estate investment lease expense	General and administrative expenses	1,454	1,863
Finance lease cost:			
Amortization of leased assets	Property operating expenses	1,028	2,284
Interest on lease liabilities	Interest expense	651	1,427
Sublease income	Rental income	—	(2,950)
Total		$ 8,826	$ 8,144

[1] Includes short-term leases which are immaterial.

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

	Classification	March 31, 2024	December 31, 2023
Right of use assets:			
Operating leases - real estate	Right of use assets, net	$ 280,941	$ 283,293
Finance leases - real estate	Right of use assets, net	67,951	67,676
Real estate right of use assets, net		348,892	350,969
Operating leases - non-real estate investments	Receivables and other assets	10,360	11,338
Total right of use assets, net		$ 359,252	$ 362,307
Lease liabilities:			
Operating leases		$ 300,779	$ 303,553
Finance leases		80,541	79,677
Total		$ 381,320	$ 383,230

Substantially all of our operating leases in which we are the lessor contain escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. During the three months ended March 31, 2024, we wrote-off previously recognized straight-line rent receivable balances of $9,356,000 through a reduction of rental income, which relate to leases for which the collection of substantially all contractual lease payments was no longer probable.

Leases in our Triple-net and Outpatient Medical portfolios recognized under ASC 842, "Leases" (ASC 842), typically include some form of operating expense reimbursement by the tenant. For the three months ended March 31, 2024, we recognized $417,652,000 of rental income related to operating leases, of which $56,228,000 was for variable lease payments that primarily represents the reimbursement of operating costs such as common area maintenance expenses, utilities, insurance and real estate taxes. For the three months ended March 31, 2023, we recognized $384,059,000 of rental income related to operating leases, of which $53,794,000 was for variable lease payments.

For the majority of our Seniors Housing Operating segment, revenue from resident fees and services is predominantly service-based, and as such, resident agreements are accounted for under ASC 606, "Revenue from Contracts with Customers." Within that reportable segment, we also recognize revenue from residential seniors apartment leases in accordance with ASC 842. The amount of revenue related to these leases was $130,565,000 and $108,915,000 for the three months ended March 31, 2024 and 2023, respectively.

7. Loans Receivable

Loans receivable are recorded on our Consolidated Balance Sheets in real estate loans receivable, net of allowance for credit losses, or for non-real estate loans receivable, in receivables and other assets. Real estate loans receivable consists of mortgage loans and other real estate loans, which are primarily collateralized by a first, second or third mortgage lien, a leasehold mortgage on, or an assignment of the partnership interest in, the related properties, as well as corporate guarantees and/or personal guarantees. Non-real estate loans are generally corporate loans with no real estate backing. Interest income on loans is recognized as earned based upon the principal amount outstanding subject to an evaluation of the risk of credit loss. Accrued interest receivable was $32,027,000 and $31,798,000 as of March 31, 2024 and December 31, 2023, respectively, and is included in receivables and other assets on the Consolidated Balance Sheets. The following is a summary of our loans receivable (in thousands):

	March 31, 2024	December 31, 2023
Mortgage loans	$ 1,067,042	$ 1,057,516
Other real estate loans	381,347	324,660
Allowance for credit losses on real estate loans receivable	(22,295)	(20,589)
Real estate loans receivable, net of credit allowance	1,426,094	1,361,587
Non-real estate loans	510,433	503,993
Allowance for credit losses on non-real estate loans receivable	(171,971)	(173,874)
Non-real estate loans receivable, net of credit allowance	338,462	330,119
Total loans receivable, net of credit allowance	$ 1,764,556	$ 1,691,706

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Advances on loans receivable	$ 116,789	$ 54,831
Less: Receipts on loans receivable	36,472	15,592
Net cash advances (receipts) on loans receivable	$ 80,317	$ 39,239

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

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

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

Loan category	Years of Origination	Loan Carrying Value	Allowance for Credit Loss	Net Loan Balance	No. of Loans
	March 31, 2024				
Deteriorated loans	2007 - 2023	$ 196,210	$ (169,808)	$ 26,402	6
Collective loan pool	2010 - 2019	224,831	(3,094)	221,737	16
Collective loan pool	2020	33,300	(458)	32,842	5
Collective loan pool	2021	878,336	(12,288)	866,048	10
Collective loan pool	2022	128,613	(1,770)	126,843	18
Collective loan pool	2023	384,429	(5,291)	379,138	17
Collective loan pool	2024	113,103	(1,557)	111,546	8
Total loans		$ 1,958,822	$ (194,266)	$ 1,764,556	80

During the three months ended March 31, 2024, certain secured and unsecured indebtedness payable by Genesis HealthCare ("Genesis") to us, which has a carrying value of $197,010,000, was modified to extend the maturity date to June 28, 2024, with no other changes to the terms.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Balance at beginning of period	$ 194,463	$ 164,249
Provision for loan losses, net[1]	1,014	777
Purchased deteriorated loan	—	19,077
Loan write-offs	(1,088)	—
Foreign currency translation	(123)	215
Balance at end of period	$ 194,266	$ 184,318

[1] Excludes the provision for loan loss on held-to-maturity debt securities.

8. Investments in Unconsolidated Entities

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

	Percentage Ownership [1]	March 31, 2024	December 31, 2023
Seniors Housing Operating	10% to 95%	$ 1,334,405	$ 1,248,774
Triple-net	10% to 88%	141,117	147,679
Outpatient Medical	15% to 50%	244,124	240,078
Total		$ 1,719,646	$ 1,636,531

[1] As of March 31, 2024 and includes ownership of investments classified as liabilities and excludes ownership of in substance real estate.

At March 31, 2024, the aggregate unamortized basis difference of our joint venture investments of $143,926,000 is primarily attributable to the difference between the amount for which we purchased our interest in the entity, including transaction costs, and the historical carrying value of the net assets of the joint venture. This difference is being amortized over the remaining useful life of the related properties and included in the reported amount of income from unconsolidated entities.

We have made loans related to 26 properties as of March 31, 2024 for the development and construction of certain properties that have a carrying value of $870,375,000. We believe that such borrowers typically represent variable interest entities ("VIE" or "VIEs") in accordance with ASC 810, "Consolidation." VIEs are required to be consolidated by their primary beneficiary, which is the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. We have concluded that we are not the primary beneficiary of such borrowers, therefore, the loan arrangements were assessed based on, among other factors, the amount and timing of expected residual profits, the estimated fair value of the collateral and the significance of the borrower's equity in the project. Based on these assessments, the arrangements have been classified as in substance real estate investments. We are obligated to fund an additional $208,631,000 related to these investments.

9. Credit Concentration

We use consolidated net operating income (“NOI”) as our credit concentration metric. See Note 18 for additional information and reconciliation. The following table summarizes certain information about our credit concentration for the three months ended March 31, 2024, excluding our share of NOI in unconsolidated entities (dollars in thousands):

Concentration by relationship: [1]	Number of Properties		Total NOI	Percent of NOI [2]
Cogir Management Corporation	120	$	58,003	8%
Integra Healthcare Properties	147		53,838	7%
Sunrise Senior Living	88		40,674	5%
Avery Healthcare	84		34,994	5%
Oakmont Management Group	64		29,491	4%
Remaining portfolio	1,400		545,828	71%
Totals	1,903	$	762,828	100%

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

[2] NOI with our top five relationships comprised 26% of total NOI for the year ended December 31, 2023.

10. Borrowings Under Credit Facilities and Commercial Paper Program

At March 31, 2024, we had a primary unsecured credit facility with a consortium of 31 banks that included a $4,000,000,000 unsecured revolving credit facility, a $1,000,000,000 unsecured term credit facility and a $250,000,000 Canadian-denominated unsecured term credit facility. The unsecured revolving credit facility is comprised of a $1,000,000,000 tranche that matures on June 4, 2026 (none outstanding at March 31, 2024) and a $3,000,000,000 tranche that matures on June 4, 2025 (none outstanding at March 31, 2024). The term credit facilities mature on July 19, 2026. Each tranche of the revolving facility and term loans may be extended for two successive terms of six months at our option. We have an option, through an accordion feature, to upsize the unsecured revolving credit facility and the $1,000,000,000 unsecured term credit facility by up to an additional $1,250,000,000, in the aggregate, and the $250,000,000 Canadian-denominated unsecured term credit facility by up to an additional $250,000,000. The primary unsecured credit facility also allows us to borrow up to $1,000,000,000 in alternate currencies (none outstanding at March 31, 2024). Borrowings under the unsecured revolving credit facility are subject to interest payable at the applicable margin over the secured overnight financing rate ("SOFR") interest rate. Based on our current credit ratings, the loans under the unsecured revolving credit facility currently bear interest at 0.775% over the adjusted SOFR rate at March 31, 2024. In addition, we pay a facility fee quarterly to each bank based on the bank's commitment amount. The facility fee depends on our debt ratings and was 0.15% at March 31, 2024.

Under the terms of our commercial paper program, we may issue unsecured commercial paper notes with maturities that vary, but do not exceed 397 days from the date of issue, up to a maximum aggregate face or principal amount outstanding at any time of $1,000,000,000 (none outstanding at March 31, 2024).

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

	Three Months Ended March 31,	
	2024	2023
Balance outstanding at quarter end	$ —	$ —
Maximum amount outstanding at any month end	$ —	$ 205,000
Average amount outstanding (total of daily principal balances divided by days in period)	$ —	$ 65,833
Weighted average interest rate (actual interest expense divided by average borrowings outstanding)	— %	5.05 %

11. Senior Unsecured Notes and Secured Debt

At March 31, 2024, the annual principal payments due on our debt obligations were as follows (in thousands):

	Senior Unsecured Notes [1,2]	Secured Debt [3]	Totals
2024	$ —	$ 307,236	$ 307,236
2025	1,260,000	379,484	1,639,484
2026	700,000	152,652	852,652
2027 [4,5]	1,906,204	206,191	2,112,395
2028 [6]	2,480,035	105,956	2,585,991
Thereafter [7]	5,981,850	919,257	6,901,107
Total principal balance	12,328,089	2,070,776	14,398,865
Unamortized discounts and premiums, net	(25,740)	—	(25,740)
Unamortized debt issuance costs, net	(68,869)	(19,014)	(87,883)
Fair value adjustments and other, net	(61,567)	(18,530)	(80,097)
Total carrying value of debt	$ 12,171,913	$ 2,033,232	$ 14,205,145

[1] Annual interest rates range from 2.05% to 6.50%. The ending weighted average interest rate, after considering the effects of interest rate swaps, was 3.94% and 4.06% as of March 31, 2024 and March 31, 2023, respectively.

