
# INVESTOR PRESENTATION

November 2020

DIVERSIFIED HEALTHCARE TRUST

# WARNING CONCERNING FORWARD LOOKING STATEMENTS

This presentation 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 we use words such as "believe", "expect", "anticipate", "intend", "plan", "estimate", "will", "may" and negatives or derivatives of these or similar expressions, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Forward-looking statements in this presentation relate to various aspects of our business, including the duration and severity of the economic downturn resulting from the COVID-19 pandemic and its impact on us and our tenants' and operators' businesses and the healthcare sector, the likelihood and extent to which the COVID-19 pandemic and its aftermath will negatively impact our tenants' and senior living community residents' ability to pay rent, our ability to pay distributions to our shareholders and to sustain the amount of such distributions, the ability of Five Star Senior Living Inc. (Five Star), the manager of our managed senior living communities, to manage our senior living communities during the COVID-19 pandemic and to manage them profitably and maintain or increase our returns from our managed senior living communities, or to limit the extent of decreases in our returns during the COVID-19 pandemic and economic downturn, whether the aging U.S. population and increasing life spans of seniors will increase the demand for senior living communities and other medical and healthcare related properties and healthcare services, our expectation that, as a result of the COVID-19 pandemic, overall tenant retention levels may increase, our ability to retain our existing tenants, attract new tenants and maintain or increase current rental rates on terms as favorable to us as our prior leases, the credit qualities of our tenants, our ability to compete for tenancies and acquisitions effectively, our ability to maintain and increase occupancy, revenues and net operating income (NOI) at our properties, or to limit their decline during the COVID-19 pandemic and economic downturn, our ability to complete our target dispositions, our application for additional funds that may be available under the Coronavirus Aid, Relief, and Economic Security Act Provider Relief Fund may be denied and we may not receive any additional funding, our acquisitions and sales of properties, our closures of senior living communities, our ability to raise debt or equity capital, the future availability of borrowings under our revolving credit facility, our ability to pay interest on and principal of our debt, our policies and plans regarding investments, financings, and dispositions, our ability to appropriately balance our use of debt and equity capital, our credit ratings, our expected management fees, and the expected trading price of our common shares.

Our actual results may differ materially from those contained in or implied by our forward-looking statements as a result of various factors, such as the impact of the COVID-19 pandemic and its aftermath on us and our tenants' and operators' businesses, the impact of conditions in the economy and the capital markets on us and our tenants and operators, compliance with, and changes to, applicable laws, regulations and rules, limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification for taxation as a real estate investment trust (REIT) for U.S. federal income tax purposes, competition within the healthcare and real estate industries, actual and potential conflicts of interest with our related parties and acts of terrorism, outbreaks pandemics, including the COVID-19 pandemic, or other manmade or natural disasters beyond our control. For example: (a) (i) 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 substantial adverse impacts of the COVID-19 pandemic abate, we may realize sustained losses and liquidity challenges, incur increased operating expenses, particularly at our senior living communities, for supplies and personnel to address the current COVID-19 pandemic and be prevented from accepting additional residents at certain of our senior living communities; (ii) under the current economic conditions, our tenants and operators may not be able to profitably operate their businesses at our properties, our tenants may become unable or unwilling to pay rent owed to us, or the manager of our senior living communities may be unable to generate our minimum returns for sustained periods; (iii) if we default under our credit facility or other debt obligations due to the impact of the COVID-19 pandemic or otherwise, we may be required to repay our outstanding borrowings and other debt; and (iv) although we have taken steps to enhance our 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 us to expend amounts not currently planned; (b) the conversion of our previously existing lease arrangements with Five Star to management arrangements pursuant to the restructuring of our business arrangements with Five Star was a significant change in our business arrangements with Five Star and has resulted, and will likely continue to result in the future, in our realizing significantly different operating results from our senior living communities managed by Five Star; (c) if Five Star fails to provide quality services at our senior living communities, the NOI generated by these communities may be adversely affected; (d) Five Star has experienced significant operating and financial challenges, resulting from a number of factors, some of which are beyond Five Star's control, and which challenges directly impact our operating results from our managed senior living communities; (e) if Five Star's other operations are not profitable or if it does not operate our managed senior living communities, it could become insolvent; (f) we may sell some or all of our Five Star common shares, or our ownership interest in Five Star may otherwise be diluted in the future; (g) our distributions to our shareholders are set by our Board of Trustees, which considers many factors when setting or resetting our distribution rate, including our historical and projected net income, normalized funds from operations (Normalized FFO), our then current and expected needs and availability of cash to pay our obligations, distributions which we may be required to pay to maintain our qualification for taxation as a REIT, limitations in the agreements governing our debt and other factors deemed relevant by our Board of Trustees in its discretion, and our projected cash available for distribution in the future may change and may vary from our expectations; accordingly, future distributions may be increased or decreased and we cannot be sure as to the rate at which future distributions will be paid; (h) our ability to make future distributions to our shareholders and to make payments of principal and interest on our indebtedness depends upon a number of factors, including our future earnings, the capital costs we incur to lease and operate our properties and our working capital requirements; accordingly, we may be unable to pay our debt obligations when they become due or to maintain our current rate of distributions on our common shares and future distributions may be reduced or eliminated; (i) we cannot be sure we will close any of the senior living communities we expect to selectively close or what the terms or timing of any such closures may be and we cannot be sure that we will reduce operating losses or otherwise improve the quality of our portfolio through any such closures; (k) we cannot be sure we will sell any properties we plan to sell or what the terms or timing of any such sales may be, including as a result of current market conditions related to the COVID-19 pandemic, and we cannot be sure that we will acquire replacement properties that improve the quality of our portfolio or our ability to increase our distributions to shareholders and we may sell properties at prices that are less than expected and less than their carrying values and therefore incur losses; (j) contingencies in our acquisition and sale agreements that we may enter may not be satisfied and any acquisitions and sales pursuant to such agreements and any related management arrangements we may expect to enter may not occur, may be delayed or the terms of such transactions or arrangements may change, (l) the essential capital investments we are making at our senior living communities and our plan to invest additional capital into our senior living communities to better position them in their respective markets in order to increase our future returns may not be successful and may not achieve our expected results, and our senior living communities may not be competitive despite these capital investments, or these capital investments may be delayed due to the COVID-19 pandemic; (m) our redevelopment projects may not be successful and may cost more or take longer to complete than we currently expect, and we may not realize the returns we expect from these projects and we may incur losses from these projects; (n) we may spend more for capital expenditures than we currently expect; (o) our existing joint venture and any other joint ventures that we may enter may not be successful; (p) our tenants may experience losses and default on their rent obligations to us; (q) some of our tenants may not renew expiring leases, and we may be unable to obtain new tenants to maintain or increase the historical occupancy rates of, or rents from, our properties; (r) we may be unable to identify properties that we want to acquire or to negotiate acceptable purchase prices, acquisition financing, management agreements or lease terms for new properties, and we are currently subject to limitations from making acquisitions under the agreements governing our debt; (s) rents that we can charge at our properties may decline because of changing market conditions or otherwise; (t) we cannot be sure that we will enter into any additional management arrangements with Five Star; (u) continued availability of borrowings under our revolving credit facility is subject to our satisfying certain financial covenants and other credit facility conditions that we may be unable to satisfy; (v) actual costs under our revolving credit facility or other floating rate debt will be higher than LIBOR plus a premium because of fees and expenses associated with such debt; (w) our option to extend the maturity date of our revolving credit facility is subject to our payment of a fee and meeting other conditions that may not be met; (x) further changes in our credit ratings may cause the interest and fees we pay to further increase; (y) our residents and patients may become unable to fund our charges with private resources and we may be required or may elect for business reasons to accept or pursue revenues from government sources, which could result in an increased part of our NOI and revenue being generated from government payments and our becoming more dependent on government payments; (z) there can be no assurance that the Office of Inspector General will agree with the amounts of repayments and penalties which we have estimated or that our revenue reserve will be adequate with respect to certain Medicare billing and other issues that Five Star identified at a senior living community Five Star manages for us; (aa) circumstances that adversely affect the ability of seniors or their families to pay for our manager's and other operators' services, such as economic downturns, weak housing market conditions, higher levels of unemployment among our residents' family members, lower levels of consumer confidence, stock market volatility and/or changes in demographics generally could affect the profitability of our senior living communities; (bb) our unspent leasing related obligations may cost more or less and may take longer to complete than we currently expect, and we may incur increasing amounts for these and similar purposes in the future; (cc) operating deficiencies or a license revocation at one or more of our senior living communities may have an adverse impact on our ability to obtain licenses for, or attract residents to, our other communities; (dd) the trading price of our common shares is beyond our control and may increase or decrease more than we currently expect; and (ee) the advantages we believe we may realize from our relationships with related parties may not materialize.

Our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, including under the heading "Risk Factors," and our other filings with the Securities and Exchange Commission (SEC) identify other important factors that could cause differences from our forward-looking statements. Our filings with the SEC are available on the SEC's website at www.sec.gov. You should not place undue reliance upon our forward-looking statements. Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

**NON-GAAP FINANCIAL MEASURES**

This presentation contains non-GAAP financial measures including Normalized FFO, adjusted EBITDA, NOI and cash basis NOI. Reconciliations for these metrics to the closest U.S. generally accepted accounting principles (GAAP) metrics are included in an appendix hereto.

