MEDICAL PROPERTIES TRUST INC
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

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 001-32559

Commission file number 333-177186

MEDICAL PROPERTIES TRUST, INC.

MPT OPERATING PARTNERSHIP, L.P.

(Exact Name of Registrant as Specified in Its Charter)

MARYLAND	20-0191742
DELAWARE	20-0242069
(State or other jurisdiction of	(I. R. S. Employer

incorporation or organization) Identification No.)

1000 URBAN CENTER DRIVE, SUITE 501

BIRMINGHAM, AL 35242
(Address of principal executive offices) (Zip Code)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (205) 969-3755

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 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	(Medical Properties Trust, Inc. only)	Accelerated filer
Non-accelerated filer	(MPT Operating Partnership, L.P. only)	Smaller reporting company
	(Do not check if a 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

As of August 3, 2018, Medical Properties Trust, Inc. had 364,858,202 shares of common stock, par value $0.001, outstanding.

EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the three and six months ended June 30, 2018 of Medical Properties Trust, Inc., a Maryland corporation, and MPT Operating Partnership, L.P., a Delaware limited partnership, through which Medical Properties Trust, Inc. conducts substantially all of its operations. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our," "our company," "Medical Properties," "MPT," or "the company" refer to Medical Properties Trust, Inc. together with its consolidated subsidiaries, including MPT Operating Partnership, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our operating partnership" or "the operating partnership" refer to MPT Operating Partnership, L.P. together with its consolidated subsidiaries.

MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.

AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED June 30, 2018

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)	June 30, 2018 (Unaudited)	December 31, 2017 (Note 2)
Assets		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	$ 4,671,829	$ 5,797,605
Real estate held for sale	1,263,257	146,615
Mortgage loans	1,686,866	1,778,316
Net investment in direct financing leases	688,427	698,727
Gross investment in real estate assets	8,310,379	8,421,263
Accumulated depreciation and amortization	(419,061)	(455,712)
Net investment in real estate assets	7,891,318	7,965,551
Cash and cash equivalents	146,569	171,472
Interest and rent receivables	85,181	78,970
Straight-line rent receivables	215,297	185,592
Other loans	147,855	150,209
Other assets	470,604	468,494
Total Assets	$ 8,956,824	$ 9,020,288
Liabilities and Equity		
Liabilities		
Debt, net	$ 4,864,261	$ 4,898,667
Accounts payable and accrued expenses	204,505	211,188
Deferred revenue	14,133	18,178
Lease deposits and other obligations to tenants	28,470	57,050
Total liabilities	5,111,369	5,185,083
Equity		
Preferred stock, $0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, $0.001 par value. Authorized 500,000 shares; issued and outstanding — 364,731 shares at June 30, 2018 and 364,424 shares at December 31, 2017	365	364
Additional paid-in capital	4,338,798	4,333,027
Distributions in excess of net income	(464,784)	(485,932)
Accumulated other comprehensive loss	(42,353)	(26,049)
Treasury shares, at cost	(777)	(777)

Total Medical Properties Trust, Inc. Stockholders' Equity	3,831,249	3,820,633
Non-controlling interests	14,206	14,572
Total Equity	3,845,455	3,835,205
Total Liabilities and Equity	$ 8,956,824	$ 9,020,288

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Net Income

(Unaudited)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
(In thousands, except per share amounts)	2018	2017	2018	2017
Revenues				
Rent billed	$122,827	$103,447	$250,838	$200,210
Straight-line rent	15,073	16,277	30,864	29,056
Income from direct financing leases	18,934	18,312	36,615	36,192
Interest and fee income	45,068	28,771	88,631	57,746
Total revenues	201,902	166,807	406,948	323,204
Expenses				
Interest	58,126	39,710	115,149	77,739
Real estate depreciation and amortization	34,466	29,493	70,268	57,079
Property-related	1,920	1,153	4,104	2,481
General and administrative	19,552	15,079	37,370	28,276
Acquisition costs	411	10,806	411	13,562
Total expenses	114,475	96,241	227,302	179,137
Other income (expense)				
Gain on sale of real estate, net	24,151	—	25,618	7,413
Debt refinancing costs	—	(751)	—	(14,380)
Other	2,002	3,367	534	5,134
Total other income (expense)	26,153	2,616	26,152	(1,833)
Income before income tax	113,580	73,182	205,798	142,234
Income tax (expense) benefit	(1,563)	614	(2,738)	(253)
Net income	112,017	73,796	203,060	141,981
Net income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Net income attributable to MPT common stockholders	$111,567	$73,415	$202,168	$141,385
Earnings per common share — basic and diluted				
Net income attributable to MPT common stockholders	$0.30	$0.21	$0.55	$0.42
Weighted average shares outstanding — basic	364,897	349,856	364,889	335,456
Weighted average shares outstanding — diluted	365,541	350,319	365,442	335,871
Dividends declared per common share	$0.25	$0.24	$0.50	$0.48

See accompanying notes to condensed consolidated financial statements.