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

[3] Annual interest rates range from 1.25% to 8.13%. The ending weighted average interest rate, after considering the effects of interest rate swaps and caps, was 4.62% and 4.55% as of March 31, 2024 and March 31, 2023, respectively. Gross real property value of the properties securing the debt totaled $5,432,108,000 at March 31, 2024.

[4] Includes a $1,000,000,000 unsecured term loan and a $250,000,000 Canadian-denominated unsecured term loan (approximately $184,638,000 based on the Canadian/U.S. Dollar exchange rate on March 31, 2024). Both term loans mature on July 19, 2026 and may be extended for two successive terms of six months at our option. The loans bear interest at adjusted SOFR plus 0.85% (6.28% at March 31, 2024) and Canadian Dealer Offered Rate plus 0.85% (6.14% at March 31, 2024), respectively.

[5] Includes a $300,000,000 Canadian-denominated 2.95% senior unsecured notes due 2027 (approximately $221,566,000 based on the Canadian/U.S. Dollar exchange rate on March 31, 2024).

[6] Includes a £550,000,000 4.80% senior unsecured notes due 2028 (approximately $695,035,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on March 31, 2024).

[7] Includes a £500,000,000 4.50% senior unsecured notes due 2034 (approximately $631,850,000 based on the Pounds Sterling/U.S. Dollar exchange rate in effect on March 31, 2024).

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Beginning balance	$ 13,699,619	$ 12,584,529
Debt extinguished	(1,350,000)	—
Foreign currency	(21,530)	30,870
Ending balance	$ 12,328,089	$ 12,615,399

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

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

Exchangeable Senior Unsecured Notes

In May 2023, Welltower OP issued $1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028 (the "Exchangeable Notes") unless earlier exchanged, purchased or redeemed. The Exchangeable Notes will pay interest semi-annually in arrears on May 15 and November 15 of each year. We recognized contractual interest expense on the Exchangeable Notes of approximately $7,116,000 for the three months ended March 31, 2024. Additionally, amortization of related issuance costs for the three months ended March 31, 2024 were $1,165,000. Unamortized issuance costs were $19,125,000 as of March 31, 2024 and $20,245,000 as of December 31, 2023.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Beginning balance	$ 2,222,445	$ 2,129,954
Debt issued	1,379	362,900
Debt assumed	—	53,223
Debt extinguished	(120,946)	(24,631)
Principal payments	(11,887)	(14,942)
Foreign currency	(20,215)	304
Ending balance	$ 2,070,776	$ 2,506,808

Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain certain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2024, we were in compliance in all material respects with all of the covenants under our debt agreements.

12. Derivative Instruments

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

Cash Flow Hedges and Fair Value Hedges of Interest Rate Risk

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

Interest rate swaps designated as fair value hedges involve the receipt of fixed amounts from a counterparty in exchange for our variable-rate payments. These interest rate swap agreements hedge the exposure to changes in the fair value of fixed-rate debt attributable to changes in the designated benchmark interest rate. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in earnings. We record the gain or loss on the hedged items in interest expense, the same line item as the offsetting loss or gain on the related interest rate swaps. In March 2022, we entered into a $550,000,000 fixed to floating swap in connection with our March 2022 senior note issuance. This swap was terminated in January 2024 resulting in a loss of $ (59,555,000). As of March 31, 2024, the unamortized loss amount was $(58,066,000). In January 2024, we entered into a $550,000,000 forward-starting fixed to floating swap which converts a portion of cash flows on our $750,000,000 2.8% senior unsecured notes to floating rate. The swap is effective beginning in June 2025 and matures in December 2030. As of March 31, 2024, the carrying amount of the notes, exclusive of the hedge, is $742,892,000. The fair value of the swap as of March 31, 2024 was $(3,501,000) and was recorded as a derivative liability with an offset to senior unsecured notes on our Consolidated Balance Sheets.

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

Cash flows from derivatives accounted for as a fair value or cash flow hedge are classified in the same category as the cash flows from the items being hedged in the Consolidated Statement of Cash Flows.

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

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

During the three months ended March 31, 2024 and 2023, we settled certain net investment hedges generating cash proceeds of $608,000 and $1,994,000, respectively. The balance of the cumulative translation adjustment will be reclassified to earnings if the hedged investment is sold or substantially liquidated.

Derivative Contracts Undesignated

We use foreign currency exchange contracts to manage existing exposures to foreign currency exchange risk. Gains and losses resulting from the changes in fair value of these instruments are recorded in interest expense on the Consolidated Statements of Comprehensive Income and are substantially offset by net revaluation impacts on foreign currency denominated balance sheet exposures.

Equity Warrants

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

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

	March 31, 2024		December 31, 2023	
Derivatives designated as net investment hedges:				
Denominated in Canadian Dollars	$	2,600,000	$	2,025,000
Denominated in Pound Sterling	£	1,660,708	£	1,660,708
Financial instruments designated as net investment hedges:				
Denominated in Canadian Dollars	$	250,000	$	250,000
Denominated in Pound Sterling	£	1,050,000	£	1,050,000
Interest rate swaps and caps designated as cash flow hedges:				
Denominated in U.S Dollars [1]	$	522,601	$	872,601
Interest rate swaps designated as fair value hedges:				
Denominated in U.S Dollars	$	550,000	$	550,000
Derivative instruments not designated:				
Foreign currency exchange contracts denominated in Canadian Dollars	$	80,000	$	80,000

[1] At March 31, 2024, the maximum maturity date was September 1, 2028.

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

		Three Months Ended March 31,			
Description	Location	2024		2023	
Gain (loss) on derivative instruments designated as hedges recognized in income	Interest expense	$	4,818	$	4,619
Gain (loss) on derivative instruments not designated as hedges recognized in income	Interest expense	$	1,301	$	(254)
Gain (loss) on equity warrants recognized in income	Gain (loss) on derivatives and financial instruments, net	$	3,054	$	(885)
Gain (loss) on derivative and financial instruments designated as hedges recognized in OCI	OCI	$	60,615	$	(69,738)

13. Commitments and Contingencies

At March 31, 2024, we had 23 outstanding letter of credit obligations totaling $51,922,000 and expiring between 2024 and 2025. At March 31, 2024, we had outstanding construction in progress of $1,342,410,000 and were committed to providing additional funds of approximately $859,450,000 to complete construction. Additionally, at March 31, 2024, we had outstanding investments classified as in substance real estate of $870,375,000 and were committed to provide additional funds of $208,631,000 (see Note 8 for additional information). Purchase obligations at March 31, 2024 also include $34,926,000 of contingent purchase obligations to fund capital improvements. Rents due from the tenants are increased to reflect the additional investment in the property.

14. Stockholders' Equity

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

	March 31, 2024	December 31, 2023
Preferred Stock, $1.00 par value:		
Authorized shares	50,000,000	50,000,000
Issued shares	—	—
Outstanding shares	—	—
Common Stock, $1.00 par value:		
Authorized shares	700,000,000	700,000,000
Issued shares	592,731,080	566,001,632
Outstanding shares	590,934,192	564,241,181

Common Stock

In February 2024, we entered into an equity distribution agreement whereby we can offer and sell up to $3,500,000,000 aggregate amount of our common stock ("ATM Program"). Our prior equity distribution agreement dated August 1, 2023, allowing us to sell up to $4,000,000,000 aggregate amount of our common stock, was terminated as a result. The ATM Program also allows us to enter into forward sale agreements (none outstanding at March 31, 2024). As of March 31, 2024, we had $1,519,557,000 of remaining capacity under the ATM Program. During April 2024, we sold 6,497,030 shares of common stock under our ATM Program.

The following is a summary of our common stock issuances during the three months ended March 31, 2024 and 2023 (dollars in thousands, except shares and average price amounts):

	Shares Issued	Average Price	Gross Proceeds	Net Proceeds
2023 ATM Program issuances	5,603,161	$ 73.74	$ 413,157	$ 411,032
2023 Redemption of OP Units and DownREIT Units	271,997		—	—
2023 Stock incentive plans, net of forfeitures	(89,579)		—	—
2023 Totals	5,785,579		$ 413,157	$ 411,032
2024 Option exercises	122	$ 73.77	$ 9	$ 9
2024 ATM Program issuances	26,611,694	91.22	2,427,464	2,416,475
2024 Redemption of OP Units and DownREIT Units	19,129		—	—
2024 Stock incentive plans, net of forfeitures	62,066		—	—
2024 Totals	26,693,011		$ 2,427,473	$ 2,416,484

Dividends

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

	Three Months Ended			
	March 31, 2024		March 31, 2023	
	Per Share	Amount	Per Share	Amount
Common stock	$ 0.61	$ 352,529	$ 0.61	$ 301,829

Accumulated Other Comprehensive Income

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

	March 31, 2024	December 31, 2023
Foreign currency translation	$ (991,967)	$ (913,675)
Derivative and financial instruments designated as hedges	811,130	750,515
Total accumulated other comprehensive income (loss)	$ (180,837)	$ (163,160)

15. Stock Incentive Plans

In March 2022, our Board of Directors approved the 2022 Long-Term Incentive Plan ("2022 Plan"), which authorizes up to 10,000,000 shares of common stock or units to be issued at the discretion of the Compensation Committee of the Board of Directors. Awards granted after March 28, 2022 are issued out of the 2022 Plan. The awards granted under the 2016 Long-Term Incentive Plan continue to vest and options expire ten years from the date of grant. Our non-employee directors, officers and key employees are eligible to participate in the 2022 Plan. The 2022 Plan allows for the issuance of, among other things, stock options, stock appreciation rights, restricted stock units, deferred stock units, performance units and dividend equivalent rights. Vesting periods for options, deferred stock units and restricted stock units generally range from three to five years. Options expire ten years from the date of grant. Stock-based compensation expense totaled $12,048,000 and $9,456,000 for the three months ended March 31, 2024 and 2023, respectively.

16. Earnings Per Share

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

	Three Months Ended March 31,	
	2024	2023
Numerator for basic earnings per share - net income (loss) attributable to common stockholders	$ 127,146	$ 25,673
Adjustment for net income (loss) attributable to OP Units and DownREIT Units	(325)	(10)
Numerator for diluted earnings per share	$ 126,821	$ 25,663
Denominator for basic earnings per share - weighted average shares	574,049	492,061
Effect of dilutive securities:		
Employee stock options	69	4
Non-vested restricted shares and units	1,061	613
OP Units and DownREIT Units	2,329	1,786
Employee stock purchase program	22	30
Dilutive potential common shares	3,481	2,433
Denominator for diluted earnings per share - adjusted weighted average shares	577,530	494,494
Basic earnings per share	$ 0.22	$ 0.05
Diluted earnings per share	$ 0.22	$ 0.05

The Exchangeable Notes were not included in the computation of diluted earnings per share as they were anti-dilutive for the three months ended March 31, 2024.

