HEALTHCARE REALTY TRUST INC
Form 10-Q
November 09, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2009

OR

o **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: 001-11852

HEALTHCARE REALTY TRUST INCORPORATED

(Exact name of Registrant as specified in its charter)

Maryland	**62 1507028**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3310 West End Avenue
Suite 700
Nashville, Tennessee 37203
(Address of principal executive offices)

(615) 269-8175
(Registrant s telephone number, including area code)

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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

As of October 31, 2009, 59,364,717 shares of the Registrant s Common Stock were outstanding.

HEALTHCARE REALTY TRUST INCORPORATED
FORM 10-Q
September 30, 2009
TABLE OF CONTENTS

	Page
Part I Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Income	2
Condensed Consolidated Statements of Cash Flows	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures about Market Risk	34
Item 4. Controls and Procedures	34
Part II Other Information	
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 6. Exhibits	36
Signature	37
EX-10.1	
EX-10.2	
EX-10.3	
EX-10.4	
EX-31.1	
EX-31.2	
EX-32	

Table of Contents

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Healthcare Realty Trust Incorporated
Condensed Consolidated Balance Sheets
(Dollars in thousands, except per share data)
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Real estate properties:		
Land	$ 116,114	$ 107,555
Buildings, improvements and lease intangibles	1,912,585	1,792,402
Personal property	17,431	16,985
Construction in progress	122,648	84,782
	2,168,778	2,001,724
Less accumulated depreciation	(424,370)	(367,360)
Total real estate properties, net	1,744,408	1,634,364
Cash and cash equivalents	5,088	4,138
Mortgage notes receivable	41,595	59,001
Assets held for sale and discontinued operations, net	903	90,233
Other assets, net	87,567	77,044
Total assets	$ 1,879,561	$ 1,864,780
LIABILITIES AND EQUITY		
Liabilities:		
Notes and bonds payable	$ 997,037	$ 940,186
Accounts payable and accrued liabilities	61,404	45,937
Liabilities held for sale and discontinued operations	11	32,821
Other liabilities	41,301	49,589
Total liabilities	1,099,753	1,068,533
Commitments and contingencies		
Equity:		
Preferred stock, $.01 par value; 50,000,000 shares authorized; none issued and outstanding		
Common stock, $.01 par value; 150,000,000 shares authorized; 59,363,946 and 59,246,284 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	594	592
Additional paid-in capital	1,494,345	1,490,535
Accumulated other comprehensive loss	(6,461)	(6,461)

Cumulative net income	783,595	736,874
Cumulative dividends	(1,495,250)	(1,426,720)
Total stockholders equity	776,823	794,820
Noncontrolling interests	2,985	1,427
Total equity	779,808	796,247
Total liabilities and equity	$ 1,879,561	$ 1,864,780

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company s Annual Report on
Form 10-K for the year ended December 31, 2008, are an integral part of these financial statements.

Table of Contents

Healthcare Realty Trust Incorporated

Condensed Consolidated Statements of Income
For the Three Months Ended September 30, 2009 and 2008
(Dollars in thousands, except per share data)
(Unaudited)

	2009	2008
REVENUES		
Master lease rent	$ 14,973	$ 15,166
Property operating	45,638	34,721
Straight-line rent	676	124
Mortgage interest	658	579
Other operating	2,111	4,084
	64,056	54,674
EXPENSES		
General and administrative	5,107	6,018
Property operating	23,979	21,625
Impairment		1,600
Bad debts, net of recoveries	(133)	95
Depreciation	15,906	12,166
Amortization	1,236	769
	46,095	42,273
OTHER INCOME (EXPENSE)		
Gain on extinguishment of debt, net		2,015
Interest expense	(9,587)	(10,863)
Interest and other income, net	292	185
	(9,295)	(8,663)
INCOME FROM CONTINUING OPERATIONS	8,666	3,738
DISCONTINUED OPERATIONS		
Income from discontinued operations	289	1,092
Gain on sales of real estate properties	84	746
INCOME FROM DISCONTINUED OPERATIONS	373	1,838
NET INCOME	9,039	5,576
Less: Net (income) loss attributable to noncontrolling interests	65	(49)

NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS		$ 9,104	$ 5,527
Basic Earnings Per Common Share				
Income from continuing operations		$ 0.15	$ 0.07
Discontinued operations		0.01	0.04
Net income attributable to common stockholders		$ 0.16	$ 0.11
Diluted Earnings Per Common Share				
Income from continuing operations		$ 0.15	$ 0.07
Discontinued operations		0.00	0.04
Net income attributable to common stockholders		$ 0.15	$ 0.11
Weighted Average Common Shares Outstanding	**Basic**	58,174,482	49,530,813
Weighted Average Common Shares Outstanding	**Diluted**	59,064,066	50,614,173
Dividends Declared, per Common Share, During the Period		$ 0.385	$ 0.385

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company s Annual Report on
Form 10-K for the year ended December 31, 2008, are an integral part of these financial statements.

Table of Contents

Healthcare Realty Trust Incorporated
Condensed Consolidated Statements of Income
For the Nine Months Ended September 30, 2009 and 2008
(Dollars in thousands, except per share data)
(Unaudited)

	2009	2008
REVENUES		
Master lease rent	$ 45,576	$ 45,869
Property operating	134,414	99,736
Straight-line rent	1,364	(58)
Mortgage interest	2,126	1,647
Other operating	8,626	12,246
	192,106	159,440
EXPENSES		
General and administrative	17,402	17,926
Property operating	70,929	59,149
Impairment		1,600
Bad debts, net of recoveries	429	355
Depreciation	47,207	35,293
Amortization	4,063	1,919
	140,030	116,242
OTHER INCOME (EXPENSE)		
Gain on extinguishment of debt, net		2,024
Re-measurement gain of equity interest upon acquisition	2,701	
Interest expense	(29,703)	(32,627)
Interest and other income, net	675	807
	(26,327)	(29,796)
INCOME FROM CONTINUING OPERATIONS	25,749	13,402
DISCONTINUED OPERATIONS		
Income from discontinued operations	870	3,674
Impairments	(22)	(29)
Gain on sales of real estate properties	20,136	9,098
INCOME FROM DISCONTINUED OPERATIONS	20,984	12,743
NET INCOME	46,733	26,145
Less: Net income attributable to noncontrolling interests	(12)	(52)

NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS		$ 46,721	$ 26,093
Basic Earnings Per Common Share				
Income from continuing operations		$ 0.44	$ 0.27
Discontinued operations		0.36	0.26
Net income attributable to common stockholders		$ 0.80	$ 0.53
Diluted Earnings Per Common Share				
Income from continuing operations		$ 0.44	$ 0.27
Discontinued operations		0.35	0.25
Net income attributable to common stockholders		$ 0.79	$ 0.52
Weighted Average Common Shares Outstanding	**Basic**	58,150,024	49,438,796
Weighted Average Common Shares Outstanding	**Diluted**	58,950,870	50,481,469
Dividends Declared, per Common Share, During the Period		$ 1.155	$ 1.155

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company s Annual Report on
Form 10-K for the year ended December 31, 2008, are an integral part of these financial statements.