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MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	For the Three Months Ended June 30, 2018	2017	For the Six Months Ended June 30, 2018	2017
Net income	$112,017	$73,796	$203,060	$141,981
Other comprehensive income:				
Foreign currency translation (loss) gain	(32,392)	34,020	(16,304)	40,312
Total comprehensive income	79,625	107,816	186,756	182,293
Comprehensive income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Comprehensive income attributable to MPT common stockholders	$79,175	$107,435	$185,864	$181,697

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Operating activities		
Net income	$203,060	$141,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,441	59,825
Amortization of deferred financing costs and debt discount	3,590	3,139
Direct financing lease interest accretion	(4,743)	(4,690)
Straight-line rent revenue	(41,664)	(30,173)
Share-based compensation	6,725	4,377
Gain from sale of real estate, net	(25,618)	(7,413)
Straight-line rent and other write-off	13,294	1,117
Debt refinancing costs	—	14,380
Other adjustments	(14,718)	(5,735)
Changes in:		
Interest and rent receivables	(7,285)	(10,786)
Accounts payable and accrued expenses	(10,603)	(11,126)
Net cash provided by operating activities	196,479	154,896
Investing activities		
Cash paid for acquisitions and other related investments	(273,728)	(600,781)
Net proceeds from sale of real estate	221,931	64,335
Principal received on loans receivable	262,862	5,188
Investment in loans receivable	(169,435)	(3,574)
Construction in progress and other	(22,875)	(36,002)
Other investments, net	(20,400)	(67,101)
Net cash used for investing activities	(1,645)	(637,935)
Financing activities		
Proceeds from term debt	—	955,280
Payments of term debt	—	(675,279)
Revolving credit facilities, net	(4,618)	(39,911)
Distributions paid	(180,813)	(151,692)
Lease deposits and other obligations to tenants	(28,001)	5,790
Proceeds from sale of common shares, net of offering costs	—	548,063
Other financing activities	(2,328)	(16,543)
Net cash (used for) provided by financing activities	(215,760)	625,708
(Decrease) increase in cash, cash equivalents and restricted cash for period	(20,926)	142,669
Effect of exchange rate changes	(3,477)	9,588
Cash, cash equivalents and restricted cash at beginning of period	172,247	84,882

Cash, cash equivalents and restricted cash at end of period	$147,844	$237,139
Interest paid	$115,245	$63,371
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	$91,547	$87,519
Cash, cash equivalents and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	$171,472	$83,240
Restricted cash, included in Other assets	775	1,642
	$172,247	$84,882
End of period:		
Cash and cash equivalents	$146,569	$236,364
Restricted cash, included in Other assets	1,275	775
	$147,844	$237,139

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands)	June 30, 2018 (Unaudited)	December 31, 2017 (Note 2)
Assets		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	$4,671,829	$5,797,605
Real estate held for sale	1,263,257	146,615
Mortgage loans	1,686,866	1,778,316
Net investment in direct financing leases	688,427	698,727
Gross investment in real estate assets	8,310,379	8,421,263
Accumulated depreciation and amortization	(419,061)	(455,712)
Net investment in real estate assets	7,891,318	7,965,551
Cash and cash equivalents	146,569	171,472
Interest and rent receivables	85,181	78,970
Straight-line rent receivables	215,297	185,592
Other loans	147,855	150,209
Other assets	470,604	468,494
Total Assets	$8,956,824	$9,020,288
Liabilities and Capital		
Liabilities		
Debt, net	$4,864,261	$4,898,667
Accounts payable and accrued expenses	112,626	121,465
Deferred revenue	14,133	18,178
Lease deposits and other obligations to tenants	28,470	57,050
Payable due to Medical Properties Trust, Inc.	91,489	89,333
Total liabilities	5,110,979	5,184,693
Capital		
General Partner — issued and outstanding — 3,647 units at June 30, 2018 and 3,644 units at December 31, 2017	38,767	38,489
Limited Partners:		
Common units — issued and outstanding — 361,084 units at June 30, 2018 and 360,780 units at December 31, 2017	3,835,225	3,808,583
LTIP units — issued and outstanding — 232 units at June 30, 2018 and 292 units at December 31, 2017	—	—
Accumulated other comprehensive loss	(42,353)	(26,049)
Total MPT Operating Partnership, L.P. Capital	3,831,639	3,821,023
Non-controlling interests	14,206	14,572
Total capital	3,845,845	3,835,595
Total Liabilities and Capital	$8,956,824	$9,020,288

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Net Income

(Unaudited)