17. Disclosure about Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy exists for disclosures of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Please see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information. The three levels are defined below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are

observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

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

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

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

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

Foreign Currency Forward Contracts, Interest Rate Swaps and Cross Currency Swaps — Foreign currency forward contracts, interest rate swaps and cross currency swaps are recorded in other assets or other liabilities on the balance sheet at fair value that is derived from Level 2 observable market data, including yield curves and foreign exchange rates.

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

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

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Mortgage loans receivable	$ 1,052,156	$ 1,080,321	$ 1,043,252	$ 1,105,260
Other real estate loans receivable	373,938	384,721	318,335	319,905
Cash and cash equivalents	2,388,488	2,388,488	1,993,646	1,993,646
Restricted cash	89,847	89,847	82,437	82,437
Non-real estate loans receivable	338,462	324,132	330,119	312,985
Foreign currency forward contracts, interest rate swaps and cross currency swaps	50,127	50,127	37,118	37,118
Equity warrants	38,511	38,511	35,772	35,772
Financial liabilities:				
Senior unsecured notes	$12,171,913	$11,787,206	$13,552,222	$13,249,247
Secured debt	2,033,232	1,986,736	2,183,327	2,144,059
Foreign currency forward contracts, interest rate swaps and cross currency swaps	19,261	19,261	96,023	96,023
Redeemable DownREIT Unitholder interests	$ 80,754	$ 80,754	$ 77,928	$ 77,928

Items Measured at Fair Value on a Recurring Basis

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

	Fair Value Measurements as of March 31, 2024			
	Total	Level 1	Level 2	Level 3
Equity warrants	$ 38,511	$ —	$ —	$ 38,511
Foreign currency forward contracts, interest rate swaps and cross currency swaps, net asset (liability) [1]	30,866	—	30,866	—
Totals	$ 69,377	$ —	$ 30,866	$ 38,511

[1] Please see Note 12 for additional information.

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

	Three Months Ended	
	March 31, 2024	March 31, 2023
Beginning balance	$ 35,772	$ 30,436
Mark-to-market adjustment	3,054	(885)
Foreign currency	(315)	718
Ending balance	$ 38,511	$ 30,269

The most significant assumptions utilized in the valuation of the equity warrants are the cash flows of the underlying HC-One Group enterprise, as well as the terminal capitalization rate which was 10.0% and 10.5% at March 31, 2024 and 2023, respectively.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we also have assets and liabilities in our balance sheet that are measured at fair value on a nonrecurring basis that are not included in the tables above. Assets, liabilities and noncontrolling interests that are measured at fair value on a nonrecurring basis include those acquired, exchanged or assumed. Asset impairments (if applicable, see Note 5 for impairments of real property and Note 7 for impairments of loans receivable) are also measured at fair value on a nonrecurring basis. We have determined that the fair value measurements included in each of these assets and liabilities rely primarily on company-specific inputs and our assumptions about the use of the assets and settlement of liabilities, as observable inputs are not available. As such, we have determined that each of these fair value measurements generally resides within Level 3 of the fair value hierarchy. We estimate the fair value of real estate and related intangibles using the income approach and unobservable data such as net operating income and estimated capitalization and discount rates. We also consider local and national industry market data including comparable sales, and commonly engage an external real estate appraiser to assist us in our estimation of fair value. We estimate the fair value of assets held for sale based on current sales price expectations or, in the absence of such price expectations, Level 3 inputs described above. We estimate the fair value of loans receivable using projected payoff valuations based on the expected future cash flows and/or the estimated fair value of collateral, net of sales costs, if the repayment of the loan is expected to be provided solely by the collateral. We estimate the fair value of secured debt assumed in asset acquisitions using current interest rates at which similar borrowings could be obtained on the transaction date.

18. Segment Reporting

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

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

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023). The results of operations for all acquisitions described in Note 3 are included in our consolidated results of operations from the acquisition dates and are components of the appropriate segments. All inter-segment transactions are eliminated.

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

Three Months Ended March 31, 2024	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment/ Corporate	Total
Resident fees and services	$ 1,360,274	$ —	$ —	$ —	$ 1,360,274
Rental income	—	221,744	195,908	—	417,652
Interest income	5,023	46,789	852	—	52,664
Other income	1,463	1,199	2,402	24,087	29,151
Total revenues	1,366,760	269,732	199,162	24,087	1,859,741
Property operating expenses	1,019,347	10,817	62,463	4,286	1,096,913
Consolidated net operating income (loss)	347,413	258,915	136,699	19,801	762,828
Depreciation and amortization	236,796	62,535	66,532	—	365,863
Interest expense	11,186	358	1,718	134,056	147,318
General and administrative expenses	—	—	—	53,318	53,318
Loss (gain) on derivatives and financial instruments, net	—	(3,054)	—	—	(3,054)
Loss (gain) on extinguishment of debt, net	6	—	—	—	6
Provision for loan losses, net	1,568	(567)	13	—	1,014
Impairment of assets	43,331	—	—	—	43,331
Other expenses	8,757	1,205	609	3,560	14,131
Income (loss) from continuing operations before income taxes and other items	45,769	198,438	67,827	(171,133)	140,901
Income tax (expense) benefit	—	—	—	(6,191)	(6,191)
Income (loss) from unconsolidated entities	(4,267)	(3,153)	(363)	—	(7,783)
Gain (loss) on real estate dispositions, net	4,602	26	79	—	4,707
Income (loss) from continuing operations	46,104	195,311	67,543	(177,324)	131,634
Net income (loss)	$ 46,104	$ 195,311	$ 67,543	$ (177,324)	$ 131,634
Total assets	$ 25,009,470	$ 9,883,758	$ 7,414,657	$ 2,245,700	$ 44,553,585

Three Months Ended March 31, 2023	Seniors Housing Operating	Triple-net	Outpatient Medical	Non-segment/ Corporate	Total
Resident fees and services	$ 1,131,685	$ —	$ —	$ —	$ 1,131,685
Rental income	—	202,419	181,640	—	384,059
Interest income	2,551	33,763	91	—	36,405
Other income	2,445	1,883	3,100	1,152	8,580
Total revenues	1,136,681	238,065	184,831	1,152	1,560,729
Property operating expenses	883,784	11,723	58,365	3,881	957,753
Consolidated net operating income (loss)	252,897	226,342	126,466	(2,729)	602,976
Depreciation and amortization	220,407	54,528	64,177	—	339,112
Interest expense	11,487	(15)	4,104	128,827	144,403
General and administrative expenses	—	—	—	44,371	44,371
Loss (gain) on derivatives and financial instruments, net	—	930	—	—	930
Loss (gain) on extinguishment of debt, net	—	—	5	—	5
Provision for loan losses, net	(73)	850	—	—	777
Impairment of assets	12,629	—	—	—	12,629
Other expenses	17,579	2,467	547	2,152	22,745
Income (loss) from continuing operations before income taxes and other items	(9,132)	167,582	57,633	(178,079)	38,004
Income tax (expense) benefit	—	—	—	(3,045)	(3,045)
Income (loss) from unconsolidated entities	(15,589)	8,432	86	—	(7,071)
Gain (loss) on real estate dispositions, net	833	520	(606)	—	747
Income (loss) from continuing operations	(23,888)	176,534	57,113	(181,124)	28,635
Net income (loss)	$ (23,888)	$ 176,534	$ 57,113	$ (181,124)	$ 28,635

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

	Three Months Ended			
	March 31, 2024		March 31, 2023	
Revenues:	Amount	%	Amount	%
United States	$ 1,546,896	83.2 %	$ 1,296,022	83.0 %
United Kingdom	161,508	8.7 %	147,876	9.5 %
Canada	151,337	8.1 %	116,831	7.5 %
Total	$ 1,859,741	100.0 %	$ 1,560,729	100.0 %

	Three Months Ended			
	March 31, 2024		March 31, 2023	
Resident Fees and Services:	Amount	%	Amount	%
United States	$ 1,097,339	80.7 %	$ 908,944	80.4 %
United Kingdom	116,879	8.6 %	109,012	9.6 %
Canada	146,056	10.7 %	113,729	10.0 %
Total	$ 1,360,274	100.0 %	$ 1,131,685	100.0 %

	As of			
	March 31, 2024		December 31, 2023	
Assets:	Amount	%	Amount	%
United States	$ 37,428,967	84.0 %	$ 36,929,186	83.9 %
United Kingdom	3,526,025	7.9 %	3,587,230	8.2 %
Canada	3,598,593	8.1 %	3,495,750	7.9 %
Total	$ 44,553,585	100.0 %	$ 44,012,166	100.0 %

19. Income Taxes and Distributions

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

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

Income taxes reflected in the financial statements primarily represents U.S. federal, state and local income taxes as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The provision for income taxes for the three months ended March 31, 2024 and 2023 was primarily due to operating income or losses, offset by certain discrete items at our TRS entities. In 2014, we established certain wholly-owned direct and indirect subsidiaries in Luxembourg and Jersey and transferred interests in certain foreign investments into this holding company structure. The structure includes a property holding company that is tax resident in the United Kingdom. No material adverse current tax consequences in Luxembourg, Jersey or the United Kingdom resulted from the creation of this holding company structure and most of the subsidiary entities in the structure are treated as disregarded entities of the company for U.S. federal income tax purposes. Subsequent to 2014, we transferred certain subsidiaries to the United Kingdom, while some wholly-owned direct and indirect subsidiaries remain in Luxembourg and Jersey. The company reflects current and deferred tax liabilities for any such withholding taxes incurred from this holding company structure in its consolidated financial statements. Generally, given current statutes of limitations, we are subject to audit by the foreign, federal, state and local taxing authorities under applicable local laws.

The Organization for Economic Co-operation and Development has proposed a global minimum tax of 15% of reported profits ("Pillar 2") that has been agreed upon in principle by over 140 countries. During 2023, many countries incorporated Pillar 2 model rules into their laws and will continue to do so in 2024. The model rules provide a framework for applying the minimum tax and some countries have adopted Pillar 2 effective January 1, 2024; however, countries must individually enact Pillar 2 which may result in variation in the application of the model rules and timelines. We continue to evaluate the potential consequences of Pillar 2 on our longer-term financial position.

