



NEWS RELEASE

Diversified Healthcare Trust Announces Liquidity Measures to Address COVID-19 Impact

4/2/2020

Reduces Quarterly Common Share Dividend Per Share to \$0.01 to Preserve Capital

Deferring Planned Capital Projects

Sufficient Liquidity to Fund Operations for a Sustained Period

NEWTON, Mass.--(BUSINESS WIRE)-- **Diversified Healthcare Trust (Nasdaq: DHC)** today announced that, in response to the operating challenges and uncertainty surrounding the COVID-19 (coronavirus) pandemic and market disruptions, DHC's Board of Trustees has decided to reduce the Company's regular quarterly cash dividend on its common shares for the first quarter to \$0.01 per share, conserving approximately \$33.3 million of cash per calendar quarter. The dividend will be paid to DHC's common shareholders on record as of the close of business on April 13, 2020 and distributed on or about May 21, 2020. The Company's Board of Trustees believes the dividend reduction is the most prudent course of action as it continues to monitor the Company's financial performance and expects to reevaluate the level of any subsequent regular quarterly dividends on a quarterly basis. DHC currently expects that its dividends to its common shareholders in 2020 will be at least equal to the minimum amounts required in order for DHC to remain a real estate investment trust, or REIT, for federal tax purposes.

DHC also expects to conserve capital by deferring certain previously planned non-essential capital investments which is expected to save up to \$150 million in 2020. DHC will re-evaluate all deferred 2020 capital projects later in 2020 as clarity improves on the impact of the COVID-19 pandemic and the overall economic environment on DHC's financial condition. Since the fourth quarter 2019 earnings conference call, DHC has closed on the sale of four assets for approximately \$56 million. However, because of current market conditions, DHC anticipates the pace of

future sales will slow considerably.

One of DHC's highest priorities is the health and well-being of the residents at its senior living communities, the tenants at its medical office buildings, and all of its other stakeholders. As of March 31, 2020, DHC has been notified of 41 confirmed cases of the novel coronavirus (COVID-19) in its managed and leased properties, including 31 residents and tenants, and 10 employees across 23 properties, primarily in its SHOP portfolio.

Due to restrictions intended to prevent the spread of the virus, including limitations on in person tours and the uncertain environment created by the virus, the Company's senior living operators are experiencing significant challenges in attracting new residents to their communities. Additionally, the Company's senior living operators are experiencing cost increases as a result of the pandemic. These increases are primarily due to the combination of elevated labor costs, including increased use of overtime, as well as the increased cost and usage of supplies, including personal protective equipment.

As such, DHC's measures taken today are in direct response to today's operating environment. Jennifer Francis, President and Chief Operating Officer of Diversified Healthcare Trust, made the following statement:

"The U.S. has entered an unprecedented period of uncertainty impacting every aspect of our business as well as the U.S. economy overall. Our first priority at DHC is helping ensure the health and safety of the residents in our communities and the tenants and employees at our properties. We continue to carefully monitor developments related to the virus and support our senior living manager, Five Star Senior Living, and tenants following recommendations provided by the CDC and federal, state and local regulatory authorities. From a financial perspective, we believe we are taking all of the appropriate steps to preserve capital, maintain liquidity, and meet our debt obligations during this crisis. In addition to the many cost saving steps we are proactively taking, we anticipate that our G&A expenses will be materially reduced because of the lower fees we will pay to our manager, The RMR Group LLC, as a result of the decline in our share price since this crisis began. Finally, we note that we are a large healthcare REIT with a strong base of diverse, high-quality assets, and we are confident we will weather the current business conditions, just as we have survived other challenges in the past, adapting our business model and protocols as needed."

Diversified Healthcare Trust (Nasdaq: DHC) is a real estate investment trust (REIT) focused on owning high-quality healthcare properties located throughout the United States. DHC seeks diversification across the health services spectrum: by care delivery and practice type, by scientific research disciplines, by property type and location. As of December 31, 2019, DHC's \$8.4 billion portfolio included more than 420 properties in 39 states and Washington, D.C., occupied by more than 600 tenants, and totaling approximately 12 million square feet of medical office and life science properties and more than 30,000 living units. DHC is managed by the operating subsidiary of The RMR Group Inc. an alternative asset management company that is headquartered in Newton, MA. To learn more about

DHC, visit www.dhcreit.com.