(In thousands, except per unit amounts)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Rent billed	$122,827	$103,447	$250,838	$200,210
Straight-line rent	15,073	16,277	30,864	29,056
Income from direct financing leases	18,934	18,312	36,615	36,192
Interest and fee income	45,068	28,771	88,631	57,746
Total revenues	201,902	166,807	406,948	323,204
Expenses				
Interest	58,126	39,710	115,149	77,739
Real estate depreciation and amortization	34,466	29,493	70,268	57,079
Property-related	1,920	1,153	4,104	2,481
General and administrative	19,552	15,079	37,370	28,276
Acquisition costs	411	10,806	411	13,562
Total expenses	114,475	96,241	227,302	179,137
Other income (expense)				
Gain on sale of real estate, net	24,151	—	25,618	7,413
Debt refinancing costs	—	(751)	—	(14,380)
Other	2,002	3,367	534	5,134
Total other income (expense)	26,153	2,616	26,152	(1,833)
Income before income tax	113,580	73,182	205,798	142,234
Income tax (expense) benefit	(1,563)	614	(2,738)	(253)
Net income	112,017	73,796	203,060	141,981
Net income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Net income attributable to MPT Operating Partnership partners	$111,567	$73,415	$202,168	$141,385
Earnings per unit — basic and diluted				
Net income attributable to MPT Operating Partnership partners	$0.30	$0.21	$0.55	$0.42
Weighted average units outstanding — basic	364,897	349,856	364,889	335,456
Weighted average units outstanding — diluted	365,541	350,319	365,442	335,871
Dividends declared per unit	$0.25	$0.24	$0.50	$0.48

See accompanying notes to condensed consolidated financial statements.

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MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Net income	$112,017	$73,796	$203,060	$141,981
Other comprehensive income:				
Foreign currency translation (loss) gain	(32,392)	34,020	(16,304)	40,312
Total comprehensive income	79,625	107,816	186,756	182,293
Comprehensive income attributable to non-controlling interests	(450)	(381)	(892)	(596)
Comprehensive income attributable to MPT Operating Partnership partners	$79,175	$107,435	$185,864	$181,697

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Operating activities		
Net income	$203,060	$141,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,441	59,825
Amortization of deferred financing costs and debt discount	3,590	3,139
Direct financing lease interest accretion	(4,743)	(4,690)
Straight-line rent revenue	(41,664)	(30,173)
Unit-based compensation	6,725	4,377
Gain from sale of real estate, net	(25,618)	(7,413)
Straight-line rent and other write-off	13,294	1,117
Debt refinancing costs	—	14,380
Other adjustments	(14,718)	(5,735)
Changes in:		
Interest and rent receivables	(7,285)	(10,786)
Accounts payable and accrued expenses	(10,603)	(11,126)
Net cash provided by operating activities	196,479	154,896
Investing activities		
Cash paid for acquisitions and other related investments	(273,728)	(600,781)
Net proceeds from sale of real estate	221,931	64,335
Principal received on loans receivable	262,862	5,188
Investment in loans receivable	(169,435)	(3,574)
Construction in progress and other	(22,875)	(36,002)
Other investments, net	(20,400)	(67,101)
Net cash used for investing activities	(1,645)	(637,935)
Financing activities		
Proceeds from term debt	—	955,280
Payments of term debt	—	(675,279)
Revolving credit facilities, net	(4,618)	(39,911)
Distributions paid	(180,813)	(151,692)
Lease deposits and other obligations to tenants	(28,001)	5,790
Proceeds from sale of units, net of offering costs	—	548,063
Other financing activities	(2,328)	(16,543)
Net cash (used for) provided by financing activities	(215,760)	625,708
(Decrease) increase in cash, cash equivalents and restricted cash for period	(20,926)	142,669
Effect of exchange rate changes	(3,477)	9,588
Cash, cash equivalents and restricted cash at beginning of period	172,247	84,882

Cash, cash equivalents and restricted cash at end of period	$147,844	$237,139
Interest paid	$115,245	$63,371
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	$91,547	$87,519
Cash, cash equivalents, and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	$171,472	$83,240
Restricted cash, included in Other assets	775	1,642
	$172,247	$84,882
End of period:		
Cash and cash equivalents	$146,569	$236,364
Restricted cash, included in Other assets	1,275	775
	$147,844	$237,139

See accompanying notes to condensed consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the Maryland General Corporation Law for the purpose of engaging in the business of investing in, owning, and leasing commercial real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P., (the “Operating Partnership”) through which we conduct all of our operations, was formed in September 2003. Through another wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of the Operating Partnership. At present, we directly own substantially all of the limited partnership interests in the Operating Partnership and have elected to report our required disclosures and that of the Operating Partnership on a combined basis except where material differences exist.

We have operated as a real estate investment trust (“REIT”) since 2004. Accordingly, we will generally not be subject to federal income tax in the United States (“U.S.”), provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income. Certain non-real estate activities we undertake are conducted by entities which we elected to be treated as taxable REIT subsidiaries (“TRS”). Our TRS entities are subject to both U.S. federal and state income taxes. For our properties located outside the U.S., we are subject to local taxes; however, we do not expect to incur additional taxes in the U.S. as such real estate related income flows through our REIT.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long-term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. Our properties are located in the U.S. and Europe.

2. Summary of Significant Accounting Policies

Unaudited Interim Condensed Consolidated Financial Statements: The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information, including rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements.

For information about significant accounting policies, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, and as updated in our

Form 10-Q for the quarter ended March 31, 2018. There have been no material changes to these significant accounting policies other than the following:

On July 1, 2018, we early adopted Accounting Standards Update ("ASU") No. 2018-07, "Compensation-Stock Compensation." Under the new standard, non-employee stock awards are to be accounted for similar to employee stock awards. This standard simplifies the accounting for non-employee stock awards, including fixing the value of the stock award at date of grant. The adoption of this standard did not have a material impact on our financial statements.