20. Variable Interest Entities

We have entered into joint ventures and have certain subsidiaries that are either wholly owned by us or by consolidated joint ventures which own real estate investments and are deemed to be VIEs. Our VIEs primarily hold real estate assets within our Seniors Housing Operating and Triple-net portfolios, the nature and risk of which are consistent with our overall portfolio. We have concluded that we are the primary beneficiary of these VIEs based on a combination of operational control of the entities and the rights to receive residual returns or the obligation to absorb losses arising from the entities. Except for capital contributions associated with the initial entity formations, the entities have been and are expected to be funded from the ongoing operations of the underlying properties. Accordingly, such entities have been consolidated, and the table below summarizes the balance sheets of consolidated VIEs in the aggregate (in thousands):

	March 31, 2024	December 31, 2023
Assets:		
Net real estate investments	$ 3,238,405	$ 3,277,741
Cash and cash equivalents	20,675	19,529
Receivables and other assets	56,433	43,513
Total assets [1]	$ 3,315,513	$ 3,340,783
Liabilities and equity:		
Secured debt	$ 66,703	$ 76,507
Lease liabilities	2,538	2,539
Accrued expenses and other liabilities	15,260	13,850
Total equity	3,231,012	3,247,887
Total liabilities and equity	$ 3,315,513	$ 3,340,783

[1] Note that assets of the consolidated VIEs can only be used to settle obligations relating to such VIEs. Liabilities of the consolidated VIEs represent claims against the specific assets of the VIEs and VIE's creditors do not have recourse to Welltower.

We recognized revenues from consolidated VIEs in the aggregate of $109,930,000 and $49,784,000 for the three months ended March 31, 2024 and 2023, respectively.

In addition, we have certain entities that qualify as unconsolidated VIEs including borrowers of loans receivable and in substance real estate investments. Our maximum exposure on these entities is limited to the net carrying value of the investments. Refer to Note 7 and Note 8 for additional details.

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

EXECUTIVE SUMMARY

LIQUIDITY AND CAPITAL RESOURCES

RESULTS OF OPERATIONS

OTHER

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

The following discussion and analysis should be read together with the Consolidated Financial Statements and related Notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2023, including factors identified under the headings “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations."

We are structured as an umbrella partnership REIT under which substantially all of our business is conducted through Welltower OP LLC, the day-to-day management of which is exclusively controlled by Welltower Inc. Welltower Inc. has no material assets or liabilities other than its investment in Welltower OP LLC. Welltower OP LLC is the borrower under, and Welltower Inc. is the guarantor of, all of the unsecured notes described in Note 11 to our unaudited consolidated financial statements.

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

Executive Summary

Company Overview

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

Welltower is the initial member and majority owner of Welltower OP, with an approximate ownership interest of 99.726% as of March 31, 2024. All of our property ownership, development and related business operations are conducted through Welltower OP and Welltower has no material assets or liabilities other than its investment in Welltower OP. Welltower issues equity from time to time, the net proceeds of which it is obligated to contribute as additional capital to Welltower OP. All debt including credit facilities, senior notes and secured debt is incurred by Welltower OP and its subsidiaries, and Welltower has fully and unconditionally guaranteed all existing senior unsecured notes.

The following table summarizes our consolidated portfolio for the three months ended March 31, 2024 (dollars in thousands):

Type of Property	NOI [1]		Percentage of NOI	Number of Properties
Seniors Housing Operating	$	347,413	46.8 %	918
Triple-net		258,915	34.8 %	613
Outpatient Medical		136,699	18.4 %	372
Totals	$	743,027	100.0 %	1,903

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

Business Strategy

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

Substantially all of our revenues are derived from operating lease rentals, resident fees and services, interest earned on outstanding loans receivable and interest earned on short-term deposits. These items represent our primary sources of liquidity to fund distributions and depend upon the continued ability of our obligors to make contractual rent and interest payments to us and the profitability of our operating properties. To the extent that our obligors/partners experience operating difficulties and become unable to generate sufficient cash to make payments or operating distributions to us, there could be a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

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

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

For the three months ended March 31, 2024, resident fees and services and rental income represented 73% and 22%, respectively, of total revenues. Substantially all of our operating leases are designed with escalating rent structures. Leases with fixed annual rental escalators are generally recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. Rental income related to leases with contingent rental escalators is generally recorded based on the contractual cash rental payments due for the period. Our yield on loans receivable depends upon a number of factors, including the stated interest rate, the average principal amount outstanding during the term of the loan and any interest rate adjustments.

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

We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our unsecured revolving credit facility and commercial paper program, internally generated cash and the proceeds from investment dispositions. Our investments generate cash from NOI and principal payments on loans receivable. Permanent financing for future investments, which replaces funds drawn under our unsecured revolving credit facility and commercial paper program, has historically been provided through a combination of the issuance of public debt and equity securities and the incurrence or assumption of secured debt. Given the general economic conditions during 2023 and into 2024, investments were generally funded proactively via issuances of common stock.

Depending upon market conditions, we believe that new investments will be available in the future with spreads over our cost of capital that will generate appropriate returns to our stockholders. It is also likely that investment dispositions may occur in the future. To the extent that investment dispositions exceed new investments, our revenues and cash flows from operations could be adversely affected. We expect to reinvest the proceeds from any investment dispositions in new investments. To the extent that new investment requirements exceed our available cash on-hand, we expect to borrow under our unsecured revolving credit facility and commercial paper program. At March 31, 2024, we had $2,388,488,000 of cash and cash equivalents, $89,847,000 of restricted cash and $4,000,000,000 of available borrowing capacity under our unsecured revolving credit facility.

Key Transactions

Capital The following summarizes key capital transactions that occurred during the three months ended March 31, 2024:

- In February 2024, we entered into the ATM Program (as defined below) pursuant to which we may offer and sell up to $3,500,000,000 of common stock of Welltower from time to time. Our prior equity distribution agreement dated August 1, 2023, allowing us to sell up to $4,000,000,000 aggregate amount of our common stock, was terminated. During the three months ended March 31, 2024, we sold 26,611,694 shares of common stock under our current and previous ATM Programs generating gross proceeds of approximately $2,427,464,000.
- During the three months ended March 31, 2024, we extinguished $120,946,000 of secured debt at a blended average interest rate of 7.56%.
- In January 2024, we repaid our $400,000,000 4.5% senior unsecured notes at maturity. In March 2024, we repaid our $950,000,000 3.625% senior unsecured notes at maturity.

Investments The following summarizes our property acquisitions and joint venture investments completed during the three months ended March 31, 2024 (dollars in thousands):

	Properties	Book Amount (1)	Capitalization Rates (2)
Seniors Housing Operating	3	$ 81,167	5.6 %

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

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

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Dispositions The following summarizes property dispositions completed during the three months ended March 31, 2024 (dollars in thousands):

	Properties	Proceeds [1]	Book Amount [2]	Capitalization Rates [3]
Seniors Housing Operating[4]	10	$ 44,834	$ 39,985	2.9 %

[1] Represents net proceeds received upon disposition.

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

[3] Represents annualized contractual income that was being received in cash at date of disposition divided by stated purchase price.

[4] Includes the disposition of an unconsolidated equity method investment that owned six properties.

Strategic Dissolution of Revera Joint Ventures

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

Dividends Our Board of Directors declared a cash dividend for the quarter ended March 31, 2024 of $0.61 per share. On May 22, 2024, we will pay our 212th consecutive quarterly cash dividend to stockholders of record on May 13, 2024.

Key Performance Indicators, Trends and Uncertainties

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

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

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

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income (loss)	$ 131,634	$ 88,440	$ 134,722	$ 106,342	$ 28,635
NICS	127,146	83,911	127,470	103,040	25,673
FFO	556,703	491,859	419,124	466,182	386,062
NOI	762,828	713,697	666,740	706,806	602,976

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

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	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net debt to book capitalization ratio	29%	34%	36%	38%	40%
Net debt to undepreciated book capitalization ratio	24%	28%	29%	31%	32%
Net debt to enterprise value ratio	17%	21%	23%	25%	28%
Interest coverage ratio	4.29x	3.79x	3.88x	3.81x	3.44x
Fixed charge coverage ratio	3.98x	3.52x	3.60x	3.51x	3.13x

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

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

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Property mix:[1]					
Seniors Housing Operating	47%	43%	45%	40%	42%
Triple-net	35%	37%	35%	42%	37%
Outpatient Medical	18%	20%	20%	18%	21%
Relationship mix: [1]					
Cogir Management Corporation	8%	6%	4%	3%	4%
Integra Healthcare Properties	7%	8%	8%	8%	9%
Sunrise Senior Living	5%	5%	5%	7%	6%
Avery Healthcare	5%	5%	4%	3%	3%
Oakmont Management Group	4%	4%	4%	3%	3%
Remaining relationships	71%	72%	75%	76%	75%
Geographic mix:[1]					
California	11%	11%	11%	11%	13%
United Kingdom	10%	9%	9%	8%	10%
Texas	8%	8%	8%	7%	8%
Florida	8%	8%	5%	4%	5%
Canada	7%	7%	6%	5%	6%
Remaining geographic areas	56%	57%	61%	65%	58%

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

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Lease Expirations The following table sets forth information regarding lease expirations for certain portions of our portfolio as of March 31, 2024 (dollars in thousands):

	Expiration Year [1]										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Thereaf
Triple-net:											
Properties	4	16	13	1	5	4	34	5	127	42	35
Base rent [2]	$ 13,495	$ 8,016	$ 12,591	$ 1,232	$ 6,404	$ 1,035	$ 71,362	$ 11,002	$102,099	$ 55,028	$454,39
% of base rent	1.8 %	1.1 %	1.7 %	0.2 %	0.9 %	0.1 %	9.7 %	1.5 %	13.9 %	7.5 %	61.
Units/ beds	692	521	1,695	80	616	219	3,669	423	6,163	3,267	39,90
% of units/ beds	1.2 %	0.9 %	3.0 %	0.1 %	1.1 %	0.4 %	6.4 %	0.7 %	10.8 %	5.7 %	69.
Outpatient Medical:											
Square feet	1,642,766	1,263,403	1,632,664	1,561,873	1,602,286	1,415,998	1,339,292	1,865,259	1,510,279	1,217,144	4,327,06
Base rent [2]	$ 49,042	$ 38,505	$ 45,805	$ 44,502	$ 45,234	$ 40,967	$ 39,757	$ 52,211	$ 45,293	$ 31,827	$ 126,29
% of base rent	8.8 %	6.9 %	8.2 %	8.0 %	8.1 %	7.3 %	7.1 %	9.3 %	8.1 %	5.7 %	22.
Leases	381	265	268	246	273	163	119	91	157	107	16
% of leases	17.1 %	11.9 %	12.0 %	11.0 %	12.2 %	7.3 %	5.3 %	4.1 %	7.0 %	4.8 %	7.