Table of Contents

Healthcare Realty Trust Incorporated

Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2009 and 2008
(Dollars in thousands)
(Unaudited)

	2009	2008
Operating Activities		
Net income	$ 46,733	$ 26,145
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	52,889	40,168
Stock-based compensation	3,286	3,487
Straight-line rent receivable	(1,348)	75
Straight-line rent liability	336	147
Gain on sales of real estate properties	(20,136)	(9,098)
Gain on repurchase of notes payable		(2,024)
Re-measurement gain of equity interest upon acquisition	(2,701)	
Impairments	22	1,629
Equity in losses from unconsolidated joint ventures	2	93
Provision for bad debts, net of recoveries	429	426
State income taxes paid, net of refunds	(662)	(651)
Payment of partial pension settlement	(2,300)	
Changes in operating assets and liabilities:		
Other assets	(1,005)	5,029
Accounts payable and accrued liabilities	11,984	9,653
Other liabilities	(5,148)	2,983
Net cash provided by operating activities	82,381	78,062
Investing Activities		
Acquisition and development of real estate properties	(99,253)	(138,452)
Funding of mortgages and notes receivable	(13,183)	(12,519)
Investment in unconsolidated joint venture	(184)	
Distributions received from unconsolidated joint ventures		882
Partial redemption of preferred equity investment in an unconsolidated joint venture		5,546
Proceeds from sales of real estate	83,441	24,681
Proceeds from mortgages and notes receivable repayments	205	2,634
Net cash used in investing activities	(28,974)	(117,228)
Financing Activities		
Net borrowings on unsecured credit facilities	44,000	(68,000)
Repayments on notes and bonds payable	(22,640)	(2,720)
Repurchase of notes payable		(31,238)
Quarterly dividends paid	(68,530)	(58,609)
Proceeds from issuance of common stock	534	197,062
Equity issuance costs		(32)
Common stock redemption	(8)	(282)

Debt issuance costs	(7,393)	
Credit facility amendment fee		(326)
Capital contributions received from noncontrolling interests	1,771	
Distributions to noncontrolling interests	(191)	(52)
Net cash provided by (used in) financing activities	(52,457)	35,803
Increase (decrease) in cash and cash equivalents	950	(3,363)
Cash and cash equivalents, beginning of period	4,138	8,519
Cash and cash equivalents, end of period	$ 5,088	$ 5,156
Supplemental Cash Flow Information:		
Interest paid	$ 26,953	$ 28,544
Capitalized interest	$ 7,260	$ 4,760
Capital expenditures accrued	$ 15,891	$ 10,449
Mortgage note payable assumed upon acquisition of joint venture interest (adjusted to fair value)	$ 11,716	$
Mortgage note payable disposed of upon sale of joint venture interest	$ 5,425	$ 422

The accompanying notes, together with the Notes to the Consolidated Financial Statements included in the Company s Annual Report on
Form 10-K for the year ended December 31, 2008, are an integral part of these financial statements.

Table of Contents

Healthcare Realty Trust Incorporated

Notes to Condensed Consolidated Financial Statements

September 30, 2009
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Business Overview

Healthcare Realty Trust Incorporated (the Company) is a real estate investment trust (REIT) that owns, acquires, manages, finances, and develops income-producing real estate properties associated primarily with the delivery of outpatient healthcare services throughout the United States. The Company had investments of approximately $2.2 billion in 206 real estate properties and mortgages as of September 30, 2009, excluding assets classified as held for sale and including an investment in one unconsolidated joint venture. The Company s 201 owned real estate properties, excluding assets classified as held for sale, are comprised of six facility types, located in 28 states, totaling approximately 12.3 million square feet. As of September 30, 2009, the Company provided property management services to approximately 9.0 million square feet nationwide.

Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries, joint ventures and partnerships where the Company controls the operating activities and receives substantially all of the economic benefits.

The Company s investments in its unconsolidated joint ventures are included in other assets and the related equity income is recognized in other income (expense) on the Company s Condensed Consolidated Financial Statements. The Company reports noncontrolling (minority) interests in subsidiaries as equity and the related net income attributable to the noncontrolling interests as part of consolidated net income in its financial statements.

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements that are included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. Management believes, however, that all adjustments of a normal, recurring nature considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in the Condensed Consolidated Financial Statements. The Company evaluated subsequent events for recognition or disclosure through November 9, 2009, which is the date the Condensed Consolidated Financial Statements were issued.

This interim financial information should be read in conjunction with the financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included in this report and in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. This interim financial information does not necessarily represent or indicate what the operating results will be for the year ending December 31, 2009 for many reasons including, but not limited to, acquisitions, dispositions, capital financing transactions, changes in interest rates and the effects of trends.

Use of Estimates in the Condensed Consolidated Financial Statements

Preparation of the Condensed Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results may differ from those estimates.

Segment Reporting

The Company owns, acquires, manages, finances, and develops outpatient, healthcare-related properties. The Company is managed as one reporting unit, rather than multiple reporting units, for internal reporting purposes and for internal decision-making. Therefore, the Company discloses its operating results in a single segment.

Table of Contents

Reclassifications

Discontinued operations

Certain amounts in the Company s Condensed Consolidated Financial Statements for prior periods have been reclassified to conform to the current period presentation. Assets sold or held for sale, and related liabilities, have been reclassified on the Company s Condensed Consolidated Balance Sheets, and the operating results of those assets have been reclassified from continuing to discontinued operations for all periods presented. Likewise, certain assets and liabilities that were previously classified as held for sale and included in discontinued operations have been reclassified to held for use and included in continuing operations.

Noncontrolling interests

All prior period noncontrolling interests on the Company s Condensed Consolidated Balance Sheets have been reclassified from liabilities to equity, and all prior period noncontrolling interests net income on the Company s Condensed Consolidated Statements of Income have been reclassified to specifically identify net income or loss attributable to the noncontrolling interests.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. There are four criteria that must be met before a Company may recognize revenue, including persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered (i.e., the tenant has taken possession of and controls the physical use of the leased asset), the price has been fixed or is determinable, and collectibility is reasonably assured.

The Company derives most of its revenues from its real estate and mortgage notes receivable portfolio. The Company s rental and mortgage interest income is recognized based on contractual arrangements with its tenants, sponsors or borrowers. These contractual arrangements generally fall into three categories: leases, mortgage notes receivable, and property operating agreements as described in the following paragraphs. The Company may accrue late fees based on the contractual terms of a lease or note. Such fees, if accrued, are included in master lease rent, property operating income, or mortgage interest income on the Company s Condensed Consolidated Statements of Income, based on the type of contractual agreement.