WARNING REGARDING FORWARD-LOOKING STATEMENTS

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, whenever DHC uses words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions, DHC is making forward-looking statements. These forward-looking statements are based upon DHC’s present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Actual results may differ materially from those contained in or implied by DHC’s forward-looking statements as a result of various factors. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond DHC’s control. For example:

- In this press release, DHC announced several actions it has taken and plans to take in response to the current operating challenges and uncertainty surrounding the COVID-19 pandemic, including reducing its regular quarterly dividend on its common shares to \$0.01 per share per quarter and deferring certain previously planned non-essential capital investments. However, if the severity of the COVID-19 pandemic continues for an extended period or if business activity and the economy fail to sufficiently improve if and when the negative impacts of the COVID-19 abate, these actions may not be sufficient in preventing DHC from potentially realizing sustained losses and liquidity challenges. Further, DHC may incur increased operating expenses, particularly at its senior living communities, for supplies and personnel to address the current COVID-19 pandemic and it may be prevented from accepting additional residents at certain of its senior living communities if it becomes restricted from doing so due to the COVID-19 pandemic. In addition, upcoming debt maturities, including DHC’s \$200 million unsecured senior notes that mature on April 15, 2020 and \$200 million aggregate principal term loan that matures on June 12, 2020 will reduce its available liquidity to fund its operations. In addition, under the current economic conditions, DHC’s tenants and managers may not be able to profitably operate their businesses at DHC’s properties, and DHC’s tenants may become unable or unwilling to pay rent owed to DHC or the managers of DHC’s senior living communities may be unable to generate DHC’s minimum returns for sustained periods. Additionally, DHC’s ability to borrow under its credit facility is subject to it satisfying financial and other covenants, and if it defaults under its credit facility or other debt obligations, it may be required to repay its outstanding borrowings and other debt. Further, although DHC has taken steps to enhance its ability to maintain sufficient liquidity, unanticipated events, such as emergencies in addition to, or as an expansion of, the current impact of the COVID-19 pandemic may require DHC to expend amounts not currently planned.
- This press release states that DHC has reduced its regular quarterly dividend on its common shares to \$0.01 per share per quarter and that DHC’s Board of Trustees expects to reevaluate the level of any subsequent

regular quarterly dividend on a quarterly basis. An implication of this statement may be that DHC will resume paying regular quarterly dividends on its common shares at or near historic levels in the near future. In fact, DHC may not resume paying regular quarterly dividends at or near historic levels in the near future and its reduction of its regular quarterly dividend on its common shares may extend for an indefinite period. Moreover, capital market conditions may not improve or DHC's own financial circumstances may change so that it becomes unable or unwilling to increase its regular quarterly dividends on its common shares. Also, DHC's historical rate of dividends on its common shares may be changed because of changes in DHC's earnings, liquidity, financial leverage or other circumstances.

- DHC has indicated that it expects that the pace of its future asset sales to slow considerably because of current market conditions. This may imply that asset sales will re-commence if market conditions improve; however, any future asset sales may be delayed indefinitely, they may not occur or, if they do occur, assets may be sold at prices less than previously expected and DHC may realize losses from those assets and any reduction in its financial leverage resulting from any such sales may be less than previously planned.
- Ms. Francis references DHC having survived other challenges in the past as support for DHC's confidence that it will weather the current challenging business conditions. However, those past successes are no guarantee of future success and the challenges posed by the current business conditions may differ from those earlier challenges and more drastically negatively impact DHC and its tenants and managers than did those past events, including that the current conditions may last longer and be more detrimental, resulting in a longer period of recovery and return to more normal business.

The information contained in DHC's filings with the Securities and Exchange Commission, or SEC, including under "Risk Factors" in DHC's periodic reports, or incorporated therein, identifies other important factors that could cause DHC's actual results to differ materially from those stated in or implied by DHC's forward-looking statements. DHC's filings with the SEC are available on the SEC's website at www.sec.gov.

You should not place undue reliance upon forward-looking statements.

Except as required by law, DHC does not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

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