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

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

We evaluate our key performance indicators in conjunction with current expectations to determine if historical trends are indicative of future results. Our expected results may not be achieved, and actual results may differ materially from our expectations. Factors that may cause actual results to differ from expected results are described in more detail in “Cautionary Statement Regarding Forward-Looking Statements” and other sections of this Quarterly Report on Form 10-Q. Management regularly monitors economic and other factors to develop strategic and tactical plans designed to improve performance and maximize our competitive position. Our ability to achieve our financial objectives is dependent upon our ability to effectively execute these plans and to appropriately respond to emerging economic and company-specific trends. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2023, under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Corporate Governance

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

Liquidity and Capital Resources

Sources and Uses of Cash

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

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

	Three Months Ended		Change	
	March 31, 2024	March 31, 2023	$	%
Cash, cash equivalents and restricted cash at beginning of period	$ 2,076,083	$ 722,292	$1,353,791	187 %
Cash provided from (used in) operating activities	406,806	376,058	30,748	8 %
Cash provided from (used in) investing activities	(580,931)	(932,837)	351,906	38 %
Cash provided from (used in) financing activities	578,567	470,470	108,097	23 %
Effect of foreign currency translation	(2,190)	2,813	(5,003)	(178)%
Cash, cash equivalents and restricted cash at end of period	$ 2,478,335	$ 638,796	$1,839,539	288 %

Operating Activities Please see “Results of Operations” for discussion of net income fluctuations. For the three months ended March 31, 2024 and 2023, cash flows provided from operations exceeded cash distributions to stockholders.

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

	Three Months Ended		Change	
	March 31, 2024	March 31, 2023	$	%
New development	$ 231,763	$ 226,226	$ 5,537	2 %
Recurring capital expenditures, tenant improvements and lease commissions	51,616	36,914	14,702	40 %
Renovations, redevelopments and other capital improvements	80,893	54,425	26,468	49 %
Total	$ 364,272	$ 317,565	$ 46,707	15 %

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

Financing Activities The changes in net cash provided from/used in financing activities are primarily attributable to changes related to our long-term debt arrangements, the issuances of common stock and dividend payments which are summarized above in "Key Transactions."

Please refer to Notes 10, 11 and 14 to our unaudited consolidated financial statements for additional information.

In May 2023, we issued $1,035,000,000 aggregate principal amount of 2.75% exchangeable senior unsecured notes maturing May 15, 2028. In January 2024, we repaid our $400,000,000 4.5% senior unsecured notes at maturity. In March 2024, we repaid our $950,000,000 3.625% senior unsecured notes at maturity.

Off-Balance Sheet Arrangements

At March 31, 2024, we had investments in unconsolidated entities with our ownership generally ranging from 10% to 95%. We use financial derivative instruments to hedge interest rate and foreign currency exchange rate exposure. At March 31, 2024, we had 23 outstanding letter of credit obligations. Please see Notes 8, 12 and 13 to our unaudited consolidated financial statements for additional information.

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Contractual Obligations

The following table summarizes our payment requirements under contractual obligations as of March 31, 2024 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	2024	2025-2026	2027-2028	Thereafter
Senior unsecured notes and term credit facilities: [1]					
U.S. Dollar senior unsecured notes	$ 9,585,000	$ —	$1,950,000	$2,285,000	$ 5,350,000
Canadian Dollar senior unsecured notes [2]	221,566	—	—	221,566	—
Pounds Sterling senior unsecured notes [2]	1,326,885	—	—	695,035	631,850
U.S. Dollar term credit facility	1,010,000	—	10,000	1,000,000	—
Canadian Dollar term credit facility [2]	184,638	—	—	184,638	—
Secured debt: [1,2]					
Consolidated	2,070,776	307,236	532,136	312,147	919,257
Unconsolidated	1,027,084	143,300	556,718	144,773	182,293
Contractual interest obligations: [3]					
Senior unsecured notes and term loans [2]	3,476,211	383,282	881,529	644,098	1,567,302
Consolidated secured debt [2]	424,613	67,468	124,925	97,233	134,987
Unconsolidated secured debt [2]	114,457	27,517	31,453	14,171	41,316
Financing lease liabilities [4]	394,073	4,062	8,103	7,999	373,909
Operating lease liabilities [4]	945,198	14,926	33,660	32,785	863,827
Purchase obligations [5]	1,103,007	799,951	291,535	7,792	3,729
Total contractual obligations	$21,883,508	$1,747,742	$4,420,059	$5,647,237	$10,068,470

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

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

[3] Based on variable interest rates in effect as of the balance sheet date.

[4] See Note 6 to our unaudited consolidated financial statements for additional information.

[5] See Note 13 to our unaudited consolidated financial statements for additional information. Excludes amounts related to asset acquisitions under contract that have not yet closed as of March 31, 2024, including the acquisition of Affinity Living Communities described in Note 3.

Capital Structure

Please refer to “Credit Strength” above for a discussion of our leverage and coverage ratio trends. Our debt agreements contain various covenants, restrictions and events of default. Certain agreements require us to maintain financial ratios and minimum net worth and impose certain limits on our ability to incur indebtedness, create liens and make investments or acquisitions. As of March 31, 2024, we were in compliance in all material respects with the covenants under our debt agreements. None of our debt agreements contain provisions for acceleration which could be triggered by our debt ratings. However, under our primary unsecured credit facility, the ratings on our senior unsecured notes are used to determine the fees and interest charged. We plan to manage the company to maintain compliance with our debt covenants and with a capital structure consistent with our current profile. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse impact on our cost and availability of capital, which could have a material adverse impact on our consolidated results of operations, liquidity and/or financial condition.

On April 1, 2022, Welltower and Welltower OP jointly filed with the Securities and Exchange Commission (the “SEC”) an open-ended automatic or “universal” shelf registration statement on Form S-3 (the "Shelf Form S-3") covering an indeterminate amount of future offerings of Welltower’s debt securities, common stock, preferred stock, depositary shares, guarantees of debt securities issued by Welltower OP, warrants and units and Welltower OP’s debt securities and guarantees of debt securities issued by Welltower. On April 1, 2022, Welltower also filed with the SEC a registration statement in connection with its enhanced dividend reinvestment plan (“DRIP”) under which it may issue up to 15,000,000 shares of common stock. On May 3, 2023, Welltower and Welltower OP filed post-effective amendment no. 1 to the Shelf Form S-3 pursuant to which Welltower OP expressly adopted the Shelf Form S-3 as its own registration statement following its statutory conversion from a corporation to a limited liability company. As of April 26, 2024, 15,000,000 shares of common stock remained available for issuance under the DRIP registration statement. On February 15, 2024, Welltower and Welltower OP entered into an equity distribution agreement (the “EDA”) with (i) Barclays Capital Inc., BMO Capital Markets Corp., BNP Paribas Securities Corp., BNY Mellon Capital Markets, LLC, BofA Securities, Inc., BOK Financial Securities, Inc., Capital One Securities Inc., Citigroup

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Global Markets Inc., Citizens JMP Securities, LLC, Credit Agricole Securities (USA) Inc., Deutsche Bank Securities Inc., Fifth Third Securities, Inc., Goldman Sachs & Co. LLC, Jefferies LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc., Loop Capital Markets LLC, Mizuho Securities USA LLC, Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., RBC Capital Markets, LLC, Regions Securities LLC, Robert W. Baird & Co. Incorporated, Scotia Capital (USA) Inc., Synovus Securities, Inc., TD Securities (USA) LLC, Truist Securities, Inc. and Wells Fargo Securities, LLC as sales agents and forward sellers and (ii) the forward purchasers named therein relating to issuances, offers and sales from time to time of up to $3,500,000,000 aggregate amount of common stock of Welltower (together with the existing master forward sale confirmations relating thereto, the “ATM Program”). The ATM Program also allows Welltower to enter into forward sale agreements. As of April 26, 2024, we had $936,054,307 of remaining capacity under the ATM Program and there were no outstanding forward sales agreements. Depending upon market conditions, we anticipate issuing securities under our registration statements to invest in additional properties and to repay borrowings under our unsecured revolving credit facility and commercial paper program.

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

Supplemental Guarantor Information

Welltower OP has issued the unsecured notes described in Note 11 to our unaudited consolidated financial statements. All unsecured notes are fully and unconditionally guaranteed by Welltower, and Welltower OP is 99.726% owned by Welltower as of March 31, 2024. Effective January 4, 2021, the SEC adopted amendments to the financial disclosure requirements applicable to registered debt offerings that include certain credit enhancements. We have adopted these new rules, which permits subsidiary issuers of obligations guaranteed by the parent to omit separate financial statements if the consolidated financial statements of the parent company have been filed, the subsidiary obligor is a consolidated subsidiary of the parent company, the guaranteed security is debt or debt-like, and the security is guaranteed fully and unconditionally by the parent. Accordingly, separate consolidated financial statements of Welltower OP have not been presented. Furthermore, Welltower and Welltower OP have no material assets, liabilities, or operations other than financing activities and their investments in non-guarantor subsidiaries. Therefore, we meet the criteria in Rule 13-01 of Regulation S-X to omit the summarized financial information from our disclosures.

Results of Operations

Summary

Our primary sources of revenue include resident fees and services, rent, interest income and interest earned on short-term deposits. Our primary expenses include property operating expenses, depreciation and amortization, interest expense, general and administrative expenses and other expenses. We evaluate our business and make resource allocations on our three business segments: Seniors Housing Operating, Triple-net and Outpatient Medical. The primary performance measures for our properties are NOI and same store NOI ("SSNOI") and other supplemental measures include FFO and Adjusted EBITDA, which are further discussed below. Please see Non-GAAP Financial Measures for additional information and reconciliations related to these supplemental measures.

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	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
Net income (loss)	$ 131,634	$ 28,635	$ 102,999	360 %
NICS	127,146	25,673	101,473	395 %
FFO	556,703	386,062	170,641	44 %
EBITDA	651,006	515,195	135,811	26 %
NOI	762,828	602,976	159,852	27 %
SSNOI	537,581	477,990	59,591	12 %
Per share data (fully diluted):				
NICS	$ 0.22	$ 0.05	$ 0.17	340 %
FFO	$ 0.96	$ 0.78	$ 0.18	23 %
Interest coverage ratio	4.29 x	3.44 x	0.85 x	25 %
Fixed charge coverage ratio	3.98 x	3.13 x	0.85 x	27 %

Seniors Housing Operating

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

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Revenues:				
Resident fees and services	$ 1,360,274	$ 1,131,685	$ 228,589	20 %
Interest income	5,023	2,551	2,472	97 %
Other income	1,463	2,445	(982)	(40)%
Total revenues	1,366,760	1,136,681	230,079	20 %
Property operating expenses	1,019,347	883,784	135,563	15 %
NOI [1]	347,413	252,897	94,516	37 %
Other expenses:				
Depreciation and amortization	236,796	220,407	16,389	7 %
Interest expense	11,186	11,487	(301)	(3)%
Loss (gain) on extinguishment of debt, net	6	—	6	n/a
Provision for loan losses, net	1,568	(73)	1,641	n/a
Impairment of assets	43,331	12,629	30,702	243 %
Other expenses	8,757	17,579	(8,822)	(50)%
	301,644	262,029	39,615	15 %
Income (loss) from continuing operations before income taxes and other items	45,769	(9,132)	54,901	601 %
Income (loss) from unconsolidated entities	(4,267)	(15,589)	11,322	73 %
Gain (loss) on real estate dispositions, net	4,602	833	3,769	452 %
Income (loss) from continuing operations	46,104	(23,888)	69,992	293 %
Net income (loss)	46,104	(23,888)	69,992	293 %
Less: Net income (loss) attributable to noncontrolling interests	(1,002)	(3,121)	2,119	68 %
Net income (loss) attributable to common stockholders	$ 47,106	$ (20,767)	$ 67,873	327 %

[1] See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Resident fees and services and property operating expenses increased for the three month periods ended March 31, 2024 compared to the same periods in the prior year primarily due to acquisitions outpacing dispositions during 2023 and year to date 2024. Additionally, our Seniors Housing Operating revenues are dependent on occupancy and rate growth, both of which have continued to steadily increase from prior year. Average occupancy is as follows:

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	Three Months Ended[1]			
	March 31,	June 30,	September 30,	December 31,
2023	79.0 %	79.6 %	80.7 %	82.2 %
2024	82.5 %			

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

Interest income increased for the three month period ended March 31, 2024 compared to the same period in the prior year primarily due to an increase in third party real estate loans in connection with the various transactions that occurred during 2023 and year to date 2024.