Rental Income

Rental income related to non-cancelable operating leases is recognized as earned over the life of the lease agreements on a straight-line basis. The Company s lease agreements generally include provisions for stated annual increases or increases based on a Consumer Price Index (CPI). Rental income from properties under master lease arrangements with tenants is included in master lease rent, and rental income from properties with multiple tenant lease arrangements is included in property operating income on the Company s Condensed Consolidated Statements of Income.

Interest Income

Mortgage interest income and notes receivable interest income are recognized based on the interest rates and maturity date or amortization period specific to each note.

Property operating income

As of September 30, 2009, the Company had eight real estate properties subject to property operating agreements that obligate the sponsoring health system to provide to the Company a minimum return on the Company s investment in the property in return for the right to be involved in the operating decisions of the property, including tenancy. If the minimum return is not achieved through normal operations of the property, the sponsor is responsible to the Company for the shortfall under the terms of these agreements. The Company recognizes the shortfall income in other operating income on the Company s Condensed Consolidated Statements of Income.

Accumulated Other Comprehensive Loss

Certain items must be included in comprehensive income (loss), including items such as foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains or losses on available-for-sale securities. The Company s accumulated other comprehensive loss includes the cumulative pension liability adjustments, which are generally recognized in the fourth quarter of each year. As such, the Company s total comprehensive income for the three and nine months ended September 30, 2009 and 2008 was the same as net income.

Income Taxes

No provision has been made for federal income taxes. The Company intends at all times to qualify as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. The

Table of Contents

Company must distribute at least 90% per annum of its real estate investment trust taxable income to its stockholders and meet other requirements to continue to qualify as a real estate investment trust.

The Company must pay certain state income taxes which are generally included in general and administrative expense on the Company s Condensed Consolidated Statements of Income.

The Company classifies interest and penalties related to uncertain tax positions, if any, in its Condensed Consolidated Financial Statements as a component of general and administrative expense.

Incentive Plans

The Company has issued and outstanding various employee and non-employee stock-based awards, including restricted stock issued to employees pursuant to the Company s employee stock incentive plans, restricted stock issued to its Board of Directors under its non-employee director incentive plan, and options issued to employees pursuant to its employee stock purchase plan. The Company recognizes compensation expense for these awards based on the grant date fair value of the awards.

Accounting for Defined Benefit Pension Plans

The Company has pension plans under which the Company s Board of Directors and certain designated employees may receive retirement benefits upon retirement and the completion of five years of service with the Company. The plans are unfunded and benefits will be paid from earnings of the Company. The Company recognizes pension expense on an accrual basis over an estimated service period. The Company calculates pension expense and the corresponding liability annually on the measurement date (December 31) which requires certain assumptions, such as a discount rate and the recognition of actuarial gains and losses.

Operating Leases

As described in more detail in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, the Company is obligated under operating lease agreements consisting primarily of its corporate office lease and various ground leases related to the Company s real estate investments where the Company is the lessee.

Discontinued Operations and Assets Held for Sale

The Company sells properties from time to time due to a variety of factors, including among other things, market conditions or the exercise of purchase options by tenants. The operating results of properties that have been sold or are held for sale are reported as discontinued operations in the Company s Condensed Consolidated Statements of Income. A company must report discontinued operations when a component of an entity has either been disposed of or is deemed to be held for sale if (i) both the operations and cash flows of the component have been or will be eliminated from ongoing operations as a result of the disposal transaction, and (ii) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. Long-lived assets classified as held for sale on the Company s Condensed Consolidated Balance Sheets are reported at the lower of their carrying amount or their fair value less cost to sell. Further, depreciation of these assets ceases at the time the assets are classified as discontinued operations. Losses resulting from the sale of such properties are characterized as impairment losses relating to discontinued operations in the Condensed Consolidated Statements of Income. As of September 30, 2009, the Company had one real estate property classified as held for sale.

Land Held for Development

Land held for development, which is included in construction in progress on the Company s Condensed Consolidated Balance Sheets, includes parcels of land owned by the Company, upon which the Company intends to develop and own medical office and outpatient healthcare properties. See Note 6 for a detail of the Company s land held for development.

Table of Contents

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. In calculating fair value, a company must maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements.

A hierarchy of valuation techniques is defined to determine whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

o *Level 1* quoted prices for identical instruments in active markets;

o *Level 2* quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

o *Level 3* fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Real Estate Properties

Real estate properties are recorded at fair value at the acquisition date. The fair value of real estate properties acquired is allocated between land, buildings, tenant improvements, lease and other intangibles, and personal property based upon estimated fair values at the time of acquisition.

New Pronouncements

Beginning with interim or annual periods ending after September 15, 2009, the FASB s Accounting Standards Codification (the Codification) became the single source of authoritative nongovernmental GAAP. Previously existing accounting standard documents, such as FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and other related literature, excluding guidance from the Securities and Exchange Commission (SEC), were superseded by the Codification. As such, all references to authoritative accounting literature are referenced in accordance with the Codification. The Codification was not designed to change GAAP, but instead to introduce a new structure that combines all authoritative standards into a comprehensive, topically organized online database. The Codification has not changed the content of the Company s financial statements or other disclosures.

Table of Contents

Note 2. Real Estate and Mortgage Notes Receivable Investments

The Company had investments of approximately $2.2 billion in 206 real estate properties and mortgage notes receivable as of September 30, 2009, excluding assets classified as held for sale and including an investment in one unconsolidated joint venture. The Company s 201 owned real estate properties, excluding assets classified as held for sale, are located in 28 states and comprise approximately 12.3 million total square feet. The table below details the Company s investments.