Recent Accounting Developments:

Leases

In February 2016, the Financial Accounting Board (the "FASB") issued ASU 2016-02, "Leases", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases

and operating leases. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements" ("ASU 2018-11"), allowing companies to record a cumulative adjustment to retained earnings in the period of adoption rather than requiring the restatement of prior periods.

We plan to adopt ASU 2016-02 on January 1, 2019, along with ASU 2018-11. We are continuing to evaluate this standard and the impact to us from both a lessor and lessee perspective. We do have leases in which we are the lessee, including ground leases, on which certain of our facilities reside, along with corporate office and equipment leases. Although we do not expect any change in the current classification of these leases, we will record a right-of-use asset and a lease liability on our balance sheet upon adoption of this standard, with any difference recorded as a cumulative adjustment in equity. From a lessor perspective, we do not expect any change in the current classification and accounting of our existing leases. However, we do expect certain non-lease components (including certain operating expenses that the tenants of our facilities are required to pay pursuant to our "triple-net" leases) to be recorded gross versus net of the respective expenses upon adoption of this standard in 2019 in accordance with ASU No. 2014-09.

Reclassifications

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform to the current period presentation.

Variable Interest Entities

At June 30, 2018, we had loans to and/or equity investments in certain variable interest entities ("VIEs"), which are also tenants of our facilities. We have determined that we are not the primary beneficiary of these VIEs. The carrying value and classification of the related assets and maximum exposure to loss as a result of our involvement with these VIEs are presented below at June 30, 2018 (in thousands):

VIE Type	Maximum Loss Exposure(1)	Asset Type Classification	Carrying Amount(2)
Loans, net	$ 325,963	Mortgage and other loans	$ 229,367
Equity investments	$ 14,395	Other assets	$ —

(1) Our maximum loss exposure related to loans with VIEs represents our current aggregate gross carrying value of the loan plus accrued interest and any other related assets (such as rent receivables), less any liabilities. Our maximum loss exposure related to our equity investment in VIEs represents the current carrying values of such investment plus any other related assets (such as rent receivables), less any liabilities.
(2) Carrying amount reflects the net book value of our loan or equity interest only in the VIE.

For the VIE types above, we do not consolidate the VIE because we do not have the ability to control the activities (such as the day-to-day healthcare operations of our borrowers or investees) that most significantly impact the VIE's economic performance. As of June 30, 2018, we were not required to provide financial support through a liquidity arrangement or otherwise to our unconsolidated VIEs, including circumstances in which they could be exposed to further losses (e.g., cash short falls).

Typically, our loans are collateralized by assets of the borrower (some assets of which are on the premises of facilities owned by us) and further supported by limited guarantees made by certain principals of the borrower.

See Note 3 and Note 7 for additional description of the nature, purpose and activities of our more significant VIEs (such as Ernest Health Inc. (“Ernest”)) and interests therein.

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3. Real Estate and Lending Activities

Acquisitions

We acquired the following assets (in thousands)

	For the Six Months Ended June 30,	
	2018	2017
Assets Acquired		
Land and land improvements	$16,121	$87,620
Building	232,409	399,867
Intangible lease assets — subject to amortization (weighted average useful life 20.0 years for 2018 and 28.5 years for 2017)	25,198	73,722
Net investments in direct financing leases	—	40,450
Liabilities assumed	—	(878)
Total assets acquired	$273,728	$600,781
Loans repaid(1)	(259,378)	—
Total net assets acquired	$14,350	$600,781

(1) Includes $259.4 million of loans advanced to Steward Health Care System LLC (“Steward”) in 2017 and repaid in 2018 as described more fully below.

2018 Activity

On June 27, 2018, we acquired the fee simple real estate of two general acute care hospitals in Massachusetts from Steward in exchange for the reduction of $259.4 million of mortgage loans made to Steward in October 2016, along with an additional $14.4 million in cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016 that has a 15-year term with three five-year extension options, plus consumer-price indexed increases.

2017 Activity

MEDIAN Transactions

On June 22, 2017, we acquired an acute care hospital in Germany for a purchase price of €19.4 million. This property is leased to affiliates of Median Kliniken S.à.r.l. (“MEDIAN”), pursuant to the original master lease agreement effective in 2015 and expiring December 2042 with annual escalators at the greater of one percent or 70% of the change in German CPI.

During the second quarter of 2017, we acquired 11 rehabilitation hospitals in Germany for an aggregate purchase price of €127 million. These 11 properties are leased to affiliates of MEDIAN, pursuant to a third master lease that has terms similar to the original master lease in 2015 with a fixed 27-year lease term ending in August 2043. These acquisitions

are part of the portfolio of 20 properties in Germany that we agreed to acquire in July 2016 for €215.7 million, of which seven properties totaling €49.5 million closed in December 2016. The final two properties closed post June 30, 2017 for a purchase price of €39.2 million.