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

	QTD Pool			
	Three Months Ended March 31,		Change	
	2024	2023	$	%
SSNOI [1]	$ 265,160	$ 213,116	$ 52,044	24.4 %

[1] For the QTD Pool, amounts relate to 665 same store properties. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

During the three months ended March 31, 2024, we entered into a definitive agreement and subsequently closed on the sale of four Seniors Housing Operating properties. In conjunction with this transaction, an impairment charge of $23,795,000 was recognized related to two properties. Additionally, we recorded $15,584,000 of impairment charges related to six Seniors Housing Operating properties classified as held for sale and not yet sold as of March 31, 2024 for which the carrying value exceeded the estimated fair value less costs to sell. Also, we recorded $3,952,000 related to two held for use properties for which the carrying value exceeded the estimated fair value.

During the three months ended March 31, 2023, we recorded impairment charges of $12,252,000 related to three held for sale properties for which the carrying values exceeded the estimated fair value less costs to sell and $377,000 related to one held for use property for which the carrying value exceeded the estimated fair value. Transaction costs related to asset acquisitions are capitalized as a component of the purchase price. The fluctuation in other expenses is primarily due to the timing of noncapitalizable transaction costs associated with acquisitions and operator transitions. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

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

During the three months ended March 31, 2024, we completed construction conversions representing $88,680,000 or $169,885 per unit. The following is a summary of our consolidated Seniors Housing Operating construction projects in process, excluding expansions (dollars in thousands):

As of March 31, 2024				
Expected Conversion Year[1]	Properties	Units/Beds	Anticipated Remaining Funding	Construction in Progress Balance
2024	18	2,692	$ 155,181	$ 716,887
2025	7	1,465	241,531	258,809
2026	3	539	104,832	28,440
TBD[2]	5			65,452
Total	33			$ 1,069,588

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

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

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

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

	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 1,955,048	$ 1,701,939
Debt issued	1,379	362,900
Debt assumed	—	6,482
Debt extinguished	(120,946)	—
Principal payments	(10,847)	(13,007)
Foreign currency	(20,215)	304
Ending balance	$ 1,804,419	$ 2,058,618
Ending weighted average interest	4.52 %	4.58 %

The majority of our Seniors Housing Operating properties are formed through partnership interests. Income (loss) from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. The fluctuation in income (loss) from unconsolidated entities from the prior year relates to the U.S. portion of the Strategic Dissolution of the Revera Joint Venture discussed in Note 5 to our unaudited consolidated financial statements, which occurred in the third quarter of 2023. Net income attributable to noncontrolling interests represents our partners' share of net income (loss) related to joint ventures.

Triple-net

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

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Revenues:				
Rental income	$ 221,744	$ 202,419	$ 19,325	10 %
Interest income	46,789	33,763	13,026	39 %
Other income	1,199	1,883	(684)	(36)%
Total revenues	269,732	238,065	31,667	13 %
Property operating expenses	10,817	11,723	(906)	(8)%
NOI [1]	258,915	226,342	32,573	14 %
Other expenses:				
Depreciation and amortization	62,535	54,528	8,007	15 %
Interest expense	358	(15)	373	n/a
Loss (gain) on derivatives and financial instruments, net	(3,054)	930	(3,984)	(428)%
Provision for loan losses, net	(567)	850	(1,417)	(167)%
Other expenses	1,205	2,467	(1,262)	(51)%
	60,477	58,760	1,717	3 %
Income (loss) from continuing operations before income taxes and other items	198,438	167,582	30,856	18 %
Income (loss) from unconsolidated entities	(3,153)	8,432	(11,585)	(137)%
Gain (loss) on real estate dispositions, net	26	520	(494)	(95)%
Income (loss) from continuing operations	195,311	176,534	18,777	11 %
Net income (loss)	195,311	176,534	18,777	11 %
Less: Net income (loss) attributable to noncontrolling interests	5,498	5,464	34	1 %
Net income attributable to common stockholders	$ 189,813	$ 171,070	$ 18,743	11 %

[1] See "Non-GAAP Financial Measures" below for additional information and reconciliations.

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Rental income increased primarily due to acquisitions and annual rent increases. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the tenant's properties. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If gross operating revenues at our facilities and/or the Consumer Price Index do not increase, a portion of our revenues may not continue to increase. For the three months ended March 31, 2024, we had 20 leases with rental rate increases ranging from 0.05% to 10.00% in our Triple-net portfolio.

This increase was partially offset by the write off of straight-line receivable balances of $9,356,000 during the three months ended March 31, 2024, which relate to leases for which the collection of substantially all contractual lease payments was no longer deemed probable.

The increase in interest income is primarily driven by increased advances on loans receivable during 2023.

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

	QTD Pool			
	Three Months Ended March 31,		Change	
	2024	2023	$	%
SSNOI [1]	$ 153,048	$ 147,817	$ 5,231	3.5 %

[1] For the QTD Pool, amounts relate to 527 same store properties. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

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

Transaction costs related to asset acquisitions are capitalized as a component of purchase price. The fluctuation in other expenses is primarily due to noncapitalizable transaction costs from acquisitions and segment transitions. Changes in the gain on sales of properties are related to the volume and timing of property sales and the sales prices.

Loss (gain) on derivatives and financial instruments, net is primarily attributable to the mark-to-market of the equity warrants received as part of the HC-One transactions that closed in 2021 and 2023.

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

	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 38,260	$ 39,179
Principal payments	(237)	(230)
Ending balance	$ 38,023	$ 38,949
Ending weighted average interest	4.39 %	4.39 %

A portion of our Triple-net properties were formed through partnerships. Income (loss) from unconsolidated entities represents our share of net income or losses from partnerships where we are the noncontrolling partner. The fluctuation in income (loss) from unconsolidated entities from the prior year relates primarily to the timing and amount of hypothetical liquidation at book value adjustments related to in substance real estate investments. Net income attributable to noncontrolling interests represents our partners' share of net income relating to those partnerships where we are the controlling partner.

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Outpatient Medical

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

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Revenues:				
Rental income	$ 195,908	$ 181,640	$ 14,268	8 %
Interest income	852	91	761	836 %
Other income	2,402	3,100	(698)	(23)%
Total revenues	199,162	184,831	14,331	8 %
Property operating expenses	62,463	58,365	4,098	7 %
NOI [1]	136,699	126,466	10,233	8 %
Other expenses:				
Depreciation and amortization	66,532	64,177	2,355	4 %
Interest expense	1,718	4,104	(2,386)	(58)%
Loss (gain) on extinguishment of debt, net	—	5	(5)	(100)%
Provision for loan losses, net	13	—	13	n/a
Other expenses	609	547	62	11 %
	68,872	68,833	39	— %
Income (loss) from continuing operations before income taxes and other items	67,827	57,633	10,194	18 %
Income (loss) from unconsolidated entities	(363)	86	(449)	(522)%
Gain (loss) on real estate dispositions, net	79	(606)	685	113 %
Income (loss) from continuing operations	67,543	57,113	10,430	18 %
Net income (loss)	67,543	57,113	10,430	18 %
Less: Net income (loss) attributable to noncontrolling interests	(352)	536	(888)	(166)%
Net income (loss) attributable to common stockholders	$ 67,895	$ 56,577	$ 11,318	20 %

[1] See "Non-GAAP Financial Measures" below for additional information and reconciliations.

Rental income has increased due primarily to acquisitions and construction conversions that occurred during 2023 and year to date in 2024. Certain of our leases contain annual rental escalators that are contingent upon changes in the Consumer Price Index. These escalators are not fixed, so no straight-line rent is recorded; however, rental income is recorded based on the contractual cash rental payments due for the period. If the Consumer Price Index does not increase, a portion of our revenues may not continue to increase. Our leases could renew above or below current rental rates, resulting in an increase or decrease in rental income. For the three months ended March 31, 2024, our consolidated Outpatient Medical portfolio signed 100,966 square feet of new leases and 464,987 square feet of renewals. The weighted-average term of these leases was seven years, with a rate of $40.50

per square foot and tenant improvement and lease commission costs of $33.26 per square foot. Substantially all of these leases contain an annual fixed or contingent escalation rent structure ranging from 2.5% to 5.0%.

The fluctuation in property operating expenses and depreciation and amortization are primarily attributable to acquisitions and construction conversions that occurred during 2023 and year to date in 2024. To the extent we acquire or dispose of additional properties in the future, these expenses will change accordingly.

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

	QTD Pool			
	Three Months Ended March 31,		Change	
	2024	2023	$	%
SSNOI [1]	$ 119,373	$ 117,057	$ 2,316	2.0 %

[1] For the QTD Pool, amounts relate to 378 same store properties. Please see "Non-GAAP Financial Measures" below for additional information and reconciliations.

