

National Health Investors

Business Update
October 10, 2024



Spring Arbor of Greensboro

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NHI Announces \$121 Million Investment

Overview of Spring Arbor 10-Property Transaction

- ❖ **Portfolio: 10 Assisted Living & Memory Care Communities, which include 522 units, in North Carolina**
 - No material impact sustained to the portfolio during Hurricane Helene
- ❖ **Operator: Spring Arbor Management will continue to operate the 10-property portfolio**
 - Spring Arbor Senior Living operates 37 assisted living and memory care communities across 10 states primarily in the Southeastern and Midwestern US
- ❖ **Investment Details**
 - Purchase price of \$121.3 million inclusive of transaction costs
 - Initial cash yield of 8.23%
 - Annual fixed escalators of 2.0%
 - 15-year master lease with two 5-year renewal options
- ❖ **Funding: Acquisition funded entirely using NHI’s revolving credit facility**
- ❖ **Acquisition represents NHI’s largest investment since 2020**

Spring Arbor North Carolina Portfolio

Communities	Units
Spring Arbor of Albemarle	45
Spring Arbor of Apex	41
Spring Arbor of Cary	68
Spring Arbor of Greensboro	74
Spring Arbor of Greenville	42
Spring Arbor of Kinston	44
Spring Arbor of Outer Banks	69
Spring Arbor of Rocky Mount	52
Spring Arbor of Wilmington	42
Spring Arbor of Wilson	45



Spring Arbor of Rocky Mount

NHI Updates Investment Pipeline

Date	Tenant / Borrower	Investment Type	Yield ¹	Investment (in millions)
4Q 2024	Spring Arbor Management	Lease	8.23%	\$ 121.3
3Q 2024	Sanders Clearsky	Construction loan	9.00%	27.7
2Q 2024	Encore Senior Living ²	Lease	8.25%	32.1
2Q 2024	Compass Senior Living	Mortgage loan	8.50%	9.5
1Q 2024	Carriage Crossing	Mortgage loan	8.75%	15.0
	Total 2024		8.39%	\$ 205.6
4Q 2023	Innovation Senior Living	Mortgage loan	12.00%	\$ 1.6
3Q 2023	Capital Funding Group	Mezzanine loan	10.00%	17.2
1Q 2023	Silverado Senior Living	Lease	7.50%	37.5
1Q 2023	Bickford Senior Living ²	Lease	8.00%	17.3
4Q 2022	Bickford Senior Living ²	Lease	8.00%	17.2
4Q 2022	Capital Funding Group	Corporate loan	7.25%	42.5
2Q 2022	Encore Senior Living ²	Lease	7.25%	13.3
1Q 2022	Encore Senior Living	Construction loan	8.50%	28.5
	Total 2022 & 2023		7.97%	\$ 175.1
	Total 2022 – 2024		8.19%	\$ 380.7



Spring Arbor of Kinston

Significant Pipeline Creates Pathway for External Growth Opportunities

- ❖ **2024 Investments: Closed \$205.6 million YTD at an average initial yield of 8.4%**
 - \$121.3 million Spring Arbor investment is largest NHI deal since 2020
 - \$32.1 million lease with an existing tenant funded partially by the satisfaction of a \$22.2 million construction loan
 - \$52.2 million in mortgage and construction loans all of which include an NHI purchase option
- ❖ **Signed LOIs: \$34.8 million at an average initial yield of approximately 8.3%**
 - Signed LOIs primarily include senior housing real estate acquisitions as well as smaller loan opportunities
- ❖ **Pipeline: Approximately \$305.0 million**
 - Pipeline excludes multiple larger portfolio opportunities
 - Consists of a mix of SHOP, sale leaseback and loan opportunities primarily in senior housing

¹ Represents contractual rent or interest / purchase price.

² Investments funded partially by the satisfaction of construction loans and mortgages which contained purchase options for NHI.

NHI Provides Tenant Update

Update On the Transition of a Cash Basis Accounting Tenant

- ❖ Effective October 1, 2024, NHI transitioned the operations of four leased properties from Senior Living Management (“SLM”), a cash basis accounting tenant, to other operators. One of the transitioned properties was previously classified as held for sale and is expected to be sold in the fourth quarter of 2024.
- ❖ SLM is also the borrower under a \$10.0 million mortgage loan and a \$14.5 million mezzanine loan designated as nonperforming with cumulative reserves for expected credit losses of approximately \$11.3 million as of June 30, 2024.
- ❖ SLM was current on its obligations for the six months ended June 30, 2024, including payments of \$1.7 million for rental income and \$0.8 million for interest income. SLM also repaid approximately \$0.3 million in rent deferrals during the second quarter of 2024. NHI expects to recognize approximately \$0.4 million in rental income and \$0.3 million in interest income during the third quarter of 2024.
- ❖ In late September 2024, SLM informed the Company that ongoing liquidity constraints raised doubts about the enterprise’s ability to sustain its operations and, as such, it did not expect to pay the NHI rent and interest obligations beginning in September 2024.
- ❖ In response, NHI has commenced the process of exercising its rights and remedies under its lease and loan arrangements including pursuit of a \$7.5 million personal guarantee against three principals.
- ❖ The Company expects to incur costs during the third and fourth quarter of 2024 related to these activities.
- ❖ NHI is evaluating its reserves associated with these two loans in connection with the preparation of its third quarter financial statements, with preliminary indications that additional reserves may be required. As a reminder, the 2024 guidance includes an assumption for concessions. The Company expects to have more information on expectations for the transitioned properties and loans on its third quarter earnings release and conference call.

Update On Hurricanes Helene and Milton

- ❖ As is customary during natural disasters, NHI has communicated with all operators of properties impacted by Hurricane Helene with no material disruptions reported.
- ❖ NHI has been notified that residents and patients at four skilled nursing facilities in Florida have been evacuated in advance of Hurricane Milton’s landfall.