**Note: Unless otherwise noted, data is presented as of September 30, 2020.**

# REASONS TO INVEST IN DHC

**An institutional quality portfolio** that is diversified across the healthcare spectrum, and seeks long-term stable growth.

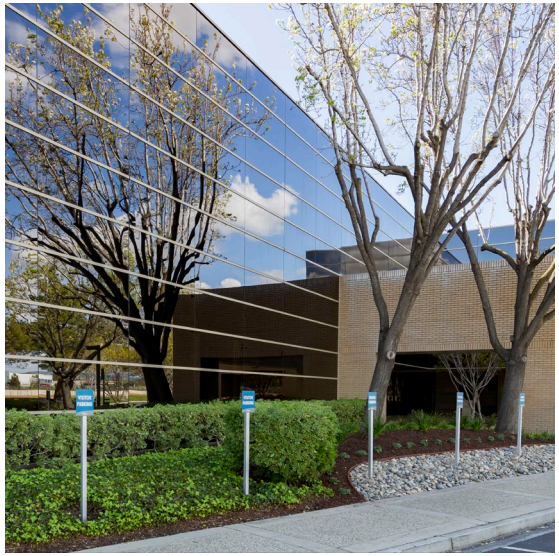
**Long-term, positive healthcare demographics** that offer potential for improved industry fundamentals.

**Predominantly private pay assets** with limited exposure to Government reimbursement programs such as Medicare and Medicaid.

**Diversified tenant credit profile** with over 630 tenants in the Office segment.

**Strong management platform** with efficiency advantages.

**Deep valuation disconnect,** which creates an attractive buying opportunity.



# A WELL POSITIONED NATIONAL HEALTHCARE REIT

## DHC seeks to capitalize on the healthcare demands of an aging U.S. population.

**407[1]**
Healthcare Related Properties

**$8.2B[1]**
Investment Portfolio

**11.6M sf**
Medical Office & Life Science Space

**30,837 [2]**
Senior Living Community Units

### Focused growth

- Well-located medical office and life science buildings, and private pay senior living communities in diverse markets.

### Scale and diversity

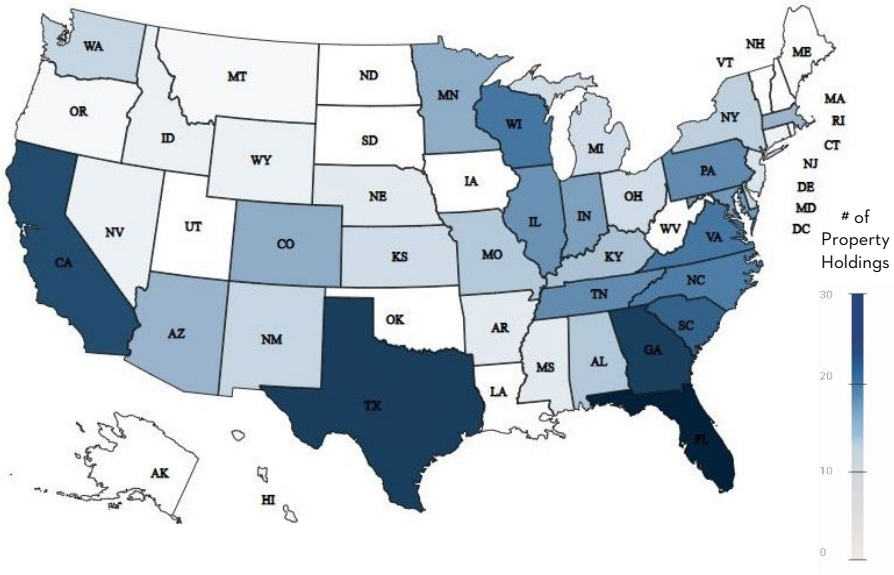
- With an $8.2B[1] national investment portfolio and over 630 medical office and life science tenants, DHC is well scaled with strong credit diversity.


(1) Includes 22 properties with gross book value of real estate assets of $172.1M, which are classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.
(2) Includes 920 units designated for closure and/or sale as of September 30, 2020.

# PORTFOLIO PROFILE

**DHC's historically opportunistic approach to investing in quality healthcare related properties has created a portfolio that is broadly diversified with national scale.**

### Geographic Diversification By Holdings




407 properties located in 37 states and Washington, D.C.[1]

### Geographic Diversification By Gross Book Value Of Real Estate Assets[1][2]

| | | | |
|---|---|---|---|
| MA | 16% | WI | 4% |
| CA | 10% | NC | 4% |
| FL | 9% | IL | 3% |
| TX | 8% | VA | 3% |
| GA | 5% | 27 Other States + D.C. | 34% |
| MD | 4% | Total | 100% |

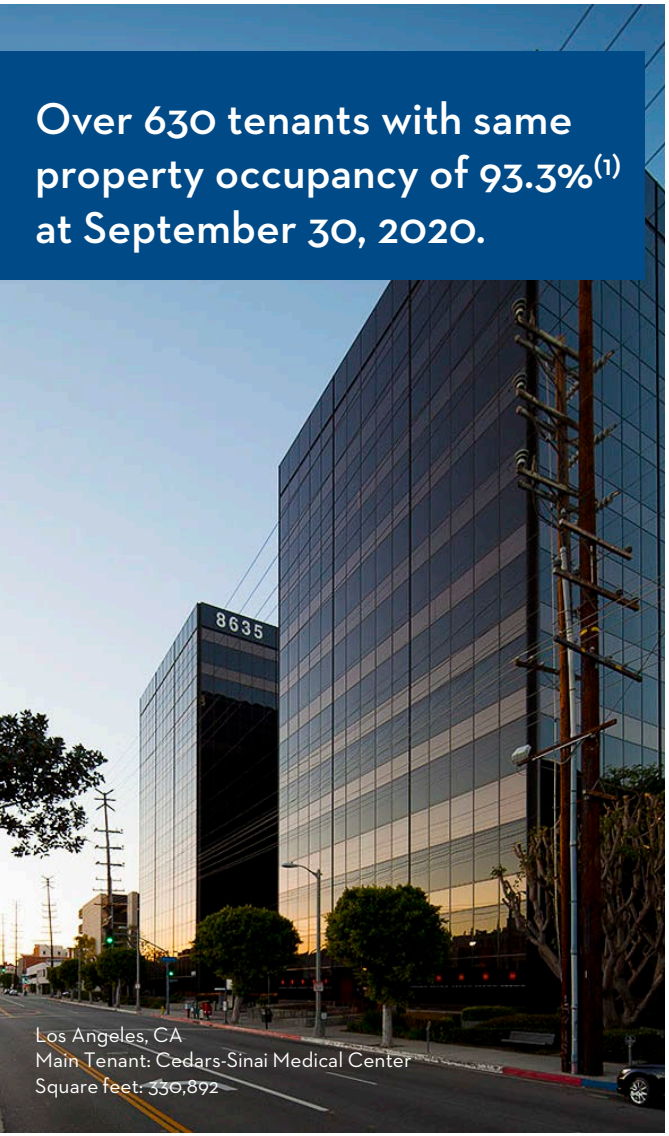
### Asset Class By NOI[1][3]
(based on Q3 2020 NOI)

| | |
|---|---|
| Life Science | 41% |
| Medical Office | 36% |
| Independent Living | 17% |
| Wellness Centers | 4% |
| Assisted Living | 1% |
| Skilled Nursing Facilities | <1% |

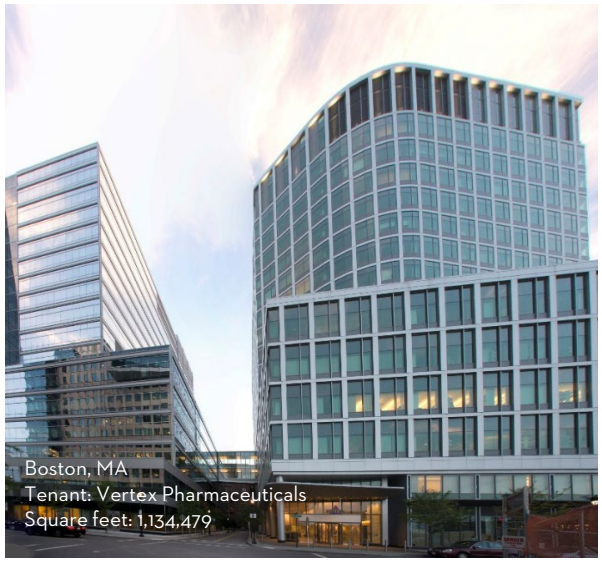
(1) Includes 22 properties with gross book value of real estate assets of $172.1M, which are classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.
(2) Gross book value of real estate assets is real estate assets at cost plus certain acquisition costs, before depreciation and purchase price allocations, less impairment writedowns, if any.
(3) Includes $0.6M of revenues and $(0.2)M of NOI from properties that we sold and $19.4M of revenues and $0.9M of NOI from properties classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.