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During the three months ended March 31, 2024, we completed construction conversions representing $91,248,000 or $661 per square foot. The following is a summary of our consolidated Outpatient Medical construction projects in process, excluding expansions (dollars in thousands):

As of March 31, 2024				
Expected Conversion Year	Properties	Square Feet	Anticipated Remaining Funding	Construction in Progress Balance
2024	9	660,307	$ 211,768	$ 152,053
2025	3	290,559	146,138	19,103
TBD[1]	1			33,571
Total	13			$ 204,727

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

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

	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 229,137	$ 388,836
Debt assumed	—	46,741
Debt extinguished	—	(24,631)
Principal payments	(803)	(1,705)
Ending balance	$ 228,334	$ 409,241
Ending weighted average interest	5.42 %	4.43 %

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

Non-Segment/Corporate

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

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Revenues:				
Other income	$ 24,087	$ 1,152	$ 22,935	n/a
Total revenues	24,087	1,152	22,935	n/a
Property operating expenses	4,286	3,881	405	10 %
Consolidated net operating income (loss) [1]	19,801	(2,729)	22,530	826 %
Expenses:				
Interest expense	134,056	128,827	5,229	4 %
General and administrative expenses	53,318	44,371	8,947	20 %
Other expenses	3,560	2,152	1,408	65 %
	190,934	175,350	15,584	9 %
Income (loss) from continuing operations before income taxes and other items	(171,133)	(178,079)	6,946	4 %
Income tax benefit (expense)	(6,191)	(3,045)	(3,146)	(103)%
Income (loss) from continuing operations	(177,324)	(181,124)	3,800	2 %
Net income (loss)	(177,324)	(181,124)	3,800	2 %
Less: Net income (loss) attributable to noncontrolling interests	344	83	261	314 %
Net income (loss) attributable to common stockholders	$ (177,668)	$ (181,207)	$ 3,539	2 %

[1] See "Non-GAAP Financial Measures" below for additional information and reconciliations.

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The increase in other income for three month periods ended March 31, 2024 is primarily due to interest earned on deposits. Property operating expenses represent insurance costs related to our captive insurance company, which acts as a direct insurer of property level insurance coverage for our portfolio.

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

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Senior unsecured notes	$ 127,960	$ 120,814	$ 7,146	6 %
Unsecured credit facility and commercial paper program	1,535	2,406	(871)	(36)%
Loan expense	4,561	5,607	(1,046)	(19)%
Totals	$ 134,056	$ 128,827	$ 5,229	4 %

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

General and administrative expenses as a percentage of consolidated revenues for the three months ended March 31, 2024 and 2023 were 2.87% and 2.84%, respectively. The increase during the three month period is primarily driven by compensation costs associated with increased employee headcount. The provision for income taxes primarily relates to state taxes, foreign taxes and taxes based on income generated by entities that are structured as taxable REIT subsidiaries.

Other

Non-GAAP Financial Measures

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

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

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

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

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

FFO Reconciliation:	Three Months Ended March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income (loss) attributable to common stockholders	$ 127,146	$ 83,911	$ 127,470	$ 103,040	$ 25,673
Depreciation and amortization	365,863	380,730	339,314	341,945	339,112
Impairment of assets	43,331	14,994	7,388	1,086	12,629
Loss (gain) on real estate dispositions, net	(4,707)	1,783	(71,102)	2,168	(747)
Noncontrolling interests	(11,996)	(11,436)	(8,789)	(12,841)	(13,327)
Unconsolidated entities	37,066	21,877	24,843	30,784	22,722
FFO	$ 556,703	$ 491,859	$ 419,124	$ 466,182	$ 386,062
Average diluted shares outstanding	577,530	552,380	525,138	501,970	494,494
Per diluted share data:					
Net income attributable to common stockholders[1]	$ 0.22	$ 0.15	$ 0.24	$ 0.20	$ 0.05
FFO	$ 0.96	$ 0.89	$ 0.80	$ 0.93	$ 0.78

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

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

	Three Months Ended				
NOI Reconciliations:	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income (loss)	$ 131,634	$ 88,440	$ 134,722	$ 106,342	$ 28,635
Loss (gain) on real estate dispositions, net	(4,707)	1,783	(71,102)	2,168	(747)
Loss (income) from unconsolidated entities	7,783	2,008	4,031	40,332	7,071
Income tax expense (benefit)	6,191	(4,768)	4,584	3,503	3,045
Other expenses	14,131	36,307	38,220	11,069	22,745
Impairment of assets	43,331	14,994	7,388	1,086	12,629
Provision for loan losses, net	1,014	2,517	4,059	2,456	777
Loss (gain) on extinguishment of debt, net	6	—	1	1	5
Loss (gain) on derivatives and financial instruments, net	(3,054)	(7,215)	2,885	1,280	930
General and administrative expenses	53,318	44,327	46,106	44,287	44,371
Depreciation and amortization	365,863	380,730	339,314	341,945	339,112
Interest expense	147,318	154,574	156,532	152,337	144,403
Consolidated net operating income (NOI)	$ 762,828	$ 713,697	$ 666,740	$ 706,806	$ 602,976
NOI by segment:					
Seniors Housing Operating	$ 347,413	$ 301,077	$ 284,909	$ 279,252	$ 252,897
Triple-net	258,915	256,985	226,278	291,530	226,342
Outpatient Medical	136,699	135,484	129,754	127,495	126,466
Non-segment/corporate	19,801	20,151	25,799	8,529	(2,729)
Total NOI	$ 762,828	$ 713,697	$ 666,740	$ 706,806	$ 602,976

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

SSNOI Property Reconciliations:	QTD Pool Seniors Housing Operating	Triple-net	Outpatient Medical	Total
Consolidated properties	918	613	372	1,903
Unconsolidated properties	76	39	78	193
Total properties	994	652	450	2,096
Recent acquisitions/development conversions[1]	(69)	(69)	(40)	(178)
Under development	(34)	—	(13)	(47)
Under redevelopment[2]	(5)	(4)	(2)	(11)
Current held for sale	(37)	(29)	(6)	(72)
Land parcels, loans and subleases	(15)	(4)	(8)	(27)
Transitions[3]	(159)	(15)	—	(174)
Other[4]	(10)	(4)	(3)	(17)
Same store properties	665	527	378	1,570

[1] Acquisitions and development conversions will enter the QTD Pool five full quarters after acquisition or certificate of occupancy.

[2] Redevelopment properties will enter the QTD Pool after five full quarters of operations post redevelopment completion.

[3] Transitioned properties will enter the QTD Pool after five full quarters of operations with the new operator in place or under the new structure.

[4] Represents properties that are either closed or being closed.

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

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
SSNOI Reconciliations:		
Seniors Housing Operating:		
Consolidated NOI	$ 347,413	$ 252,897
NOI attributable to unconsolidated investments	21,782	12,126
NOI attributable to noncontrolling interests	(17,359)	(16,260)
NOI attributable to non-same store properties	(86,107)	(35,153)
Non-cash NOI attributable to same store properties	(195)	(851)
Currency and ownership adjustments [1]	(374)	357
SSNOI at Welltower Share	265,160	213,116
Triple-net:		
Consolidated NOI	258,915	226,342
NOI attributable to unconsolidated investments	5,597	9,293
NOI attributable to noncontrolling interests	(8,006)	(7,608)
NOI attributable to non-same store properties	(95,017)	(57,928)
Non-cash NOI attributable to same store properties	(8,082)	(22,709)
Currency and ownership adjustments [1]	(359)	427
SSNOI at Welltower Share	153,048	147,817
Outpatient Medical:		
Consolidated NOI	136,699	126,466
NOI attributable to unconsolidated investments	4,711	4,935
NOI attributable to noncontrolling interests	(2,723)	(5,188)
NOI attributable to non-same store properties	(16,081)	(6,984)
Non-cash NOI attributable to same store properties	(3,253)	(5,167)
Currency and ownership adjustments [1]	20	2,995
SSNOI at Welltower Share	119,373	117,057
SSNOI at Welltower Share:		
Seniors Housing Operating	265,160	213,116
Triple-net	153,048	147,817
Outpatient Medical	119,373	117,057
Total	$ 537,581	$ 477,990

[1] Includes adjustments to reflect consistent property ownership percentages, to translate Canadian properties at a USD/CAD rate of 1.36 and to translate U.K. properties at a GBP/USD rate of 1.25.

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

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

	Three Months Ended				
EBITDA Reconciliations:	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income (loss)	$ 131,634	$ 88,440	$ 134,722	$ 106,342	$ 28,635
Interest expense	147,318	154,574	156,532	152,337	144,403
Income tax expense (benefit)	6,191	(4,768)	4,584	3,503	3,045
Depreciation and amortization	365,863	380,730	339,314	341,945	339,112
EBITDA	$ 651,006	$ 618,976	$ 635,152	$ 604,127	$ 515,195
Interest Coverage Ratio:					
Interest expense	$ 147,318	$ 154,574	$ 156,532	$ 152,337	$ 144,403
Capitalized interest	13,809	14,547	13,947	11,870	10,335
Non-cash interest expense	(9,284)	(5,871)	(6,716)	(5,824)	(5,083)
Total interest	151,843	163,250	163,763	158,383	149,655
EBITDA	$ 651,006	$ 618,976	$ 635,152	$ 604,127	$ 515,195
Interest coverage ratio	4.29 x	3.79 x	3.88 x	3.81 x	3.44 x
Fixed Charge Coverage Ratio:					
Total interest	$ 151,843	$ 163,250	$ 163,763	$ 158,383	$ 149,655
Secured debt principal payments	11,887	12,430	12,865	13,839	14,942
Total fixed charges	163,730	175,680	176,628	172,222	164,597
EBITDA	$ 651,006	$ 618,976	$ 635,152	$ 604,127	$ 515,195
Fixed charge coverage ratio	3.98 x	3.52 x	3.60 x	3.51 x	3.13 x

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

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

Adjusted EBITDA Reconciliations:	Twelve Months Ended March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income	$ 461,138	$ 358,139	$ 271,497	$ 134,122	$ 123,452
Interest expense	610,761	607,846	593,663	576,813	552,226
Income tax expense (benefit)	9,510	6,364	7,044	5,717	5,279
Depreciation and amortization	1,427,852	1,401,101	1,362,657	1,377,042	1,345,392
EBITDA	2,509,261	2,373,450	2,234,861	2,093,694	2,026,349
Loss (income) from unconsolidated entities	54,154	53,442	56,084	58,751	25,477
Stock-based compensation expense	38,829	36,611	34,762	32,299	27,709
Loss (gain) on extinguishment of debt, net	8	7	94	95	697
Loss (gain) on real estate dispositions, net	(71,858)	(67,898)	(65,258)	4,780	6,144
Impairment of assets	66,799	36,097	34,249	31,217	30,131
Provision for loan losses, net	10,046	9,809	17,761	14,192	11,098
Loss (gain) on derivatives and financial instruments, net	(6,104)	(2,120)	5,353	9,373	5,751
Other expenses	99,727	108,341	96,988	74,249	98,346
Lease termination and leasehold interest adjustment [1]	(65,485)	(65,485)	(65,485)	(65,485)	(56,397)
Casualty losses, net of recoveries	7,778	10,107	16,446	15,760	14,865
Other impairment [2]	25,998	16,642	12,309	—	(620)
Adjusted EBITDA	$ 2,669,153	$2,509,003	$ 2,378,164	$ 2,268,925	$ 2,189,550
Adjusted Interest Coverage Ratio:					
Interest expense	$ 610,761	$ 607,846	$ 593,663	$ 576,813	$ 552,226
Capitalized interest	54,173	50,699	45,914	40,830	35,347
Non-cash interest expense	(27,695)	(23,494)	(21,903)	(21,946)	(22,728)
Total interest	637,239	635,051	617,674	595,697	564,845
Adjusted EBITDA	$ 2,669,153	$2,509,003	$ 2,378,164	$ 2,268,925	$ 2,189,550
Adjusted interest coverage ratio	4.19 x	3.95 x	3.85 x	3.81 x	3.88 x
Adjusted Fixed Charge Coverage Ratio:					
Total interest	$ 637,239	$ 635,051	$ 617,674	$ 595,697	$ 564,845
Secured debt principal payments	51,021	54,076	55,635	56,545	57,088
Total fixed charges	688,260	689,127	673,309	652,242	621,933
Adjusted EBITDA	$ 2,669,153	$2,509,003	$ 2,378,164	$ 2,268,925	$ 2,189,550
Adjusted fixed charge coverage ratio	3.88 x	3.64 x	3.53 x	3.48 x	3.52 x