(Dollars and Square Feet in thousands)	Number of Investments	Gross Investment Amount	%	Square Feet Footage	%
Owned properties:					
Master leases					
Medical office	20	$ 155,201	7.0%	953	7.7%
Physician clinics	16	123,611	5.6%	688	5.6%
Ambulatory care/surgery	5	33,351	1.5%	133	1.1%
Specialty outpatient	3	8,265	0.4%	37	0.3%
Specialty inpatient	12	218,611	9.9%	864	7.0%
Other	10	45,372	2.0%	498	4.0%
	66	584,411	26.4%	3,173	25.7%
Property operating agreements					
Medical office	8	83,694	3.7%	621	5.0%
	8	83,694	3.7%	621	5.0%
Multi-tenanted with occupancy leases					
Medical office	105	1,346,113	60.9%	7,894	64.0%
Physician clinics	15	50,610	2.3%	331	2.6%
Ambulatory care/surgery	5	66,812	3.0%	303	2.5%
Specialty outpatient	2	5,221	0.2%	22	0.2%
	127	1,468,756	66.4%	8,550	69.3%
Land Held for Development		17,301	0.8%		
Corporate property		14,616	0.7%		
		31,917	1.5%		
Total owned properties	201	2,168,778	98.0%	12,344	100.0%
Mortgage loans:					
Medical office	1	12,118	0.5%		
Physician clinics	2	16,832	0.8%		
Ambulatory care/surgery	1	12,645	0.6%		
	4	41,595	1.9%		

Unconsolidated joint ventures, net:					
Other	1	1,266	0.1%		
	1	1,266	0.1%		
Total real estate investments	206	$2,211,639	100.0%	12,344	100.0%

Table of Contents

Note 3. Acquisitions and Dispositions

Asset Acquisitions

In January 2009, the Company acquired the remaining 50% equity interest in a joint venture (Unico 2006 MOB) which owns a 62,246 square foot on-campus medical office building in Oregon, for approximately $4.4 million in cash consideration. The building was approximately 97% occupied with lease maturities ranging from 2009 through 2025. In connection with the acquisition, the Company assumed an outstanding mortgage note payable held by the joint venture totaling approximately $12.8 million ($11.7 million including a $1.1 million fair value adjustment) which bears an effective rate of 6.51% and matures in 2021. Prior to the acquisition, the Company had a 50% equity investment in the joint venture totaling approximately $1.7 million which it accounted for under the equity method. In connection with the acquisition, the Company re-measured its previously held equity interest at the acquisition-date fair value and recognized a gain on the re-measurement of approximately $2.7 million which was recognized as income in the first quarter of 2009.

In February 2009, a joint venture (HR Ladco Holdings, LLC), in which the Company has an 80% controlling interest, acquired a 33,974 square foot medical office building in Iowa for $10.7 million. The property was 100% leased and occupied by two tenants with lease expirations in 2018. The building was constructed by the Company s joint venture partner, and the construction was funded by the Company through a construction loan. Upon acquisition by the joint venture, $8.0 million of the Company s construction financing was converted to a permanent mortgage note payable to the Company and $1.1 million to capital contribution as the Company s additional equity investment in the joint venture. Both the permanent mortgage note payable and the Company s equity investment in the joint venture are eliminated in consolidation.

In July 2009, HR Ladco Holdings, LLC acquired a 22,572 square foot medical office building in Iowa for $3.6 million. The property is 100% occupied by one tenant whose lease expires in 2021. In July 2009, HR Ladco Holdings, LLC also acquired a medical office/wellness facility in Iowa for $21.0 million. This 63,224 square foot building was 100% occupied by one tenant whose lease expires in 2029. The building was constructed by the Company s joint venture partner, and the construction was funded by the Company through a construction loan. Upon acquisition of the building by the joint venture, $15.8 million of the Company s construction financing was converted to a permanent mortgage note payable to the Company and $3.0 million to capital contribution as the Company s additional equity investment in the joint venture. Both the permanent mortgage note payable and the Company s equity investment in the joint venture are eliminated in consolidation.

Asset Dispositions

In February 2009, the Company disposed of the following:

an 11,538 square foot medical office building in Florida in which the Company had an aggregate investment of approximately $1.4 million ($1.0 million, net). The Company received approximately $1.4 million in net proceeds and recognized a gain on sale of approximately $0.4 million.

a 139,467 square foot medical office building in Wyoming to the sponsor for $21.4 million. In December 2008, the Company received a $2.4 million deposit from the sponsor on the sale and received a $7.2 million termination fee from the sponsor for the termination of its property operating agreement with the Company. In February 2009, the Company received the remaining consideration of approximately $19.0 million (plus $0.2 million of interest). The Company had an aggregate investment of approximately $20.0 million ($15.8 million, net) in the medical office building and recognized a gain on sale of approximately $5.6 million.

the Company s membership interests in an entity which owned an 86,942 square foot medical office building in Washington. The Company acquired the entity in December 2008 and had an aggregate and net investment of approximately $10.7 million. The Company received approximately $5.3 million in net proceeds, and the purchaser assumed the mortgage note secured by the property of approximately $5.4 million. The Company recognized a $22,000 impairment charge on the disposition related to closing costs.

Table of Contents

In March 2009, the Company disposed of a 198,064 square foot medical office building in Nevada in which the Company had an aggregate investment of approximately $46.8 million ($32.7 million, net). The Company received approximately $38.0 million in net proceeds and concurrently paid off a $19.5 million mortgage note secured by the property. The Company recognized a gain on sale of approximately $6.6 million, net of liabilities of $1.3 million.

In April 2009, pursuant to an agreement entered into with the tenant in August 2008, the Company disposed of a 113,555 square foot specialty inpatient facility in Michigan in which the Company had an aggregate investment of approximately $13.9 million ($10.8 million, net). The Company received approximately $18.5 million in net proceeds and recognized a gain on sale of approximately $7.5 million, net of liabilities of $0.1 million.

In June 2009, the Company disposed of a 10,255 square foot ambulatory surgery center in Florida in which the Company had an aggregate investment of approximately $3.4 million ($2.0 million, net). The Company received approximately $0.5 million in net cash proceeds and title to a land parcel adjoining a medical office building owned by the Company valued at $1.5 million. The Company recognized no gain on the transaction.

In July 2009, the Company disposed of an 8,243 square foot physician clinic in Virginia in which the Company had an aggregate investment of approximately $0.7 million ($0.5 million, net). The Company received approximately $0.6 million in net proceeds and recognized a gain on sale of approximately $0.1 million.

Discontinued Operations and Assets Held for Sale

The tables below detail the assets, liabilities, and results of operations included in discontinued operations on the Company s Condensed Consolidated Statements of Income and included in assets and liabilities held for sale and discontinued operations on the Company s Condensed Consolidated Balance Sheets. At September 30, 2009 and December 31, 2008, the Company had one and 12 properties, respectively, classified as held for sale. Six of the properties held for sale at December 31, 2008 were sold during 2009, one of the properties remains in held for sale at September 30, 2009, and five of the properties were reclassified to held for use during the first quarter of 2009 as the sale of those properties became improbable. In the first quarter of 2009, the Company recorded a depreciation adjustment totaling approximately $0.5 million to reduce the Company s carrying amounts of the five properties reclassified to held for use to their respective adjusted net book values.