# HIGH QUALITY MEDICAL OFFICE AND LIFE SCIENCE PORTFOLIO

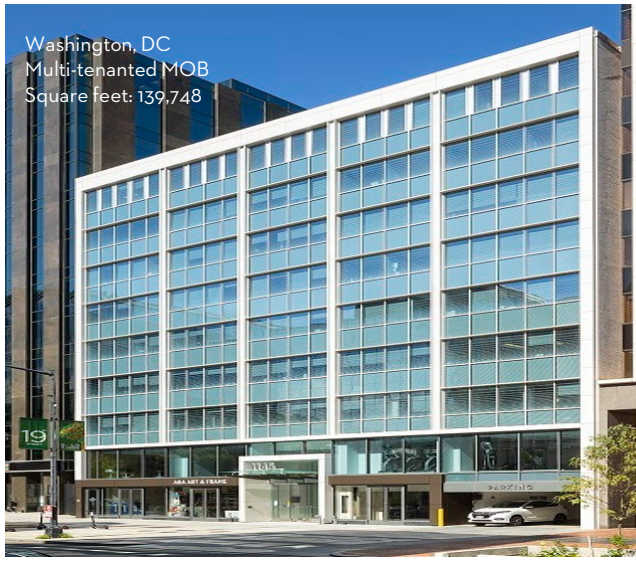
**Over 630 tenants with same property occupancy of 93.3%[1] at September 30, 2020.**




Los Angeles, CA
Main Tenant: Cedars-Sinai Medical Center
Square feet: 330,892



Boston, MA
Tenant: Vertex Pharmaceuticals
Square feet: 1,134,479



Washington, DC
Multi-tenanted MOB
Square feet: 139,748

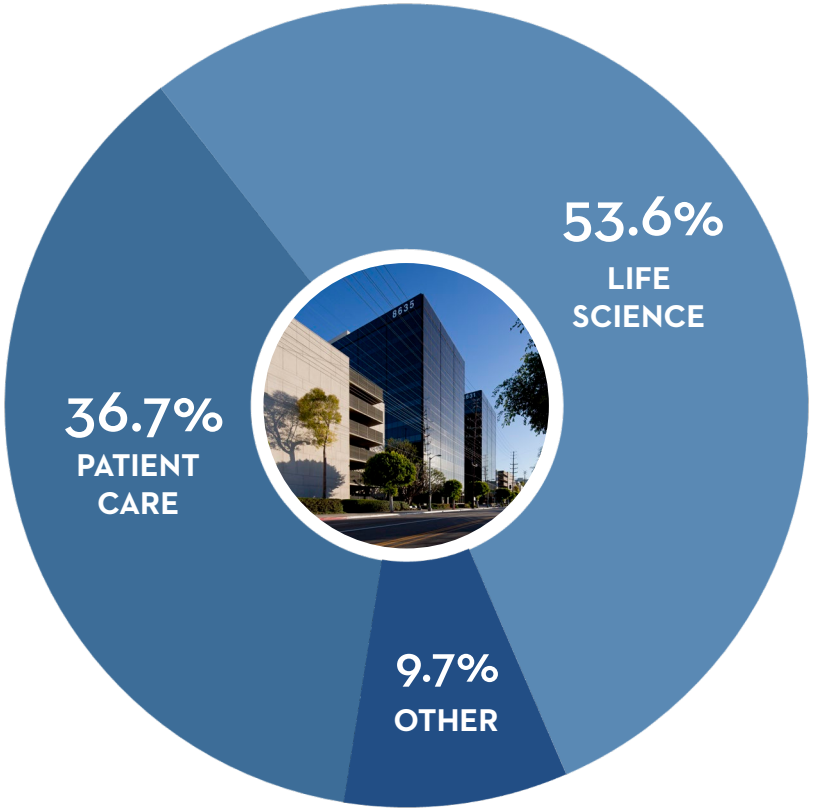

Overland Park, KS
Main Tenant: IQVIA
Square feet: 239,366

Maryland Heights, MO
Tenant: Magellan Health Care
Square feet: 232,521

(1) Same property occupancy data is as of quarter end and includes space which is leased but is not occupied or is being offered for sublease by tenants and space being fitted out for occupancy.

# OFFICE PORTFOLIO[1]

Office Portfolio Segment[1]




**TENANTS INCLUDE**

- VERTEX
- AdvocateAuroraHealth
- Cedars-Sinai
- Ology Bioservices
- Medtronic
- Children's Hospital Boston – The first place for children
- abbvie
- PerkinElmer – For the Better
- Quest Diagnostics
- stryker

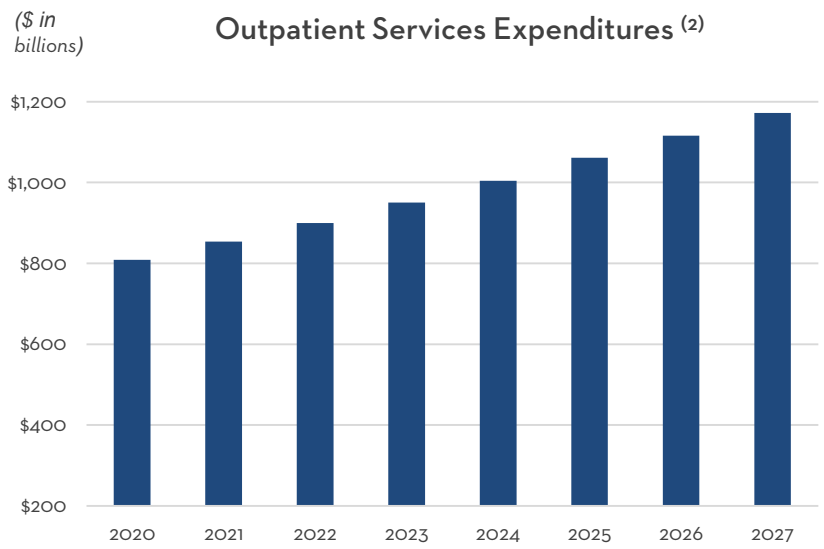
- Pharmaceutical company with a focus on medicines that treat cystic fibrosis.
- Market Cap. of approximately $57 billion[2].
- LTM revenues of $6.0 billion[3].
- Approved medicines include SYMDEKO/SYMKEVI, ORKAMBI, KALYDECO, and TRIKAFTA/KAFTRIO.

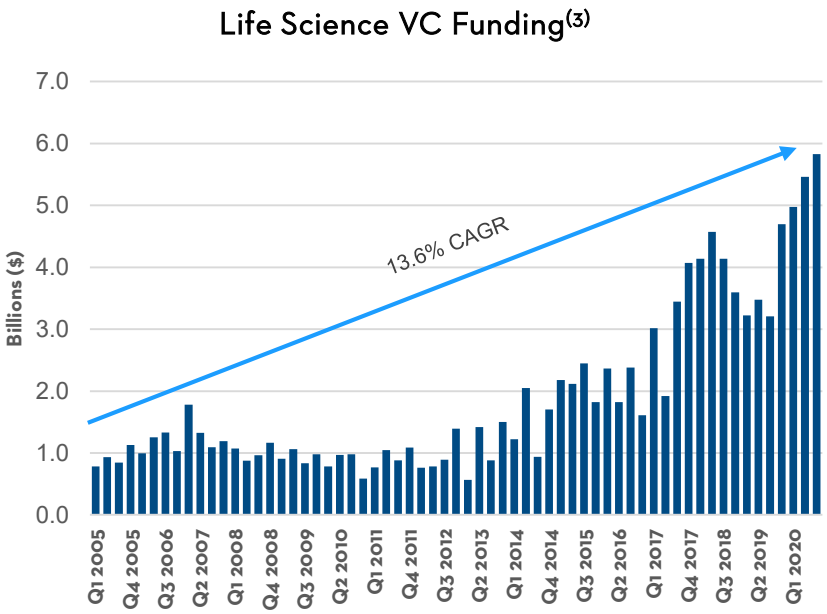
(1) Includes both medical office and life science properties. Based on Q3 2020 NOI. See Appendix for the calculation of NOI and a reconciliation of net income (loss) determined in accordance with GAAP to that amount.
(2) As of market close, November 4, 2020. Source: Nasdaq.
(3) LTM GAAP total revenues as reported by Vertex for the period ended September 30, 2020.

# MEDICAL OFFICE AND LIFE SCIENCE DYNAMICS

## Strong demographic tailwinds driving healthcare real estate demand.

- Between now and 2030, more than **20% (or the equivalent of 10,000 Baby Boomers per day)** of the total U.S. population will reach the age of 65[1], which is the Medical Office/Life Science primary target demographic.
- Physician and clinical services spending is projected to grow at an average rate of **5.4%** per year and reach **$1.2T** by 2027.