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

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

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

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

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

	As of				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Book capitalization:					
Unsecured credit facility and commercial paper	$ —	$ —	$ —	$ —	$ —
Long-term debt obligations [1]	14,285,686	15,815,226	15,899,420	16,040,530	15,074,320
Cash and cash equivalents and restricted cash	(2,478,335)	(2,076,083)	(2,686,711)	(2,299,069)	(638,796)
Total net debt	11,807,351	13,739,143	13,212,709	13,741,461	14,435,524
Total equity and noncontrolling interests[2]	28,547,908	26,371,727	23,818,619	22,193,114	21,596,155
Book capitalization	$ 40,355,259	$ 40,110,870	$ 37,031,328	$ 35,934,575	$ 36,031,679
Net debt to book capitalization ratio	29%	34%	36%	38%	40%
Undepreciated book capitalization:					
Total net debt	$ 11,807,351	$ 13,739,143	$ 13,212,709	$ 13,741,461	$ 14,435,524
Accumulated depreciation and amortization	9,537,562	9,274,814	8,868,627	8,599,622	8,417,151
Total equity and noncontrolling interests[2]	28,547,908	26,371,727	23,818,619	22,193,114	21,596,155
Undepreciated book capitalization	$ 49,892,821	$ 49,385,684	$ 45,899,955	$ 44,534,197	$ 44,448,830
Net debt to undepreciated book capitalization ratio	24%	28%	29%	31%	32%
Enterprise value:					
Common shares outstanding	590,934	564,241	532,268	508,159	496,295
Period end share price	$ 93.44	$ 90.17	$ 81.92	$ 80.89	$ 71.69
Common equity market capitalization	$ 55,216,873	$ 50,877,611	$ 43,603,395	$ 41,104,982	$ 35,579,389
Total net debt	11,807,351	13,739,143	13,212,709	13,741,461	14,435,524
Noncontrolling interests[2]	999,965	967,351	864,583	988,673	1,148,000
Consolidated enterprise value	$ 68,024,189	$ 65,584,105	$ 57,680,687	$ 55,835,116	$ 51,162,913
Net debt to consolidated enterprise value ratio	17%	21%	23%	25%	28%

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

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

Critical Accounting Policies and Estimates

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

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

Management has discussed the development and selection of its critical accounting policies and estimates with the Audit Committee of the Board of Directors. Management believes the current assumptions and other considerations used to estimate amounts reflected in our unaudited consolidated financial statements are appropriate and are not reasonably likely to change in the future. However, since these estimates require assumptions to be made that were uncertain at the time the estimate was made, they bear the risk of change. If actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our unaudited consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations, liquidity and/or financial condition. Please refer to Note 2 to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for further information on significant accounting policies that impact us. There have been no material changes to these policies in 2024.

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When Welltower uses words such as "may," "will," "intend," "should," "believe," "expect," "anticipate," "project," "pro forma," "estimate" or similar expressions that do not relate solely to historical matters, Welltower is making forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause Welltower's actual results to differ materially from Welltower's expectations discussed in the forward-looking statements. This may be a result of various factors, including, but not limited to: the status of the economy; the status of capital markets, including availability and cost of capital; issues facing the health care industry, including compliance with, and changes to, regulations and payment policies, responding to government investigations and punitive settlements and operators'/tenants' difficulty in cost effectively obtaining and maintaining adequate liability and other insurance; changes in financing terms; competition within the health care and seniors housing industries; negative developments in the operating results or financial condition of operators/tenants, including, but not limited to, their ability to pay rent and repay loans; Welltower's ability to transition or sell properties with profitable results; the failure to make new investments or acquisitions as and when anticipated; natural disasters, health emergencies (such as the COVID-19 pandemic) and other acts of God affecting Welltower's properties; Welltower's ability to re-lease space at similar rates as vacancies occur; Welltower's ability to timely reinvest sale proceeds at similar rates to assets sold; operator/tenant or joint venture partner bankruptcies or insolvencies; the cooperation of joint venture partners; government regulations affecting Medicare and Medicaid reimbursement rates and operational requirements; liability or contract claims by or against operators/ tenants; unanticipated difficulties and/or expenditures relating to future investments or acquisitions; environmental laws affecting Welltower's properties; changes in rules or practices governing Welltower's financial reporting; the movement of U.S. and foreign currency exchange rates; Welltower's ability to maintain its qualification as a REIT; key management personnel recruitment and retention; and other risks described in Welltower's reports filed from time to time with the SEC. Other important factors are identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Finally, Welltower undertakes no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. We seek to mitigate the underlying foreign currency exposures with gains and losses on derivative contracts hedging these exposures. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate exposure. These decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. This section is presented to provide a discussion of the risks associated with potential fluctuations in interest rates and foreign currency exchange rates. For more information, see Notes 12 and 17 to our consolidated financial statements.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

	March 31, 2024		December 31, 2023	
	Principal balance	Change in fair value	Principal balance	Change in fair value
Senior unsecured notes	$ 11,633,451	$ (518,810)	$ 12,800,253	$ (515,723)
Secured debt	1,591,442	(54,289)	1,625,364	(58,066)
Totals	$ 13,224,893	$ (573,099)	$ 14,425,617	$ (573,789)

Our variable rate debt, including our unsecured revolving credit facility and commercial paper program, is reflected at fair value. At March 31, 2024, we had $1,173,972,000 outstanding related to our variable rate debt after considering the effects of interest rate swaps. Assuming no changes in outstanding balances, a 1% increase in interest rates would result in increased annual interest expense of $11,740,000. At December 31, 2023, we had $1,496,447,000 outstanding under our variable rate debt. Assuming no changes in outstanding balances, a 1% increase in interest rates would have resulted in increased annual interest expense of $14,964,000.

We are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of the Canadian Dollar or British Pounds Sterling relative to the U.S. Dollar impact the amount of net income we earn from our investments in Canada and the United Kingdom. Based solely on our results for the three months ended March 31, 2024, including the impact of existing hedging arrangements, if these exchange rates were to increase or decrease by 10%, our annualized net income from these investments would increase or decrease, as applicable, by less than $19,000,000. We will continue to mitigate these underlying foreign currency exposures with non-U.S. denominated borrowings and gains and losses on derivative contracts. If we increase our international presence through investments in, or acquisitions or development of, seniors housing and health care properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. Dollars, Canadian Dollars or British Pounds Sterling. To illustrate the impact of changes in foreign currency markets, we performed a sensitivity analysis on our derivative portfolio whereby we modeled the change in net present values arising from a hypothetical 1% increase in foreign currency exchange rates to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

	March 31, 2024		December 31, 2023	
	Carrying Value	Change in fair value	Carrying Value	Change in fair value
Foreign currency exchange contracts	$ 33,743	$ 970	$ 10,811	$ 5,087
Debt designated as hedges	1,511,523	15,115	1,527,380	15,274
Totals	$ 1,545,266	$ 16,085	$ 1,538,191	$ 20,361

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

Item 4. Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

During the three months ended March 31, 2024, we acquired shares of our common stock held by employees who tendered shares to satisfy tax withholding obligations upon the vesting of previously issued restricted stock awards. Specifically, the number of shares of common stock acquired from employees and the average prices paid per share for each month in the three months ended March 31, 2024 are as shown in the table below.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program
January 1, 2024 through January 31, 2024	15,229	$ 91.91	—	$ 3,000,000,000
February 1, 2024 through February 29, 2024	19,059	87.36	—	3,000,000,000
March 1, 2024 through March 31, 2024	2,149	93.74	—	3,000,000,000
Totals	36,437	$ 89.63	—	$ 3,000,000,000

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners may be redeemed, subject to certain conditions, for cash or common shares, at our option. During the three months ended March 31, 2024, we redeemed 19,129 OP Units for common shares.

On November 7, 2022, our Board of Directors approved a share repurchase program for up to $3,000,000,000 of common stock (the "Stock Repurchase Program"). Under the Stock Repurchase Program, we are not required to purchase shares but may choose to do so in the open market or through privately-negotiated transactions, through block trades, by effecting a tender offer, by way of an accelerated share repurchase program, through the purchase of call options or the sale of put options, or otherwise, or by any combination of the foregoing. We expect to finance any share repurchases using available cash and may use proceeds from borrowings or debt offerings. The Stock Repurchase Program has no expiration date and does not obligate us to repurchase any specific number of shares. We did not repurchase any shares of our common stock through the Stock Repurchase Program during the three months ended March 31, 2024.

Item 5. Other Information

None.

Item 6. Exhibits

10.1	Welltower Inc. 2024-2026 Long-Term Incentive Program.*
10.2	Form of Welltower Inc. 2024-2026 LTIP Form Award Agreement.*
10.3	Form of Welltower OP LLC Profits Interests Plan Option Unit Agreement.*
10.4	Form of Welltower Inc. 2022 Long-Term Incentive Plan Restricted Stock Unit Grant Agreement.*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350 by Chief Financial Officer.
101.INS	XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL

* Management contract or Compensatory Plan or Arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under signed thereunto duly authorized.

		WELLTOWER INC.
Date: April 30, 2024	By:	/s/ SHANKH MITRA
		Shankh Mitra,
		Chief Executive Officer (Principal Executive Officer)
Date: April 30, 2024	By:	/s/ TIMOTHY G. MCHUGH
		Timothy G. McHugh,
		Executive Vice President - Chief Financial Officer (Principal Financial Officer)
Date: April 30, 2024	By:	/s/ JOSHUA T. FIEWEGER
		Joshua T. Fieweger,
		Chief Accounting Officer (Principal Accounting Officer)