(Dollars in thousands)	September 30, 2009	December 31, 2008
Balance Sheet data (as of the period ended):		
Land	$ 587	$ 9,503
Buildings, improvements and lease intangibles	1,021	109,596
Personal property		30
	1,608	119,129
Accumulated depreciation	(708)	(29,905)
Assets held for sale, net	900	89,224
Other assets, net (including receivables)	3	1,009
Assets of discontinued operations, net	3	1,009
Assets held for sale and discontinued operations, net	$ 903	$ 90,233
Notes and bonds payable	$	$ 5,452

Liabilities held for sale		5,452
Notes and bonds payable		23,281
Accounts payable and accrued liabilities	11	409
Other liabilities		3,679
Liabilities of discontinued operations	11	27,369
Liabilities held for sale and discontinued operations	$ 11	$ 32,821

Table of Contents

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
Statements of Income data (for the period ended):				
Revenues (1)				
Master lease rent	$	$ 598	$ 874	$ 2,999
Property operating		2,051	822	5,976
Straight-line rent		(1)	(16)	(18)
Other operating		176	216	610
		2,824	1,896	9,567
Expenses				
General and administrative		(1)		(26)
Property operating	20	978	707	2,811
Bad debts, net of recoveries	(24)		(20)	71
Depreciation		440	159	1,889
Amortization		6		25
	(4)	1,423	846	4,770
Other Income (Expense)				
Interest expense		(309)	(464)	(1,123)
Interest and other income	285		284	
	285	(309)	(180)	(1,123)
Income from discontinued operations	289	1,092	870	3,674
Impairments			(22)	(29)
Gain on sales of real estate properties	84	746	20,136	9,098
Income from Discontinued Operations	$ 373	$1,838	$20,984	$12,743
Income from Discontinued Operations per basic common share	$0.01	$ 0.04	$ 0.36	$ 0.26
Income from Discontinued Operations per diluted common share	$0.00	$ 0.04	$ 0.35	$ 0.25

Note 4. Notes and Bonds Payable

The Company s Condensed Consolidated Balance Sheet as of December 31, 2008 included four mortgage notes totaling $28.7 million in liabilities held for sale and discontinued operations. Included in notes and bonds payable on

the Company s Condensed Consolidated Balance Sheet as of September 30, 2009, are mortgage notes relating to five properties that the Company reclassified from held for sale to held for use during the first quarter of 2009. Those mortgage notes, totaling $3.7 million, which were classified as held for sale at December 31, 2008 are included in the December 31, 2008 column in the table below to conform to the September 30, 2009 presentation.

(In thousands)	Sept. 30, 2009	Dec. 31, 2008	Maturity Dates	Contractual Interest Rates	Principal Payments	Interest Payments
Unsecured Credit Facility due 2012 (1)	$373,000	$	9/12	LIBOR + 2.80%	At maturity	Quarterly
Unsecured Credit Facility due 2010 (1)		329,000	1/10	LIBOR + 0.90%	At maturity	Quarterly
Senior Notes due 2011, including premium	286,718	286,898	5/11	8.125%	At maturity	Semi-Annual
Senior Notes due 2014, net of discount	264,057	263,961	4/14	5.125%	At maturity	Semi-Annual
Mortgage notes payable, net of discounts	73,262	64,060	5/11-10/32	5.00%-7.625%	Monthly	Monthly
	$997,037	$943,919				

(1) The Company entered into a $550 million amended and restated credit facility due 2012 on September 30, 2009 which replaced the $400 million credit facility due 2010.

The Company s various debt agreements contain certain representations, warranties, and financial and other covenants customary in such loan agreements. Among other things, these provisions require the Company to maintain certain financial ratios and minimum tangible net worth and impose certain limits on the Company s ability to incur

Table of Contents

indebtedness and create liens or encumbrances. At September 30, 2009, the Company was in compliance with its financial covenant provisions under its various debt instruments.

Unsecured credit facilities

On September 30, 2009, the Company entered into an amended and restated $550.0 million unsecured credit facility (the Unsecured Credit Facility) with 16 lenders that matures on September 30, 2012. Amounts outstanding under the Unsecured Credit Facility bear interest at a rate equal to (x) LIBOR or the base rate (defined as the highest of (i) the Federal Funds Rate plus 0.5%; (ii) the Bank of America prime rate and (iii) LIBOR) plus (y) a margin ranging from 2.15% to 3.20% (currently 2.80%) for LIBOR-based loans and 0.90% to 1.95% for base rate loans (currently 1.55%), based upon the Company s unsecured debt ratings. In addition, the Company pays a facility fee per annum on the aggregate amount of commitments. The facility fee is 0.40% per annum, unless the Company s credit rating falls below a BBB-/Baa3, at which point the facility fee would be 0.50%. At September 30, 2009, the Company had $373.0 million outstanding under the facility with a weighted average interest rate of approximately 3.05% and had borrowing capacity remaining, under its financial covenants, of approximately $177.0 million. Amounts outstanding under the previous credit facility due 2010 totaling approximately $368.0 million were repaid with proceeds from the new Unsecured Credit Facility.

Senior Notes due 2011

In 2001, the Company publicly issued $300.0 million of unsecured senior notes due 2011 (the Senior Notes due 2011). The Senior Notes due 2011 bear interest at 8.125%, payable semi-annually on May 1 and November 1, and are due on May 1, 2011, unless redeemed earlier by the Company. The notes were originally issued at a discount of approximately $1.5 million, which yielded an 8.20% interest rate per annum upon issuance. The Company entered into interest rate swap agreements between 2001 and 2006 for notional amounts totaling $125.0 million to offset changes in the fair value of the notes but terminated the interest rate swaps in 2006. The net premium resulting from the interest rate swaps, net of the original discount, is combined with the principal balance of the Senior Notes due 2011 on the Company s Condensed Consolidated Balance Sheets and is being amortized against interest expense over the remaining term of the notes yielding an effective interest rate on the notes of 7.896%. The following table reconciles the balance of the Senior Notes due 2011 on the Company s Condensed Consolidated Balance Sheets.

(In thousands)	September 30, 2009	December 31, 2008
Senior Notes due 2011 face value	$286,300	$286,300
Unamortized net gain (net of discount)	418	598
Senior Notes due 2011 carrying amount	$286,718	$286,898

Senior Notes due 2014

In 2004, the Company publicly issued $300.0 million of unsecured senior notes due 2014 (the Senior Notes due 2014). The Senior Notes due 2014 bear interest at 5.125%, payable semi-annually on April 1 and October 1, and are due on April 1, 2014, unless redeemed earlier by the Company. The notes were issued at a discount of approximately $1.5 million, yielding an effective interest rate of 5.19% per annum. The following table reconciles the balance of the Senior Notes due 2014 on the Company s Condensed Consolidated Balance Sheets.

(In thousands)	September 30, 2009	December 31, 2008
Senior Notes due 2014 face value	$264,737	$264,737
Unaccreted discount	(680)	(776)
Senior Notes due 2014 carrying amount	$264,057	$263,961

Mortgage Notes Payable

The following table details the Company s mortgage notes payable, with related collateral, at September 30, 2009. The December 31, 2008 column has been adjusted to include $3.7 million in mortgage notes that were included in held for sale at December 31, 2008 but were subsequently reclassified to held for use during the first quarter of 2009.