On January 30, 2017, we acquired an inpatient rehabilitation hospital in Germany for €8.4 million. This acquisition was the final property to close as part of the six hospital portfolio that we agreed to buy in September 2016 for an aggregate amount of €44.1 million. This property is leased to affiliates of MEDIAN, pursuant to the original long-term master lease agreement reached with MEDIAN in 2015 and as described above.

Other Transactions

On June 1, 2017, we acquired the real estate assets of Ohio Valley Medical Center, a 218-bed acute care hospital located in Wheeling, West Virginia, and the East Ohio Regional Hospital, a 139-bed acute care hospital in Martins Ferry, Ohio, from Ohio Valley Health Services, a not-for-profit entity in West Virginia, for an aggregate purchase price of approximately $40 million. We simultaneously leased the facilities to Alecto Healthcare Services LLC ("Alecto"), pursuant to a lease with a 15-year initial term with 2% annual minimum rent increases and three 5-year extension options. The facilities are cross-defaulted and cross-collateralized with our other hospitals operated by Alecto. We also agreed to provide up to $20.0 million in capital improvement funding on these two facilities - none of which has been funded to date. With these acquisitions, we also obtained a 20% interest in the operator of these facilities.

On May 1, 2017, we acquired eight hospitals previously affiliated with Community Health Systems, Inc. in Florida, Ohio, and Pennsylvania for an aggregate purchase price of $301.3 million. These facilities are leased to Steward, pursuant to the existing long-term master lease entered into with Steward in October 2016 and as described above.

On May 1, 2017, we also acquired the real estate of St. Joseph Regional Medical Center, a 145-bed acute care hospital in Lewiston, Idaho for $87.5 million. This facility is leased to RCCH Healthcare Partners ("RCCH"), pursuant to the existing long-term master lease entered into with RCCH in April 2016.

From the respective acquisition dates, the properties acquired in 2017 contributed $8.2 million of revenue and $6.0 million of income (excluding related acquisition expenses and taxes) for the three months ended June 30, 2017, and $8.4 million of revenue and $6.1 million of income (excluding related acquisition expenses and taxes) for the six months ended June 30, 2017. In addition, we expensed $9.1 million and $9.6 million of acquisition-related costs on these 2017 acquisitions for the three and six months ended June 30, 2017, respectively.

Development Activities

During the first six months of 2018, we completed construction on Ernest Flagstaff. This $25.5 million inpatient rehabilitation facility located in Flagstaff, Arizona opened on March 1, 2018 and is being leased to Ernest pursuant to a stand-alone lease, with terms generally similar to the original master lease.

See table below for a status update on our current development projects (in thousands):

Property	Commitment	Costs Incurred as of June 30, 2018	Estimated Completion Date
Circle Health (Birmingham, England)	$ 44,825	$ 20,942	1Q 2019
Circle Health Rehabilitation (Birmingham, England)	22,269	3,360	3Q 2019
Surgery Partners (Idaho Falls, Idaho)	113,468	23,318	1Q 2020
	$ 180,562	$ 47,620	

Disposals

2018 Activity

Joint Venture Transaction

On June 7, 2018, we entered into a subscription agreement with Primotop Holdings S.à.r.l. ("Primotop"), an entity managed by Primonial Group, pursuant to which Primotop will acquire a 50% interest by way of a joint venture in the real estate of 71 post-acute hospitals in Germany that we currently own, with an aggregate agreed valuation of approximately €1.635 billion. The remaining 50% interest in the joint venture will be retained by us. Immediately following the closing, which is expected to occur during the third quarter of 2018, the joint venture is expected to

make cash distributions to us in an aggregate amount of approximately €1.14 billion from the proceeds of the cash contributions from Primotop and certain secured debt financings within the joint venture. In preparation of this joint venture, we issued such secured debt on these properties on August 3, 2018, resulting in gross proceeds of €655 million. At June 30, 2018, the 71 facilities subject to the joint venture were designated as held for sale and included the following net assets (in thousands):

Real estate held for sale	$1,263,257
Straight-line rent receivables	36,246
	$1,299,503

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Other Transactions

On June 4, 2018, we sold three long-term acute care hospitals located in California, Texas, and Oregon, that were leased and operated by Vibra Healthcare, LLC ("Vibra"), which included our equity investment in operations of the Texas facility. Total proceeds from the transaction were $53.3 million in cash, a mortgage loan in the amount of $18.3 million, and a $1.5 million working capital loan. The transaction resulted in a gain on real estate of $24.2 million, which was partially offset by a $5.1 million non-cash charge to revenue to write-off related straight-line rent receivables.