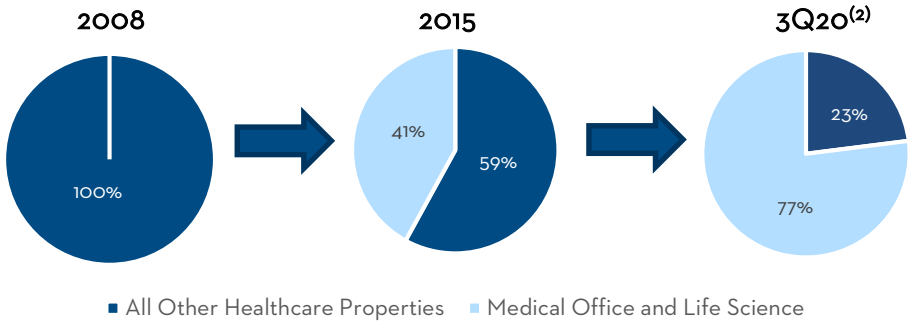

- The demand for life science innovation is rapidly growing. Real estate is becoming a **key component** for collaborative R&D environments such as incubator spaces in innovation clusters[3].
- Many life science tenants have been labeled "essential" and continue occupying space during the pandemic, insulating the industry from work-from-home trends[4].
- Venture capital funding to the life science industry has surged over the past few years, driving employment growth and increased attention from new investors. VC Funding is up 13.6% CAGR since 2005[3].

(1) Source: U.S. Census Bureau.
(2) Source: Centers for Medicare & Medicaid Services, Office of the Actuary, September 2018.
(3) Source: U.S. BLS, CBRE Research, PWCMoneyTree, Q3 2020. Note: Quarterly VC funding in Biotechnology, Drug Development, Drug Discovery, Disease Diagnostics and Pharma/Drugs.
(4) Source: Newmark Knight Frank, 2020 Life Sciences Overview

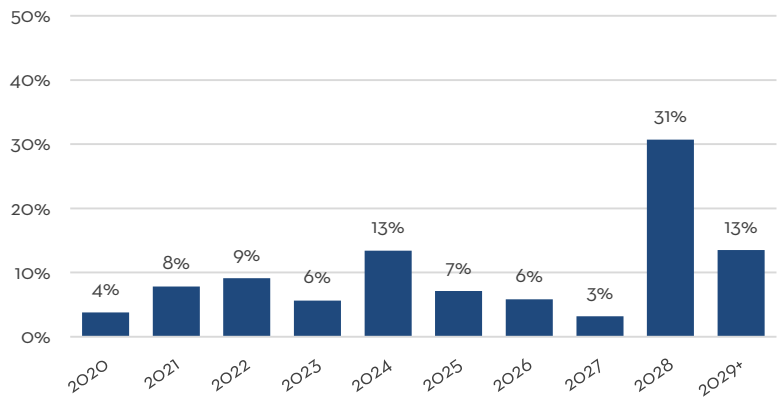
# GROWING MEDICAL OFFICE AND LIFE SCIENCE EXPOSURE

## DHC has been shifting its portfolio mix toward high quality Medical Office and Life Science properties

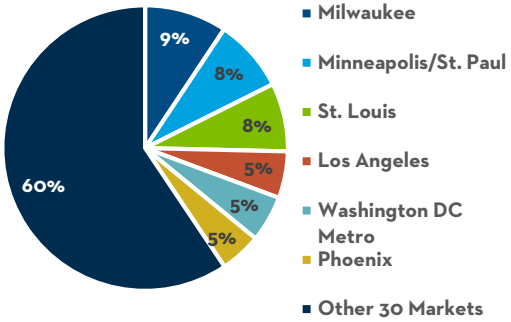
### Diversifying into Medical Office & Life Sciences NOI[1]



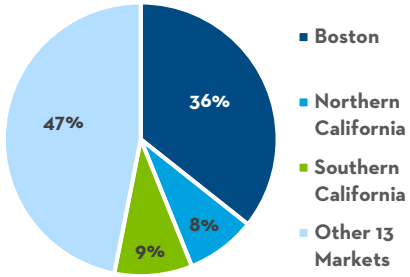

### Medical Office & Life Science Annualized Rental Income Expiring[3]




### Geographically Diversified Medical Office Portfolio[4]




### Strong Life Science Concentration in Top 3 Life Science Markets[4]




- As of September 30, 2020, our same property Office Portfolio occupancy was 93.3%[5].
- Geographically diversified Medical Office portfolio with no market exposure greater than 10%[4].
- Strong life science concentration in the Top 3 Life Science markets[4].
- Well laddered lease expiration schedule.
- Weighted average remaining lease term is 6.0 years[6].

(1) See Appendix for the calculations of NOI and cash basis NOI and a reconciliation of net income (loss) determined in accordance with GAAP to those amounts.
(2) Includes $0.6M of revenues and $(0.2)M of NOI from properties that we sold and $19.4M of revenues and $0.9M of NOI from properties classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.
(3) Annualized rental income is based on rents pursuant to existing leases as of September 30, 2020. Annualized rental income includes straight line rent adjustments and estimated recurring expense reimbursements for certain net and modified gross leases and excludes lease value amortization at certain of our medical office and life science properties. Annualized rental income amounts for our medical office and life science properties also include 100% of rental income as reported under GAAP from a property owned in a joint venture arrangement in which we own a 55% equity interest.
(4) Medical office and life science geographic exposure data is on a square foot basis and is as of September 30, 2020, and includes (i) out of service assets undergoing redevelopment, (ii) space which is leased but is not occupied or is being offered for sublease by tenants and (iii) space being fitted out for occupancy. This data excludes assets classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.
(5) Medical office and life science same property occupancy data is as of September 30, 2020 and includes space which is leased but is not occupied or is being offered for sublease by tenants and space being fitted out for occupancy.
(6) Average remaining lease term is weighted by annualized rental income, and as of September 30, 2020.

# COVID-19 UPDATE – OFFICE PORTFOLIO

## As of September 30, 2020, our Office Portfolio represents 77% of DHC's total NOI.

**Rent deferrals:**

+ As of November 2nd, 2020, we had granted rent deferrals equal to $1.8M in our Office Portfolio.
+ This represents only 0.5% of the annualized revenue from our Office Portfolio.

**Leasing:** Over the past twelve months, we've executed approximately 957,000 square feet of new and renewal leases, with a 12.1% roll-up in rents, a weighted average lease term of 8.0 years, and with leasing costs of approximately $3.40 per square foot per year.

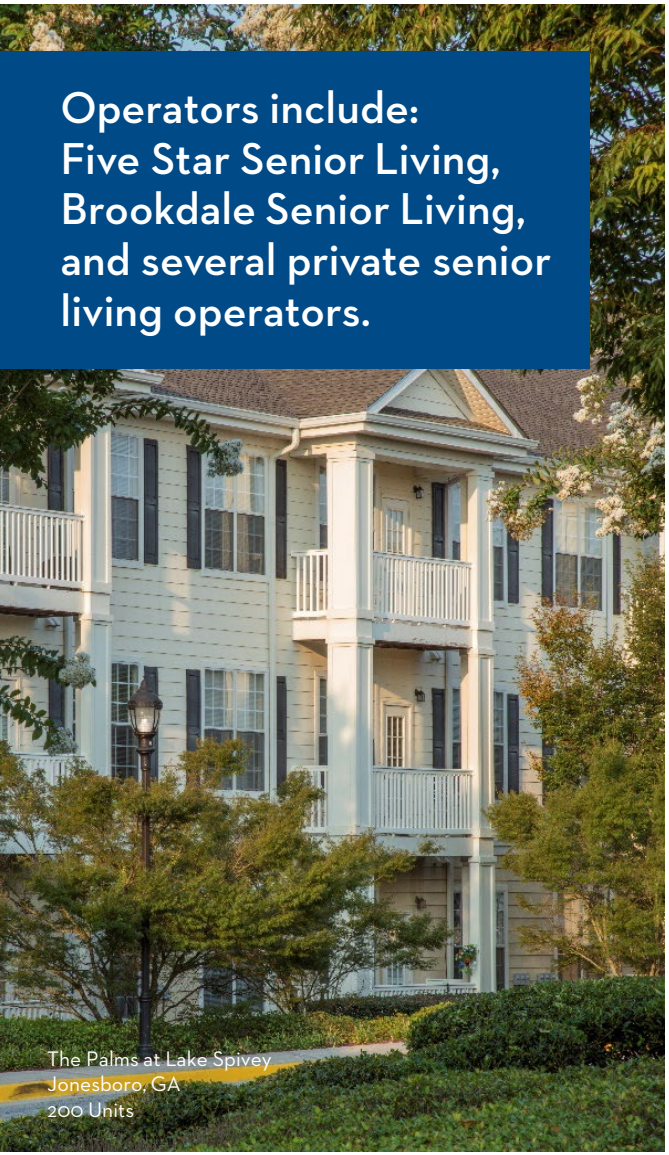
**Construction:** We continue to redevelop our three-building Life Science campus located in the Torrey Pines submarket of San Diego, an approximately $114M project including estimated leasing costs and tenant improvements. Additionally, we have two other redevelopment projects located in Tempe, AZ and Lexington, MA.

| Project | Location | Type of Property | Square Feet (1) | Estimated Project Costs (2) | Total Costs Incurred as of September 30, 2020 | Estimated Completion (3) |
|---|---|---|---|---|---|---|
| Muse at Torrey Pines | San Diego, CA | Life Science | 185,978 | $ 113.6 | $ 38.4 | Q4 2020 |
| 4 Maguire Road | Lexington, MA | Life Science | 53,905 | $ 19.2 | $ 0.6 | Q4 2021 |
| 1415 West 3rd Street | Tempe, AZ | Life Science | 82,257 | $ 11.4 | $ 0.2 | Q2 2021 |

(1) Represents estimated square footage upon project completion.
(2) Project costs may include leasing capital up to stabilization, $ in millions.
(3) Estimated completion date can depend on various factors, including when lease agreements are signed with tenants. Therefore, the actual completion date may vary.