Table of Contents

(Dollars in millions)	Original Balance	Effective Interest Rate (10)	Maturity Date	Number of Notes Payable	Collateral (11)	Investment in Collateral at Sept. 30, 2009	Contractual Balance at Sept. 30, 2009	Contractual Balance at Dec. 31, 2008
Life Insurance Co. (1)	$ 4.7	7.765%	1/17	1	MOB	$ 11.4	$ 2.6	$ 2.7
Commercial Bank (2)	23.4	7.220%	5/11	5	4 MOBs/1 ASC	54.4	5.4	7.5
Commercial Bank (3)	1.8	5.550%	10/32	1	OTH	7.7	1.7	1.8
Life Insurance Co. (4)	15.1	5.490%	1/16	1	ASC	32.5	14.0	14.2
Commercial Bank (5)	17.4	6.480%	6/15	1	MOB	19.9	14.3	14.3
Commercial Bank (6)	12.0	6.110%	8/20	1	2 MOBs	19.5	9.6	9.6
Commercial Bank (7)	15.2	7.650%	7/15	1	MOB	20.2	12.8	12.8
Life Insurance Co. (8)	1.5	6.810%	7/16	1	SOP	2.2	1.2	1.2
Commercial Bank (9)	12.8	6.510%	2/21	1	ASC	20.5	11.7	
				13		$188.3	$73.3	$64.1

(1) Payable in monthly installments of principal and interest based on a 20-year amortization with the final payment due at maturity.

(2) Payable in fully amortizing monthly installments of principal and interest due at maturity.

(3) Payable in monthly installments of principal and interest based on a 27-year amortization with

the final payment due at maturity.

(4) Payable in monthly installments of principal and interest based on a 10-year amortization with the final payment due at maturity.

(5) Payable in monthly installments of principal and interest based on a 9-year amortization with the final payment due at maturity. The balance reflects a fair value adjustment (discount) of $2.4 million and $2.7 million as of September 30, 2009 and December 31, 2008, respectively.

(6) Payable in monthly installments of principal and interest based on a 9-year amortization with the final payment due at maturity. The balance reflects a fair value adjustment (discount) of $1.9 million and $2.1 million as of September 30, 2009 and

December 31, 2008, respectively.

(7) Payable in monthly installments of interest only for 24 months and then installments of principal and interest based on a 11-year amortization with the final payment due at maturity. The balance reflects a fair value adjustment (discount) of $2.4 million and $2.4 million as of September 30, 2009 and December 31, 2008, respectively.

(8) Payable in monthly installments of principal and interest based on a 9-year amortization with the final payment due at maturity. The balance reflects a fair value adjustment (discount) of $0.2 million and $0.2 million as of September 30, 2009 and December 31, 2008, respectively.

(9) Payable in monthly

installments of principal and interest based on a 12-year amortization with the final payment due at maturity. The Company acquired this mortgage note during 2009 and the balance reflects a discount of $1.0 million as of September 30, 2009.

(10) The contractual interest rates ranged from 5.00% to 7.625% at September 30, 2009.

(11) MOB-Medical office building; ASC-Ambulatory Care/Surgery; SOP-Specialty Outpatient; OTH-Other.

Long-Term Debt Maturities

Future maturities of the Company s notes and bonds payable as of September 30, 2009 were as follows:

(Dollars in thousands)	Principal Maturities	Discount/ Premium Amortization	Total Notes and Bonds Payable	%
2009	$ 1,118	$ (190)	$ 928	0.1%
2010	4,663	(783)	3,880	0.4%
2011	289,579	(1,015)	288,564	28.9%
2012	374,807	(1,171)	373,636	37.5%
2013	1,923	(1,239)	684	0.1%
2014 and thereafter	333,094	(3,749)	329,345	33.0%
	$1,005,184	$(8,147)	$997,037	100.0%

Note 5. Other Assets

Other assets consist primarily of receivables, straight-line rent receivables, prepaids and intangible assets. Items included in other assets on the Company s Condensed Consolidated Balance Sheets are detailed in the table below.

14

Table of Contents

(In millions)	September 30, 2009	December 31, 2008
Straight-line rent receivables	$25.1	$ 23.2
Equity investments in joint ventures	1.3	2.8
Prepaid expenses	22.3	21.0
Accounts receivable, net	4.3	7.0
Above-market intangible assets, net	11.9	11.7
Deferred financing costs, net	9.2	3.1
Goodwill	3.5	3.5
Customer relationship intangible assets, net	1.2	1.2
Notes receivable, net	3.0	0.5
Other	5.8	3.0
	$87.6	$ 77.0

Equity investments in joint ventures

At September 30, 2009 and December 31, 2008, the Company had investments in one and two unconsolidated joint ventures, respectively, which had investments in real estate properties. In January 2009, the Company acquired the remaining membership interest in one joint venture previously accounted for under the equity method. The Company accounts for its remaining joint venture investment under the cost method. The Company s net investments in the joint ventures are included in other assets on the Company s Condensed Consolidated Balance Sheet, and the related income or loss is included in interest and other income, net on the Company s Condensed Consolidated Statements of Income.

The table below details the Company s investments in its unconsolidated joint ventures for the three months ended September 30, 2009 and 2008 and for the nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2009	2008	2009	2008
Net joint venture investments, beginning of period	$1,231	$17,341	$ 2,784	$18,356
Equity in income (losses) recognized during the period		55	(2)	(93)
Acquisition of remaining equity interest in a joint venture			(1,700)	
Partial redemption of preferred equity investment in an unconsolidated joint venture		(5,546)		(5,546)
Additional investment in a joint venture	35		184	
Distributions received during the period		(15)		(882)
Net joint venture investments, end of period	$1,266	$11,835	$ 1,266	$11,835

In June 2009, the Company entered into a credit agreement pursuant to which it provides a $2.9 million revolving line of credit to a borrower which has a non-controlling interest in the Company s consolidated joint venture. The credit facility is secured by the borrower s ownership interest in the joint venture and the personal guarantee of its principal equity holder. At September 30, 2009, approximately $2.6 million was outstanding under the agreement

under which the Company receives a 10.5% fixed rate of interest on amounts outstanding. Also, during 2008, a portion of the Company s preferred equity investment in the joint venture accounted for under the cost method, in which the Company owns a 10% equity interest, was redeemed.

Note 6. Commitments and Contingencies

Construction in Progress

As of September 30, 2009, the Company had four medical office buildings under construction with estimated completion dates ranging from the fourth quarter of 2009 through the third quarter of 2011. The Company also had land held for development at September 30, 2009 of approximately $17.3 million on which the Company expects to develop and own medical office and outpatient-related facilities. The table below details the Company s construction in progress and land held for development as of September 30, 2009. The information included in the table below represents management s estimates and expectations at September 30, 2009, which are subject to change. The Company s disclosures regarding certain projections or estimates of completion dates may not reflect actual results.