On March 1, 2018, we sold the real estate of St. Joseph Medical Center in Houston, Texas, for approximately $148 million to Steward. In return, we received a mortgage loan equal to the purchase price, with such loan secured by the underlying real estate. The mortgage loan has terms consistent with the other mortgage loans in the Steward portfolio. This transaction resulted in a gain of $1.5 million, offset by a $1.7 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

2017 Activity

On March 31, 2017, we sold the EASTAR Health System real estate located in Muskogee, Oklahoma, which was leased to RCCH. Total proceeds from this transaction were approximately $64 million resulting in a gain of $7.4 million, partially offset by a $0.6 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

Summary of Operations for Disposed Assets in 2018

The properties sold during 2018 and the assets held for sale (from the Joint Venture Transaction) at June 30, 2018, do not meet the definition of discontinued operations. However, the following represents the operating results (excluding gain on sale and any non-cash charges such as straight-line rent write-offs) from these properties (excluding the St. Joseph sale which was converted to a mortgage loan) for the periods presented (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	$34,142	$28,817	$69,900	$55,536
Real estate depreciation and amortization	(6,129)	(7,070)	(14,902)	(13,595)
Property-related expenses	(14)	(1)	(255)	(1)
Other income (expense)	(410)	(5,501)	(969)	(7,045)
Income from real estate dispositions, net	$27,589	$16,245	$53,774	$34,895

As noted previously, we will retain a 50% interest in the Joint Venture Transaction; however, such interest has not been factored into the summary of operations above.

Leasing Operations

At June 30, 2018, leases on 14 Ernest facilities, ten Prime Healthcare Services, Inc. ("Prime") facilities, and two Alecto facilities are accounted for as direct financing leases ("DFLs"). The components of our net investment in DFLs consisted of the following (in thousands):

	As of June 30, 2018	As of December 31, 2017
Minimum lease payments receivable	$2,207,355	$2,294,081
Estimated residual values	434,769	448,339
Less: Unearned income	(1,953,697)	(2,043,693)
Net investment in direct financing leases	$688,427	$698,727

On March 15, 2018, we entered into a new lease agreement of our long-term acute care facility in Boise, Idaho (the "Boise Lease") with a joint venture formed by Vibra and Ernest. The new lease has an initial 15-year fixed term (ending March 2033) with three extension options of five years each. With this transaction, we incurred a non-cash charge of $1.5 million to write-off DFL unbilled interest associated with the previous lease to Ernest on this property.

Adeptus Health

As noted in previous filings, we have 16 properties that are transitioning away from Adeptus Health in stages over a two year period as part of Adeptus Health's confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code. On January 1, 2018

and April 1, 2018, Adeptus Health vacated and stopped making rent payments on five and three properties, respectively. Another seven properties will be transitioned away from Adeptus Health on October 1, 2018, with the remaining property on October 1, 2019. During the transition period, Adeptus Health has and will continue to make lease payments. As a result of the shortening of our lease term on these properties, we recorded a $3.9 million charge to accelerate the amortization of the straight-line rent receivables in the first half of 2018. At June 30, 2018, our investment in these 16 facilities approximates 1% of our total assets. Although no assurances can be made that we will not recognize a loss in the future, we believe at June 30, 2018 that our plans to sell or re-lease these 16 transition facilities will not result in any material loss or impairment.

At June 30, 2018, excluding the 16 transition properties, we have 21 properties leased to Adeptus Health representing $131.3 million or 1.4% of our total assets. During the last fifteen months, we have re-tenanted 22 properties with an investment of $172.1 million to strong credit worthy operators including:

1) Three Louisiana freestanding emergency facilities to Ochsner Clinic Foundation ("Ochsner") on April 4, 2017;
2) 11 Colorado freestanding emergency facilities to UCHealth on December 1, 2017; and
3) Eight Arizona facilities to Dignity Health on June 8, 2018.

Through June 30, 2018, all rent has been paid on these facilities, and we have only incurred a $0.5 million charge to-date related to the write-off of straight-line rent receivables on the facilities re-tenanted to Ochsner in 2017.

Gilbert and Florence Facilities

In the first quarter of 2018, we terminated the lease at our Gilbert and Florence, Arizona facilities due to the tenant not meeting its rent obligations pursuant to the lease. As a result of the lease terminating, we recorded a charge of $1.1 million to reserve against the straight-line rent receivables in February 2018. On April 25, 2018, this former tenant filed for involuntary bankruptcy. At June 30, 2018, all outstanding receivables were completely reserved. Although no assurances can be made that we will not have any impairment charges in the future, we believe our investment in the Gilbert and Florence facilities of $37.8 million at June 30, 2018, is fully recoverable.

Loans

The following is a summary of our loans (in thousands):

	As of June 30, 2018	As of December 31, 2017
Mortgage loans	$1,686,866	$ 1,778,316
Acquisition loans	118,290	118,448
Working capital and other loans	29,565	31,761
	$1,834,721	$ 1,928,525

The decrease in mortgage loans relates to the use of two Steward mortgage loans to fund our acquisition of the related fee simple real estate of two facilities on June 27, 2018 – see "Acquisitions" of this Note 3 for further information. This decrease was partially offset by the new mortgage loans made on the St. Joseph property on March 1, 2018 and as part of the Vibra disposal transaction on June 4, 2018 – see "Disposals" of this Note 3 for further information.

Our non-mortgage loans typically consist of loans to our tenants for acquisitions and working capital purposes. At June 30, 2018, acquisition loans includes $113.6 million in loans to Ernest.