# SENIOR LIVING PORTFOLIO

**Operators include:**
**Five Star Senior Living, Brookdale Senior Living, and several private senior living operators.**



The Palms at Lake Spivey
Jonesboro, GA
200 Units

The Forum at Deer Creek
Deerfield Beach, FL
288 Units

Fieldstone Place
Clarksville, TN
102 Units

Granite Gate
Prescott, AZ
127 Units

FVE Premier Residences
Pompano Beach, FL
169 Units

# SENIOR LIVING PORTFOLIO OVERVIEW

## Current Portfolio (as of September 30, 2020)

| Operator | Community Mix | Number of Communities[1] | Units[1] |
|---|---|---|---|
| SHOP Segment - Managed by Five Star Senior Living (Nasdaq: FVE) | IL, AL, SNF, MC, CCRC | 239 | 28,232 |
| Brookdale Senior Living | AL, MC | 18 | 940 |
| Other Private Operators | IL, AL, SNF, MC, CCRC | 14 | 1,665 |
| NNN Subtotal | IL, AL, SNF, MC, CCRC | 32 | 2,605 |
| Total Senior Living | | 271 | 30,837 |

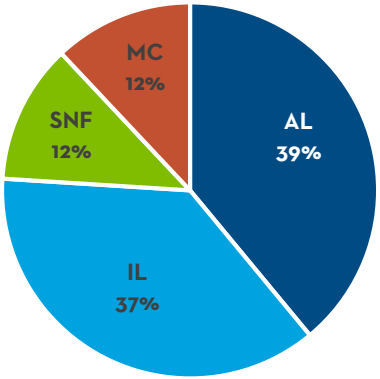
## Five Star Overview:

- Five Star manages all 239 assets within our SHOP portfolio.
- Five Star ranks fourth on the 2020 American Seniors Housing Association's (ASHA) list of largest U.S. senior housing operators.
- Publicly traded company with strong balance sheet.
- $0 drawn on $65M revolving credit facility as of September 30, 2020.
- Employs over 23,000 team members.

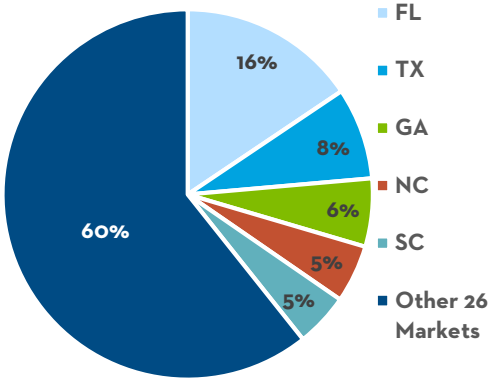
## NNN Overview:

- 85.4% triple net leased weighted average occupancy[2][3].
- 1.63x weighted average rent coverage in the NNN portfolio[3][4].

## SHOP Segment Exposure by Unit Count




## SHOP Well Diversified by Geography[5]

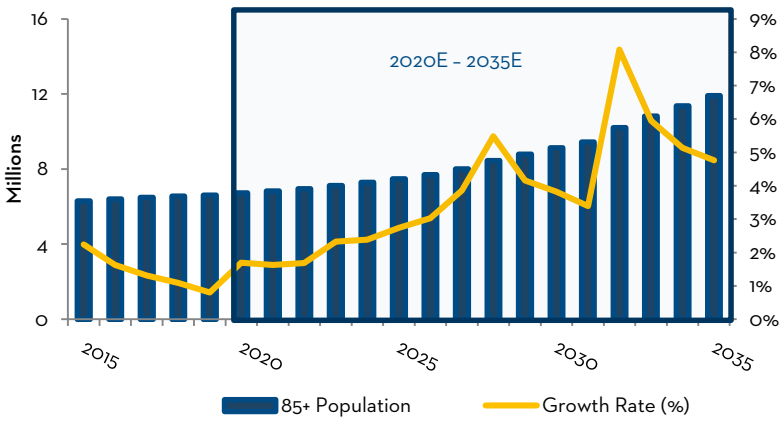



(1) Number of communities and units are as of September 30, 2020 and include properties classified as held for sale and properties designated for closure and/or sale.
(2) Excludes data for periods prior to our ownership of certain properties, as well as properties sold or classified as held for sale, or for which there was a transfer of operations during the periods presented.
(3) All tenant operating data presented is based upon the operating results provided by our tenants for the twelve months ended June 30, 2020.
(4) Rent coverage is calculated using the operating cash flows from our triple net lease tenants' operations of our properties, before subordinated charges, if any, divided by triple net lease minimum rents payable to us. We have not independently verified tenant operating data. Excludes data for historical periods prior to our ownership of certain properties, as well as data for properties sold or classified as held for sale during the periods presented.
(5) Geography for the SHOP segment is based on unit count.

# CURRENT ENVIRONMENT & FUTURE DEMOGRAPHICS

## Future growth warranted transition to RIDEA management structure

### Age 85+ Population Growth[1]



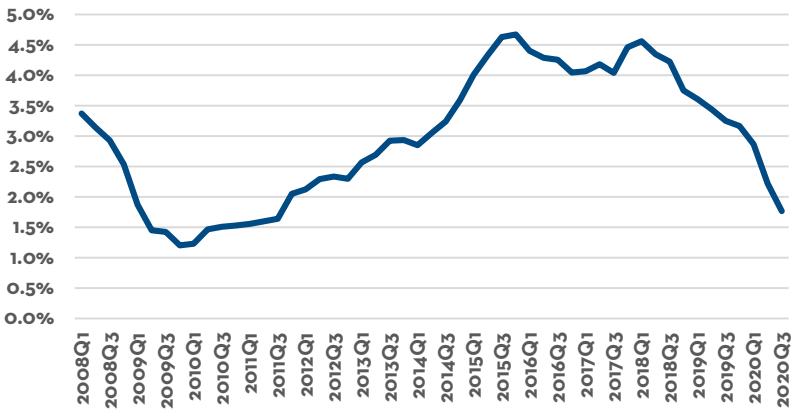

### COVID-19 Presents Short-Term Challenges, But Long-Term Demographics Are Compelling

- Senior living targeted demographic of 85+ population is projected to grow over 30% in the next five years.
- National healthcare spending is projected to grow at an average rate of 5.7% per year and reach $6.0T by 2027[2].

### Supply Trends Favorable Amidst COVID-19

- Primary & Secondary market senior living unit starts as a percentage of inventory have fallen significantly since the outset of the COVID-19 pandemic, and are now at their lowest levels since the third quarter of 2011.
- We expect the unit starts as a percentage of inventory to remain muted.

### Primary & Secondary Market Senior Living Supply: Units Started as a % of Inventory[3]




(1) Source: U.S. Census Bureau, "2014 National Population Projections".
(2) Source: Centers for Medicare & Medicaid Services, www.cms.gov.
(3) Source: NIC Map © Data Service, as of Q2 2020. For more information on the NIC MAP © Data Service, please visit www.nic.org/NIC-map.

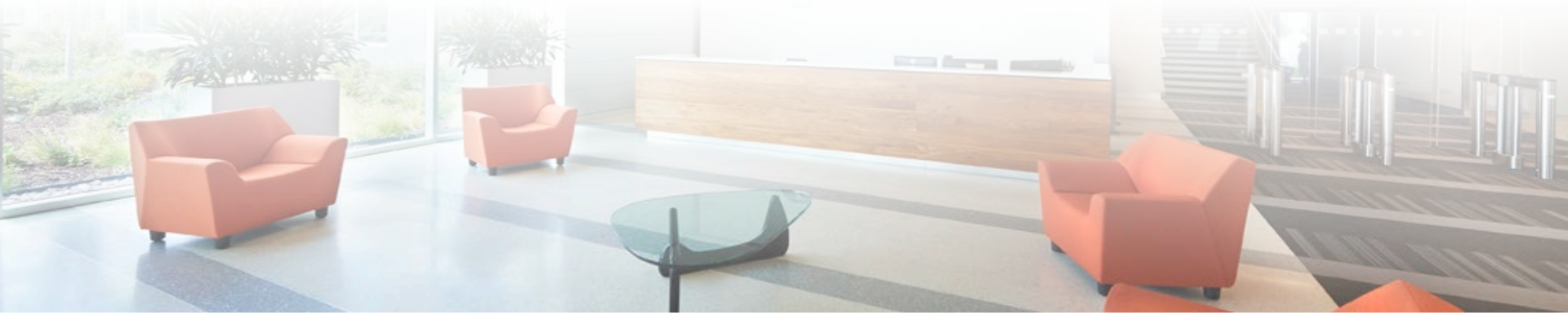
# COVID-19 UPDATE – SHOP

## As of September 30, 2020, our SHOP segment represents 10% of DHC's total NOI.

- **Occupancy:** Same property occupancy in our SHOP segment was 76.3% for the third quarter of 2020.