Table of Contents

State	Estimated Completion Date	Property Type (1)	Properties	Approximate Square Feet	CIP at September 30, 2009	Estimated Remaining Funding	Estimated Total Investment
(Dollars in thousands)							
Under construction:							
Illinois	4Q 2009	MOB	1	100,000	$ 20,436	$ 5,964	$ 26,400
Texas	4Q 2009	MOB	1	120,000	22,500	6,100	28,600
Hawaii	2Q 2010	MOB	1	133,000	57,147	28,853	86,000
Washington	3Q 2011	MOB	1	206,000	5,264	86,936	92,200
Land held for development:							
Texas					9,184		
Texas					8,117		
			4	559,000	$122,648	$127,853	$233,200

(1) MOB-Medical office building.

Other Construction

At September 30, 2009, the Company had first-generation tenant improvements budgeted totaling approximately $20.3 million that had not yet been expended related to properties that were developed by the Company.

The Company also had remaining commitments totaling approximately $1.4 million at September 30, 2009 related to two construction loans. In October 2009, one of these loans was fully repaid to the Company, leaving approximately $27,000 future commitment under the remaining construction loan.

Legal Proceedings

The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company s financial condition or results of operations.

Note 7. Stockholders Equity

Common Stock Dividends

During 2009, the Company s Board of Directors declared common stock cash dividends as shown in the table below:

Dividend	Per Share Amount	Date of Declaration	Date of Record	Date Paid (* Payable)
4th Quarter 2008	$0.385	February 3, 2009	February 20, 2009	March 5, 2009
1st Quarter 2009	$0.385	May 5, 2009	May 22, 2009	June 5, 2009
2nd Quarter 2009	$0.385	August 4, 2009	August 21, 2009	September 4, 2009
3rd Quarter 2009	$0.385	November 9, 2009		

	November 20, 2009	* December 4, 2009

Earnings per share

The table below sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2009 and 2008.

Table of Contents

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Weighted Average Shares				
Weighted average shares outstanding	59,357,280	50,847,088	59,326,743	50,755,115
Unvested restricted stock	(1,182,798)	(1,316,275)	(1,176,719)	(1,316,319)
Weighted average shares Basic	58,174,482	49,530,813	58,150,024	49,438,796
Weighted average shares Basic	58,174,482	49,530,813	58,150,024	49,438,796
Dilutive effect of restricted stock	836,013	1,042,419	741,099	996,622
Dilutive effect of employee stock purchase plan	53,571	40,941	59,747	46,051
Weighted average shares Diluted	59,064,066	50,614,173	58,950,870	50,481,469
Net income				
Income from continuing operations	$ 8,666	$ 3,738	$ 25,749	$ 13,402
Noncontrolling interests share in earnings	65	(49)	(12)	(52)
Income from continuing operations attributable to common stockholders	8,731	3,689	25,737	13,350
Discontinued operations	373	1,838	20,984	12,743
Net income attributable to common stockholders	$ 9,104	$ 5,527	$ 46,721	$ 26,093
Basic earnings per common share				
Income from continuing operations	$ 0.15	$ 0.07	$ 0.44	$ 0.27
Discontinued operations	0.01	0.04	0.36	0.26
Net income attributable to common stockholders	$ 0.16	$ 0.11	$ 0.80	$ 0.53
Diluted earnings per common share				
Income from continuing operations	$ 0.15	$ 0.07	$ 0.44	$ 0.27
Discontinued operations	0.00	0.04	0.35	0.25
Net income attributable to common stockholders	$ 0.15	$ 0.11	$ 0.79	$ 0.52

Incentive Plans

The Company has issued and outstanding various stock-based awards. These awards include restricted stock issued to employees pursuant to the Company s employee stock incentive plans, restricted stock issued to its Board of Directors under its non-employee director incentive plan, and options issued to employees pursuant to its employee stock purchase plan.

A summary of the activity under the incentive plans for the three and nine months ended September 30, 2009 and 2008 is included in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Stock-based awards, beginning of period	1,179,009	1,310,778	1,111,728	1,289,646
Granted			85,090	65,800
Vested	(1,727)		(19,536)	(41,388)
Forfeited				(3,280)
Stock-based awards, end of period	1,177,282	1,310,778	1,177,282	1,310,778

Table of Contents

Under the Company s employee stock purchase plan, in January of each year each eligible employee is able to purchase up to $25,000 of Common Stock at the lesser of 85% of the market price on the date of grant or 85% of the market price on the date of exercise of such option. The number of shares subject to each year s option becomes fixed on the date of grant. Options granted under the employee stock purchase plan expire if not exercised 27 months after each such option s date of grant. The Company recorded approximately $280,000 to general and administrative expenses during the first quarter of 2009 relating to the annual grant of options to its employees under the employee stock purchase plan.

A summary of the activity under the employee stock purchase plan for the three and nine months ended September 30, 2009 and 2008 is included in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Outstanding and exercisable, beginning of period	370,754	276,360	250,868	179,603
Granted			219,184	194,832
Exercised	(1,023)	(5,855)	(6,410)	(8,805)
Forfeited	(18,505)	(5,830)	(29,807)	(26,661)
Expired			(82,609)	(74,294)
Outstanding and exercisable, end of period	351,226	264,675	351,226	264,675

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to the Company, and equity attributable to the noncontrolling interests:

(Dollars in thousands, except per share data)	**Common Stock**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Loss**	**Cumulative Net Income**	**Cumulative Dividends**	**Total Stockholders Equity**	**Non-controlling Interests**	**Total Equity**
Balance at December 31, 2008	$ 592	$ 1,490,535	$ (6,461)	$ 736,874	$ (1,426,720)	$ 794,820	$ 1,427	$ 796,247
Issuance of stock	2	524				526		526
Stock-based compensation		3,286				3,286		3,286
Net income				46,721		46,721	12	46,733
Other comprehensive income								
Comprehensive income								46,733
Common dividends ($0.385 per share)					(68,530)	(68,530)		(68,530)
Distributions to noncontrolling interests							(225)	(225)
Proceeds from noncontrolling							1,771	1,771

interests								
Balance at Sept. 30, 2009	$ 594	$ 1,494,345	$ (6,461)	$ 783,595	$ (1,495,250)	$ 776,823	$ 2,985	$ 779,808

Note 8. Defined Benefit Pension Plans

The Company has pension plans under which the Company s Board of Directors and three designated employees may receive certain benefits upon retirement and the completion of five years of service with the Company. The plans are unfunded, and benefits will be paid from earnings of the Company.