Concentrations of Credit Risk

Our revenue concentration for the six months ended June 30, 2018 as compared to the prior year is as follows (dollars in thousands):

Revenue by Operator

	For the Six Months Ended June 30,					
	2018			2017		
Operators	Total Revenue	Percentage of Total Revenue		Total Revenue	Percentage of Total Revenue	
Steward (1)	$147,868	36.3	%	$72,518	22.4	%
Prime	63,590	15.6	%	63,059	19.5	%
MEDIAN	57,289	14.1	%	47,744	14.8	%
Ernest	34,542	8.5	%	35,269	10.9	%
RCCH	20,414	5.0	%	19,632	6.1	%
Other operators	83,245	20.5	%	84,982	26.3	%
Total	$406,948	100.0	%	$323,204	100.0	%

(1) Includes revenue from IASIS prior to being acquired by Steward on September 29, 2017.

Revenue by U.S. State and Country

	For the Six Months Ended June 30,					
	2018			2017		
U.S. States and Other Countries	Total Revenue	Percentage of Total Revenue		Total Revenue	Percentage of Total Revenue	
Texas	$60,361	14.8	%	$49,851	15.4	%
Massachusetts	54,433	13.4	%	53,159	16.5	%
Utah	41,734	10.3	%	5,057	1.6	%
California	29,422	7.2	%	33,123	10.3	%
Arizona	23,286	5.7	%	15,542	4.8	%
All other states	121,307	29.8	%	109,875	33.9	%
Total U.S.	$330,543	81.2	%	$266,607	82.5	%
Germany	$74,176	18.2	%	$54,576	16.9	%
United Kingdom, Italy, and Spain	2,229	0.6	%	2,021	0.6	%
Total International	$76,405	18.8	%	$56,597	17.5	%
Grand Total	$406,948	100.0	%	$323,204	100.0	%

On an individual property basis, we had no investment of any single property greater than 4% of our total assets as of June 30, 2018.

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4. Debt

The following is a summary of debt (dollar amounts in thousands):

	As of June 30, 2018	As of December 31, 2017
Revolving credit facility(A)	$835,848	$ 840,810
Term loan	200,000	200,000
4.000% Senior Unsecured Notes due 2022(B)	584,200	600,250
5.500% Senior Unsecured Notes due 2024	300,000	300,000
6.375% Senior Unsecured Notes due 2024	500,000	500,000
3.325% Senior Unsecured Notes due 2025(B)	584,200	600,250
5.250% Senior Unsecured Notes due 2026	500,000	500,000
5.000% Senior Unsecured Notes due 2027	1,400,000	1,400,000
	$4,904,248	$ 4,941,310
Debt issue costs, net	(39,987)	(42,643)
	$4,864,261	$ 4,898,667

(A) Includes £12 million and £8 million of GBP-denominated borrowings that reflect the exchange rate at June 30, 2018 and December 31, 2017, respectively.
(B) These notes are Euro-denominated and reflect the exchange rate at June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (in thousands):

2018	$—
2019	—
2020	—
2021	835,848
2022	784,200
Thereafter	3,284,200
Total	$4,904,248

2017 Activity

On February 1, 2017, we replaced our previous unsecured credit facility (which we had entered into in 2014 and amended in 2015) with a new revolving credit and term loan agreement (“Credit Facility”). The new agreement included a $1.3 billion unsecured revolving loan facility (same amount as the previous revolving loan facility), a $200 million

unsecured term loan facility ($50 million lower than the previous term loan), and a new €200 million unsecured term loan facility.

On March 4, 2017, we redeemed the €200 million aggregate principal amount of our 5.750% Senior Unsecured Notes due 2020.

On March 24, 2017, we completed a €500 million senior unsecured notes offering (“3.325% Senior Unsecured Notes due 2025”). A portion of the proceeds from this offering were used to prepay and extinguish the €200 million term loan facility portion of our Credit Facility on March 30, 2017.

With the replacement of our old credit facility, the redemption of the 5.750% Senior Unsecured Notes due 2020, and the payoff of our €200 million euro term loan, we incurred a debt refinancing charge of approximately $14 million in the first six months of 2017.

Covenants

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis. At June 30, 2018, the dividend restriction was 95% of normalized adjusted funds from operations ("NAFFO"). The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of NAFFO, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, consolidated adjusted net worth, unsecured leverage ratio, and unsecured interest coverage ratio. This Credit Facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with our covenants. If an event of default occurs and is continuing under the Credit Facility, the entire outstanding balance may become immediately due and payable. At June 30, 2018, we were in compliance with all such financial and operating covenants.

5. Common Stock/Partners' Capital

Medical Properties Trust, Inc.

On May 1, 2017, we completed an underwritten public offering of approximately 43.1 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 5.6 million shares) of our common stock, resulting in net proceeds of approximately $548 million, after deducting offering expenses.

MPT Operating Partnership, L.P.

At June 30, 2018, the Company has a 99.92% ownership interest in the Operating Partnership with the remainder owned by two other partners, which are employees.

During the six months ended June 30, 2017, the Operating Partnership issued approximately 43.1 million units in direct response to the common stock offerings by Medical Properties Trust, Inc. during the same period.