- **Move-ins and Admissions:**
  - Five Star is currently working with additional referral sources to attract new residents to grow occupancy without undermining rate.
  - We've seen a resulting 35% increase in leads in the third quarter, with conversion rates consistent with pre-pandemic rates. Third quarter move-ins increased 31% over the second quarter, though move-outs exceeded move-ins.
  - As of October 31st, approximately 97% of our SHOP communities remained open to admissions.

- **COVID Cases:** As of October 31st, 1% of our residents had active cases of COVID-19, while over 92% of our resident population has not contracted COVID-19 since the onset of the pandemic, and 67% of those who have tested positive during the pandemic have since recovered, as defined by the CDC guidelines.



# FUNDING AND CAPITALIZATION STRATEGY HIGHLIGHTS

**Capitalization strategy bolstered by a diverse portfolio of healthcare real estate assets to support a flexible capital structure**

| | |
|---|---|
| Access to array of funding sources | *Potential to tap wide range of public and private debt capital markets* |
| Underpinned by institutional quality portfolio | *$8.2B[1] national investment portfolio diversified across the healthcare spectrum* |
| Flexible capital structure | *80% of total debt is unsecured* |
| Depth of lending relationships | *Group of 23 Banks on Lending Facilities* |
| Strong liquidity position | *84% of properties unencumbered[1]* |

(1) Includes 22 properties with gross book value of real estate assets of $172K, which are classified as held for sale in our condensed consolidated balance sheet as of September 30, 2020.

# FINANCIAL PROFILE: CURRENT CAPITALIZATION

## Current Capitalization (At Book)

| ($ in millions) | Interest Rate[1] | 9/30/2020 |
|---|---|---|
| *Debt*[2] | | |
| Secured Debt and Capital Leases[3] | 3.693% | $693 |
| Unsecured Credit Facility | 2.550% | 0 |
| Unsecured Term Loan | 2.750% | 200 |
| Unsecured Senior Notes | 7.193% | 2,650 |
| Total Debt | 6.258% | $3,543 |
| | | |
| *Equity* | | |
| Book Value of Equity | | $2,514 |
| Noncontrolling Interests | | 128 |
| Total Equity | | $2,642 |
| | | |
| *Selected Metrics* | | |
| Secured Debt / Total Debt[3] | | 19.6% |
| Secured Debt / Total Debt (Excluding Joint Ventures)[3][4] | | 2.5% |
| Moody's Rating[4] | | Ba1/Ba2 |
| S&P Senior Notes Rating[5] | | BB+/BB |

(1) Includes the effect of mark to market accounting for certain assumed mortgages and premiums and discounts on certain mortgages and unsecured notes. Excludes effects of offering and transaction costs.
(2) Debt amounts reflect the principal balance as of the date reported. The principal balances are the amounts actually payable pursuant to contracts. In accordance with GAAP, our carrying values and recorded interest expense may be different because of market conditions at the time we assumed certain of these debts.
(3) Secured Debt includes finance leases.
(4) Excludes $620 million of secured joint venture debt from both secured debt and total debt.
(5) Senior Notes due 2025 rated Ba1, Other senior notes rated Ba2.
(6) Senior Notes due 2025 rated BB+, Other senior notes rated BB.

# FINANCIAL PROFILE: LIQUIDITY (AT 9/30/2020)

## Steps Taken to Enhance Liquidity

- ✓ Completed $1 billion senior notes offering in June 2020
- ✓ Reduced dividend to $0.01/share, generating savings of approximately $100 million[1] in 2020

## Liquidity Options Menu

### Cash on Hand

- Approximately $82 million unrestricted

### Asset Sales / JVs

- Ability to capital recycle, particularly drawing from Medical Office/Life Science assets if needed

### Undrawn Line of Credit

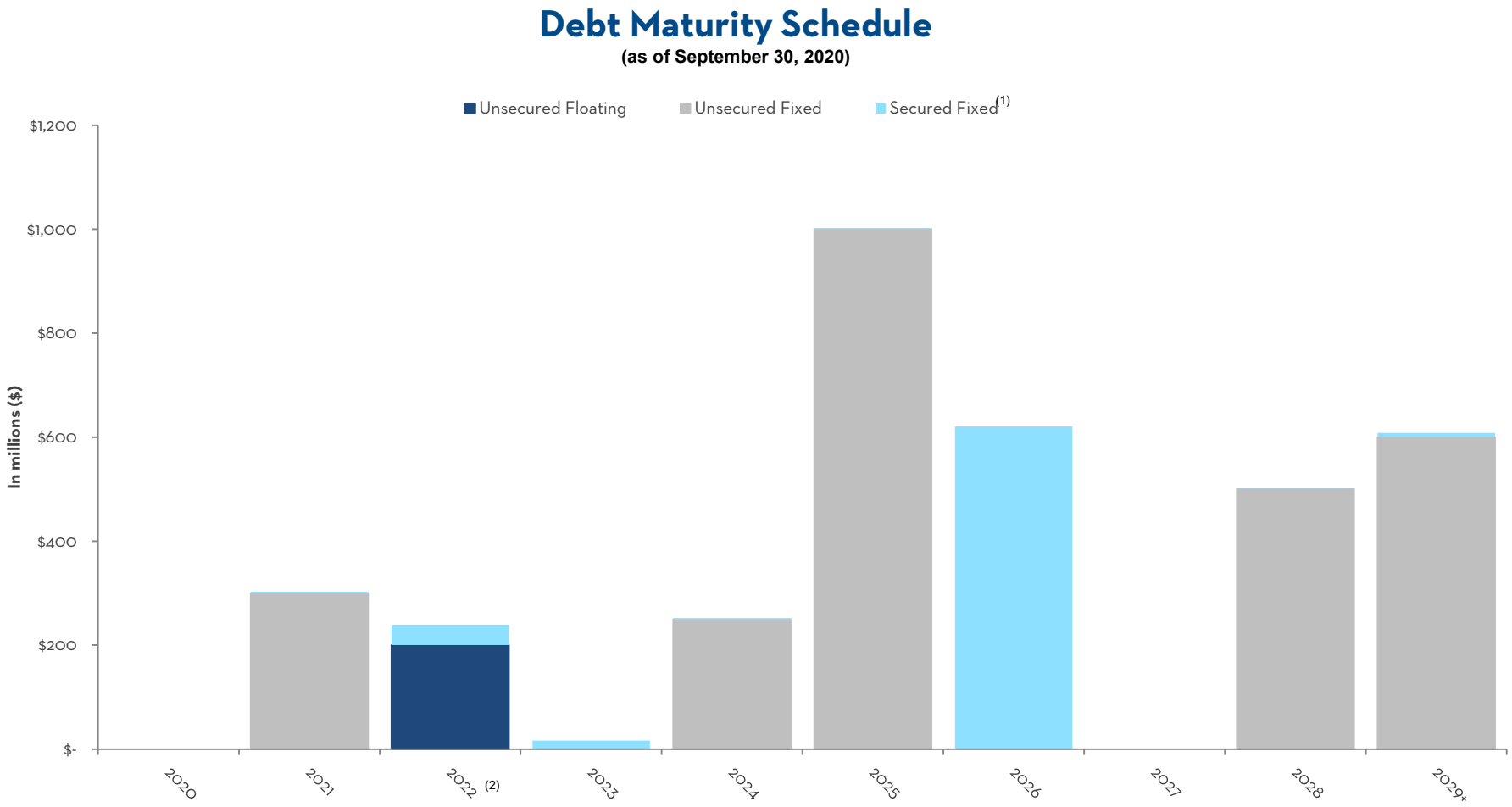
- Full capacity available on $1 billion credit facility

### $6.9 Billion Unencumbered Asset Base with ability to access:

- Public Debt: Active public bond issuer with over $2.5 billion outstanding
- Agency Market: Offers attractively priced capital for financing senior housing assets
- Traditional mortgages

(1) Savings of $33 million per quarter for three remaining quarters in 2020.

# FINANCIAL PROFILE: WELL LADDERED DEBT MATURITIES




**No derivatives, no off balance sheet liabilities and no material adverse change clauses**

(1) Includes $8.1M of capital lease obligations due through April 2026.
(2) We had no outstanding borrowings under our revolving credit facility at September 30, 2020. Upon payment of an extension fee and our meeting certain conditions, we have the option to extend the maturity date by one year to January 2023.

# LEVERAGING A RESOURCE RICH MANAGEMENT PLATFORM

THE RMR GROUP LLC[1]

**$32.1** Billion in AUM

Over **600** CRE Professionals

More than **30** Offices Throughout the U.S.

Combined RMR Managed Companies:

Approximately **$12** Billion in Annual Revenues

Over **2,100** Properties

Approximately **42,500** Employees

RMR's Operations Include:

| Financial Services: | Real Estate Services: | Business Services: |
|---|---|---|
| Accounting | Acquisitions/ Dispositions | Administration |
| Capital Markets | Asset Management | Human Resources |
| Compliance/ Audit | Construction/ Development | Information Technology (IT) |
| Finance/ Planning | Engineering | Investor Relations |
| Treasury | Leasing | Marketing |
| Tax | Property Management | Legal/ Risk Management |

Office Industrial Government Medical Office Life Sciences Senior Living Hotels Retail

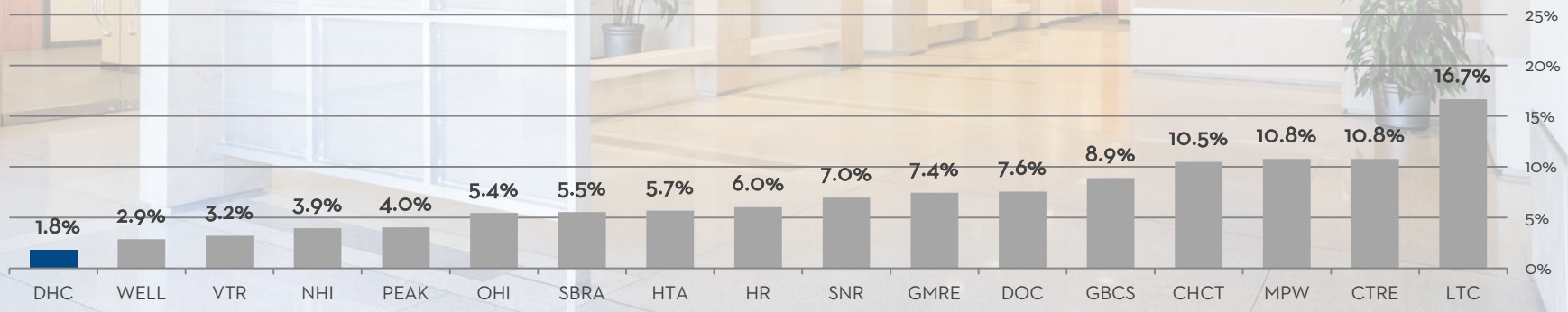
[1] As of September 30, 2020.

# DHC BENEFITS FROM RELATIONSHIP WITH THE RMR GROUP

## RMR Provides DHC with scale and efficiencies

- DHC has no employees; RMR provides all services.
- RMR's acquisitions team sees a substantial number of properties marketed for sale in every market across the United States.
- RMR attracts very strong real estate professionals (acquisitions, asset management, property management, finance, accounting, etc.) because of the size of the portfolios for which they will be responsible.
- RMR provides job growth opportunities for employees which is a benefit when hiring.
- RMR property management employees focus only on assets managed by RMR, with no conflicting responsibilities for other owners.
- DHC benefits from the scale of a $32.1B platform[1]. Examples:
  - Centralized procurement.
  - Centralized services.
  - Banking and capital markets.

### DHC's G&A as a percent of total revenues compares favorably to its peer group[2]:




(1) As of September 30, 2020.
(2) Source: S&P Global Market Intelligence and company filings. Data is as of the most recently reported quarter.

# MANAGEMENT AGREEMENT PROVIDES FOR ALIGNMENT OF INTERESTS

## RMR base management fee tied to DHC share price performance

- Consists of an annual fee based on 50 bps of **the lower of:** (1) DHC's historical cost of real estate, or (2) DHC's total market capitalization.
  - As of September 30, 2020, the run rate of lost revenues for RMR was $20 million dollars per year as DHC's shares traded lower.
- There is no incentive for RMR to complete any transaction that could reduce DHC's share price.

## RMR incentive fees contingent on total shareholder return outperformance

- Equal to 12% of value generated by DHC in excess of the benchmark index total returns (SNL US Healthcare REIT Index) per share over a three year period, subject to a cap (1.5% of equity market cap).
- Outperformance must be positive: it can't be the best of the worst.
- Shareholders keep 100% of benchmark returns and at least 88% of returns in excess of the benchmark.

## Other fees

- Property management fee: consists of an annual fee based on 3.0% of rents collected at DHC's medical office and life science properties.
- Construction supervision fee based on project costs.

| Alignment of Interests |
| --- |
| If DHC's total market cap exceeds historical cost of real estate, base fee is paid on assets. |
| If DHC's total market cap is less than historical cost of real estate, base fee fluctuates with share price. |
| Incentive fee structure keeps RMR focused on increasing total shareholder return. |
| Members of RMR senior management are holders of DHC shares, some subject to long term lock up agreements. |
| DHC shareholders have visibility into publicly traded RMR. |
| DHC benefits from RMR's national footprint and economies of scale of $32.1B[1] platform. |

(1) Data as of September 30, 2020.

# APPENDIX

Rendering of Muse

# FINANCIAL SUMMARY[1]

| *($ in 000s, except per share data)* | For the Three Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Rental Income | $104,238 | $148,011 |
| Residents fees and services | 290,101 | 107,816 |
| Total revenues | $394,339 | $255,827 |
| Net loss | $105,788 | $27,946 |
| Net loss attributable to common shareholders | $106,888 | $29,390 |
| NOI[2] | $78,689 | $130,744 |
| NOI margin % | 20.0% | 51.1% |
| Adjusted EBITDA*re*[3] | $78,509 | $121,994 |
| Normalized FFO attributable to common shareholders[4] | $13,176 | $70,069 |
| **Per share data:** | | |
| Common dividend[5] | $0.01 | $0.15 |
| Normalized FFO attributable to common shareholders[4] | $0.06 | $0.29 |
| Normalize FFO attributable to common shareholders payout ratio[4] | 16.7% | 51.7% |

(1) See Definitions of Certain Non-GAAP Financial Measures in the appendix for a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.
(2) See appendix for the calculation of NOI and Cash Basis NOI and a reconciliation of net income (loss) determined in accordance with GAAP to these amounts.
(3) See appendix for the calculation of EBITDA, EBITDA*re* and Adjusted EBITDA*re* and a reconciliation of net income (loss) determined in accordance with GAAP to these amounts.
(4) See appendix for the calculation of Normalized FFO attributable to common shareholders and a reconciliation of net income (loss) attributable to common shareholders determined in accordance with GAAP to these amounts.
(5) Beginning in the second quarter of 2020, DHC reduced its quarterly distribution to $0.01 per share.

# CALCULATION AND RECONCILIATION OF NOI AND CASH BASIS NOI[1]

| ($ in 000s) | For the Three Months Ended 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | 9/30/2019 |
|---|---|---|---|---|---|
| **Calculation of NOI and Cash Basis NOI:** | | | | | |
| Revenues: | | | | | |
| Rental income | $ 104,238 | $ 106,207 | $ 110,498 | $ 147,209 | $ 148,011 |
| Residents fees and services[2] | 290,101 | 304,104 | 331,969 | 108,830 | 107,816 |
| Total revenues | 394,339 | 410,311 | 442,467 | 256,039 | 255,827 |
| Property operating expenses[2] | (315,650) | (301,915) | (316,585) | (126,572) | (125,083) |
| NOI | 78,689 | 108,396 | 125,882 | 129,467 | 130,744 |
| Non-cash straight line rent adjustments | (491) | (1,385) | (1,153) | (958) | (1,186) |
| Lease value amortization | (1,856) | (1,830) | (1,873) | (1,869) | (1,842) |
| Non-cash amortization included in property operating expenses | (199) | (199) | (199) | (200) | (199) |
| Cash Basis NOI | $ 76,143 | $ 104,982 | $ 122,657 | $ 126,440 | $ 127,517 |
| | | | | | |
| **Reconciliation of Net Income (Loss) to NOI and Cash Basis NOI:** | | | | | |
| Net (loss) income | $ (105,788) | $ (24,742) | $ 11,143 | $ (50,620) | $ (27,946) |
| Equity in losses (earnings) of an investee | — | — | — | 217 | (83) |
| Income tax expense (benefit) | 365 | 1,126 | (443) | 483 | (146) |
| Loss on early extinguishment of debt | — | 181 | 246 | 27 | — |
| Gain on lease termination | — | — | (22,896) | — | — |
| Interest expense | 58,091 | 43,974 | 41,650 | 43,272 | 44,817 |
| Interest and other income | (134) | (7,736) | (138) | (351) | (238) |
| (Gains) losses on equity investments, net | (12,510) | (11,974) | 9,943 | 422 | (40) |
| Dividend income | — | — | — | — | — |
| Loss (gain) on sale of properties | 211 | 168 | (2,782) | (17,803) | (4,183) |
| Impairment of assets | 64,202 | 31,175 | 11,234 | 73,683 | 33,099 |
| Acquisition and certain other transaction related costs | 53 | 87 | 663 | 1,893 | 2,492 |
| General and administrative | 6,988 | 7,312 | 8,832 | 8,741 | 9,604 |
| Depreciation and amortization | 67,211 | 68,825 | 68,430 | 69,503 | 73,368 |
| NOI | 78,689 | 108,396 | 125,882 | 129,467 | 130,744 |
| Non-cash straight line rent adjustments | (491) | (1,385) | (1,153) | (958) | (1,186) |
| Lease value amortization | (1,856) | (1,830) | (1,873) | (1,869) | (1,842) |
| Non-cash amortization included in property operating expenses | (199) | (199) | (199) | (200) | (199) |
| Cash Basis NOI | $ 76,143 | $ 104,982 | $ 122,657 | $ 126,440 | $ 127,517 |

(1) See Definitions of Certain Non-GAAP Financial Measures in appendix for a definition of NOI and Cash Basis NOI, a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.

(2) Residents fees and services for the three months ended September 30, 2020 for our SHOP segment is net of a $4.0M reserve for an estimated Medicare refund we expect to pay. Property operating expenses for the three months ended September 30, 2020 for our SHOP segment includes $2.2M of estimated penalties, compliance costs and professional fees, net of management fees reimbursable by Five Star, related to the Medicare refund we expect to pay.