6. Stock Awards

We adopted the 2013 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2013, which authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and awards of interests in our Operating Partnership. The Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 8,196,770 shares of common stock for awards under the Equity Incentive Plan for which 1,690,590 million shares remain available for future stock awards as of June 30, 2018. Share-based compensation expense totaled $6.7 million and $4.4 million for the six months ended June 30, 2018 and 2017, respectively.

7. Fair Value of Financial Instruments

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents and accounts payable and accrued expenses approximate their fair values. We estimate the fair value of our interest and rent receivables using Level 2 inputs such as discounting the estimated future cash flows using the current rates at which similar receivables would be made to others with similar credit ratings and for the same remaining maturities. The fair value of our mortgage loans and working capital loans are estimated by using Level 2 inputs such as discounting the estimated future cash flows using the current rates which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We determine the fair value of our senior unsecured notes using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our revolving credit facility and term loan using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible and may not be a prudent management decision. The following table summarizes fair value estimates for our financial instruments (in thousands):

	As of June 30, 2018		As of December 31, 2017	
	Book	Fair	Book	Fair
Asset (Liability)	Value	Value	Value	Value
Interest and rent receivables	$85,181	$84,292	$78,970	$78,028
Loans (1)	1,605,355	1,627,579	1,698,471	1,722,101
Debt, net	(4,864,261)	(4,889,856)	(4,898,667)	(5,073,707)

(1) Excludes loans related to Ernest since they are recorded at fair value and discussed below.

Items Measured at Fair Value on a Recurring Basis

Our equity interest in Ernest along with their related loans are measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method. We have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other currently existing equity interests or loans.

At June 30, 2018, these amounts were as follows (in thousands):

Asset Type	Fair Value	Original Cost	Asset Type Classification
Mortgage loans	$115,000	$115,000	Mortgage loans
Equity investments and other loans	110,672	117,666	Other loans/other assets
	$225,672	$232,666	

Our mortgage and other loans with Ernest are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. Our equity investment in Ernest is recorded at fair value based on Level 3 inputs, by using a discounted cash flow model, which requires significant estimates of our investee such as projected revenue and expenses and appropriate consideration of the underlying risk profile of the forecast assumptions associated with the investee. We classify the equity investment as Level 3, as we use certain unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices. For the cash flow model, our observable inputs include use of a capitalization rate, discount rate (which is based on a weighted average cost of capital), and market interest rates, and our unobservable input includes an adjustment for a marketability discount ("DLOM") on our equity investment of 40% at June 30, 2018.

In regards to the underlying projection of revenues and expenses used in the discounted cash flow model, such projections are provided by Ernest. However, we will modify such projections (including underlying assumptions

used) as needed based on our review and analysis of Ernest’s historical results, meetings with key members of management, and our understanding of trends and developments within the healthcare industry.

In arriving at the DLOM, we started with a DLOM range based on the results of studies supporting valuation discounts for other transactions or structures without a public market. To select the appropriate DLOM within the range, we then considered many qualitative factors including the percent of control, the nature of the underlying investee’s business along with our rights as an investor pursuant to the operating agreement, the size of investment, expected holding period, number of shareholders, access to capital marketplace, etc. To illustrate the effect of movements in the DLOM, we performed a sensitivity analysis below by using basis point variations (dollars in thousands):

Basis Point Change in Marketability Discount	Estimated Increase (Decrease) In Fair Value
+100 basis points	$ (60)
- 100 basis points	60

Because the fair value of the Ernest investments noted above is below our original cost, we recognized an unrealized loss during the first half of 2018. No unrealized gain/loss on the Ernest investments was recorded in the first half of 2017.

8. Earnings Per Share

Medical Properties Trust, Inc.

Our earnings per share were calculated based on the following (amounts in thousands):

	For the Three Months Ended June 30,	
	2018	2017
Numerator:		
Net income	$112,017	$73,796
Non-controlling interests' share in net income	(450)	(381)
Participating securities' share in earnings	(323)	(100)
Net income, less participating securities' share in earnings	$111,244	$73,315
Denominator:		
Basic weighted-average common shares	364,897	349,856
Dilutive potential common shares	644	463
Dilutive weighted-average common shares	365,541	350,319

	For the Six Months Ended June 30,	
	2018	2017
Numerator:		
Net income	$203,060	$141,981
Non-controlling interests' share in net income	(892)	(596)
Participating securities' share in earnings	(518)	(225)
Net income, less participating securities' share in earnings	$201,650	$141,160
Denominator:		
Basic weighted-average common shares	364,889	335,456
Dilutive potential common shares	553	415
Dilutive weighted-average common shares	365,442	335,871

MPT Operating Partnership, L.P.

Our earnings per common unit were calculated based on the following (amounts in thousands):

For the Three Months

	Ended June 30,	
	2018	2017
Numerator:		
Net income	$112,017	$73,796
Non-controlling interests' share in net income	(450)	(381)
Participating securities' share in earnings	(323)	(100)
Net income, less participating securities' share in earnings	$111,244	$73,315
Denominator:		
Basic weighted-average units	364,897	349,856
Dilutive potential units	644	463
Diluted weighted-average units	365,541	350,319

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