# CALCULATION AND RECONCILIATION OF EBITDA, EBITDA*re*, AND ADJUSTED EBITDA*re*[1]

| ($ in 000s) | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | 9/30/2019 |
| Net (loss) income | $ (105,788) | $ (24,742) | $ 11,143 | $ (50,620) | $ (27,946) |
| Interest expense | 58,091 | 43,974 | 41,650 | 43,272 | 44,817 |
| Income tax expense (benefit) | 365 | 1,126 | (443) | 483 | (146) |
| Depreciation and amortization | 67,211 | 68,825 | 68,430 | 69,503 | 73,368 |
| EBITDA | 19,879 | 89,183 | 120,780 | 62,638 | 90,093 |
| Loss (gain) on sale of properties | 211 | 168 | (2,782) | (17,803) | (4,183) |
| Impairment of assets | 64,202 | 31,175 | 11,234 | 73,683 | 33,099 |
| EBITDA*re* | 84,292 | 120,526 | 129,232 | 118,518 | 119,009 |
| General and administrative expense paid in common shares [2] | 502 | 415 | 249 | 248 | 533 |
| Acquisition and certain other transaction related costs | 53 | 87 | 663 | 1,893 | 2,492 |
| Gain on lease termination | – | – | (22,896) | – | – |
| Loss on early extinguishment of debt | – | 181 | 246 | 27 | – |
| Costs and payment obligations related to compliance assessment at one of our senior living communities[3] | 6,172 | – | – | – | – |
| (Gains) losses on equity securities, net | (12,510) | (11,974) | 9,943 | 422 | (40) |
| Adjusted EBITDA*re* | $ 78,509 | $ 109,235 | $ 117,437 | $ 121,108 | $ 121,994 |

(1) See Definitions of Certain Non-GAAP Financial Measures in the appendix for a definition of EBITDA, EBITDA*re* and Adjusted EBITDA*re* and a description of why we believe they are appropriate supplemental measures.

(2) Costs and payment obligations related to compliance assessment at one of DHC's senior living communities consist of resident fees and services as well as property operating expenses. Residents fees and services for the three months ended September 30, 2020 for our SHOP segment is net of a $4.0M reserve for an estimated Medicare refund we expect to pay. Property operating expense for the three months ended September 30, 2020 for our SHOP segment includes $2.2M of estimated penalties, compliance costs and professional fees, net of management fees reimbursable by Five Star, related to the Medicare refund we expect to pay.

# CALCULATION AND RECONCILIATION OF FFO AND NORMALIZED FFO ATTRIBUTABLE TO COMMON SHAREHOLDERS[1]

| ($ in 000s, except per share data) | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | 9/30/2020 | 6/30/2020 | 3/31/2020 | 12/31/2019 | 9/30/2019 |
| Net (loss) income attributable to common shareholders | $ (106,888) | $ (26,072) | $ 9,735 | $ (51,697) | $ (29,390) |
| Depreciation and amortization | 67,211 | 68,825 | 68,430 | 69,503 | 73,368 |
| Loss (gain) on sale of properties | 211 | 168 | (2,782) | (17,803) | (4,183) |
| Impairment of assets | 64,202 | 31,175 | 11,234 | 73,683 | 33,099 |
| (Gains) losses on equity securities, net[2] | (12,510) | (11,974) | 9,943 | 422 | (40) |
| FFO adjustments attributable to noncontrolling interest | (5,275) | (5,275) | (5,275) | (5,276) | (5,277) |
| FFO attributable to common shareholders | 6,951 | 56,847 | 91,285 | 68,832 | 67,577 |
| Acquisition and certain other transaction related costs | 53 | 87 | 663 | 1,893 | 2,492 |
| Costs and payment obligations related to compliance assessment at one of our senior living communities[3] | 6,172 | — | — | — | — |
| Gain on lease termination | — | — | (22,896) | — | — |
| Loss on early extinguishment of debt | — | 181 | 246 | 27 | — |
| Normalized FFO attributable to common shareholders | $ 13,176 | $ 57,115 | $ 69,298 | $ 70,752 | $ 70,069 |
| Weighted average common shares outstanding (basic) | 237,752 | 237,700 | 237,669 | 237,659 | 237,608 |
| Weighted average common shares outstanding (diluted) | 237,752 | 237,700 | 237,669 | 237,659 | 237,608 |
| **Per Common Share Data (basic and diluted):** | | | | | |
| Net (loss) income attributable to common shareholders | $ (0.45) | $ (0.11) | $ 0.04 | $ (0.22) | $ (0.12) |
| FFO attributable to common shareholders | $ 0.03 | $ 0.24 | $ 0.38 | $ 0.29 | $ 0.28 |
| Normalized FFO attributable to common shareholders | $ 0.06 | $ 0.24 | $ 0.29 | $ 0.30 | $ 0.29 |

(1) See Definitions of Certain Non-GAAP Financial Measures in the appendix for a definition of FFO attributable to common shareholders and Normalized FFO attributable to common shareholders, a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.

(2) (Gains) losses on equity securities, net, represent the adjustment required to adjust the carrying value of our investment in Five Star common stock and our former investment in RMR Inc. class A common stock to their fair value as of the end of the period. On July 1, 2019, we sold our investment in RMR Inc. class A common stock.

(3) Costs and payment obligations related to compliance assessment at one of DHC's senior living communities consist of resident fees and services as well as property operating expenses. Residents fees and services for the three months ended September 30, 2020 for our SHOP segment is net of a $4.0M reserve for an estimated Medicare refund we expect to pay. Property operating expense for the three months ended September 30, 2020 for our SHOP segment includes $2.2M of estimated penalties, compliance costs and professional fees, net of management fees reimbursable by Five Star, related to the Medicare refund we expect to pay.

# DEFINITIONS OF CERTAIN NON-GAAP FINANCIAL MEASURES

## Non-GAAP Financial Measures

We present certain "non-GAAP financial measures" within the meaning of applicable rules of the SEC, including net operating income, or NOI, Cash Basis NOI, same property NOI, same property Cash Basis NOI, earnings before interest, income tax, depreciation and amortization, or EBITDA, EBITDA for real estate, or EBITDA*re*, Adjusted EBITDA*re*, funds from operations attributable to common shareholders, or FFO attributable to common shareholders, and normalized funds from operations attributable to common shareholders, or Normalized FFO attributable to common shareholders. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) or net income (loss) attributable to common shareholders as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) and net income (loss) attributable to common shareholders as presented in our condensed consolidated statements of income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net income (loss) and net income (loss) attributable to common shareholders. We believe these measures provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation and amortization, they may facilitate a comparison of our operating performance between periods and with other REITs and, in the case of NOI, Cash Basis NOI, same property NOI and same property Cash Basis NOI, reflecting only those income and expense items that are generated and incurred at the property level may help both investors and management to understand the operations of our properties.

## NOI and Cash Basis NOI

The calculations of NOI and Cash Basis NOI exclude certain components of net income (loss) in order to provide results that are more closely related to our property level results of operations. We calculate NOI and Cash Basis NOI as shown in this appendix. We define NOI as income from our real estate less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions that we record as depreciation and amortization. We define Cash Basis NOI as NOI excluding non-cash straight line rent adjustments, lease value amortization, lease termination fee amortization, if any, and non-cash amortization included in property operating expenses. We use NOI and Cash Basis NOI to evaluate individual and company wide property level performance. Other real estate companies and REITs may calculate NOI and Cash Basis NOI differently than we do.

## EBITDA, EBITDA*re* and Adjusted EBITDA*re*

We calculate EBITDA, EBITDA*re* and Adjusted EBITDA*re* as shown in this appendix. EBITDA*re* is calculated on the basis defined by the National Association of Real Estate Investment Trusts, or Nareit, which is EBITDA, excluding gains or losses on the sale of properties, loss on impairment of assets, if any, as well as certain other adjustments currently not applicable to us. In calculating Adjusted EBITDA*re*, we adjust for the items shown in the appendix and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. Other real estate companies and REITs may calculate EBITDA, EBITDA*re* and Adjusted EBITDA*re* differently than we do.

## FFO and Normalized FFO Attributable to Common Shareholders

We calculate FFO attributable to common shareholders and Normalized FFO attributable to common shareholders as shown in this appendix. FFO attributable to common shareholders is calculated on the basis defined by Nareit, which is net income (loss) attributable to common shareholders, calculated in accordance with GAAP, excluding any gain or loss on sale of properties, loss on impairment of real estate assets and gains or losses on equity securities, net, if any, plus real estate depreciation and amortization and minus FFO adjustments attributable to noncontrolling interest, as well as certain other adjustments currently not applicable to us. In calculating Normalized FFO attributable to common shareholders, we adjust for the items shown in this appendix and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as an expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. FFO attributable to common shareholders and Normalized FFO attributable to common shareholders are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in the agreements governing our debt, the availability to us of debt and equity capital, our expectation of our future capital requirements and operating performance, and our expected needs for and availability of cash to pay our obligations. Other real estate companies and REITs may calculate FFO attributable to common shareholders and Normalized FFO attributable to common shareholders differently than we do.