Effective November 3, 2009, the Company terminated the pension plan for the Board of Directors. Accumulated benefits due will be paid out in lump sums to each non-employee director in accordance with the pension plan and the Internal Revenue Code.

During the fourth quarter of 2008, the Company froze the maximum annual benefits payable under the employee plan at $896,000. This revision resulted in a curtailment of benefits for the Company s chief executive officer.

Table of Contents

In consideration of the curtailment and as partial settlement of benefits, the Company made a one-time cash payment of $2.3 million to its chief executive officer in January 2009, resulting in additional benefit expense of $1.0 million recognized during the first quarter of 2009.

Net periodic benefit cost recorded related to the Company s pension plans for the three and nine months ended September 30, 2009 and 2008 is detailed in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2009	2008	2009	2008
Service costs	$ 77	$287	$ 231	$ 892
Interest costs	234	311	701	926
Effect of partial pension settlement			1,017	
Amortization of net gain/loss	171	228	514	678
Total recognized in net periodic benefit cost and other comprehensive loss	$482	$826	$2,463	$2,496

Note 9. Other Operating Income

Other operating income on the Company s Condensed Consolidated Statements of Income generally includes shortfall income recognized under its property operating agreements, interest income on notes receivable, and other items as detailed in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2009	2008	2009	2008
Property lease guaranty revenue	$1,827	$3,064	$6,637	$ 9,663
Interest income on notes receivable	178	304	425	437
Management fee income	45	45	127	134
Replacement rent	16	614	1,282	1,852
Other	45	57	155	160
	$2,111	$4,084	$8,626	$12,246

Note 10. Taxable Income

Taxable Income

The Company has elected to be taxed as a REIT, as defined under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its annual taxable income to its stockholders.

As a REIT, the Company generally will not be subject to federal income tax on taxable income it distributes currently to its stockholders. Accordingly, no provision for federal income taxes has been made in the accompanying Condensed Consolidated Financial Statements. If the Company fails to qualify as a REIT for any taxable year, then it will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax, and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies as a REIT, it may be subject to certain state and local taxes on its income and property and to federal income and excise tax on its undistributed taxable income.

Earnings and profits, the current and accumulated amounts of which determine the taxability of distributions to stockholders, vary from net income because of different depreciation recovery periods and methods, and other items.

The following table reconciles the Company s consolidated net income to taxable income for the three and nine months ended September 30, 2009 and 2008:

Table of Contents

(In thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
Net income attributable to common stockholders	$ 9,104	$ 5,527	$46,721	$26,093
Reconciling Items to Taxable Income:				
Depreciation and amortization	4,115	3,034	13,618	8,989
Gain or loss on disposition of depreciable assets	3,168	(81)	12,251	(3,488)
Straight-line rent	(564)	(62)	(1,012)	222
Receivable allowances	(81)	339	603	1,079
Stock-based compensation	2,238	2,540	7,899	6,221
Other	(5,488)	2,150	(8,867)	1,310
Taxable income (1)	$12,492	$13,447	$71,213	$40,426
Dividends paid	$22,852	$19,542	$68,530	$58,609

(1) Before REIT dividend paid deduction.

State Income Taxes

State income tax expense and state income tax payments for the three and nine months ended September 30, 2009 and 2008 are detailed in the table below.

(In thousands)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
State income tax expense:				
Texas gross margins tax	$204	$118	$425	$310
Other	(83)	43	(12)	111
Total state income tax expense	$121	$161	$413	$421
State income tax payments, net of refunds	$ 93	$ 30	$662	$651

Note 11. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and payables are reasonable estimates of their fair value as of September 30, 2009 and December 31, 2008 due to their short-term nature. The fair value of notes and bonds payable is estimated using cash flow analyses, based on the Company s current interest rates for similar types of borrowing arrangements. The fair value of mortgage notes receivable is estimated either based on cash flow analyses at an assumed market rate of interest or at a rate consistent with the rates on mortgage notes acquired by the Company recently. The fair value of the notes receivable is estimated using cash flow analyses based on assumed market rates of

interest consistent with rates on notes receivable entered into by the Company recently. The table below details the fair value and carrying values for notes and bonds payable, mortgage notes receivable and notes receivable at September 30, 2009 and December 31, 2008.

	September 30, 2009		December 31, 2008	
(In millions)	Carrying value	Fair value	Carrying value	Fair value
Notes and bonds payable	$997.0	$1,055.8	$968.9	$1,041.9
Mortgage notes receivable	$ 41.6	$ 41.3	$ 59.0	$ 58.8
Notes receivable, net of allowances	$ 3.0	$ 3.0	$ 0.5	$ 0.5

Table of Contents

Note 12. Subsequent Events

On July 28, 2009, the Company entered into loan application and commitment agreements with Teachers Insurance and Annuity Association of America (TIAA) for an aggregate of approximately $207.3 million in mortgage financing. As of November 4, 2009, the Company and TIAA agreed to reduce the aggregate commitments to a maximum of $140.3 million. The loans will bear interest at a fixed rate of 7.25% per annum, and will mature seven years from the date of closing, but may be renewed at the Company s option for two one-year renewal periods, subject to a 50 basis point renewal fee and other customary conditions. Closing of the loans is expected to occur during the fourth quarter of 2009, subject to normal and customary conditions. The Company intends to apply the net proceeds of the loans to the outstanding balance under its Unsecured Credit Facility.

Table of Contents

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

Disclosure Regarding Forward-Looking Statements

This report and other materials Healthcare Realty Trust Incorporated (the Company) has filed or may file with the Securities and Exchange Commission, as well as information included in oral statements or other written statements made, or to be made, by senior management of the Company, contain, or will contain, disclosures that are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as may, will, expect, believe, anticipate, target, intend, plan, estimate, project, continue, should, could and other comparable terms. These forward-looking statements are based on the current plans and expectations of management and are subject to a number of risks and uncertainties, including the risks, as described in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, in the Company s Quarterly Report of Form 10-Q for the quarter ended March 31, 2009, and in this report, that could significantly affect the Company s current plans and expectations and future financial condition and results.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders and investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Company s filings and reports, including, without limitation, estimates and projections regarding the performance of development projects the Company is pursuing.

For a detailed discussion of the Company s risk factors, please refer to the Company s filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2008, in Part II, Item 1A. Risk Factors in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and in Item 1A of Part II of this quarterly report on Form 10-Q.

Business Overview

The Company is a self-managed and self-administered REIT that owns, acquires, manages, finances and develops income-producing real estate properties associated primarily with the delivery of outpatient healthcare services throughout the United States. Management believes that by providing a complete spectrum of real estate services, the Company can differentiate its competitive market position, expand its asset base and increase revenues over time.

The Company s revenues are generally derived from rentals on its healthcare real estate properties. The Company incurs operating and administrative expenses, including compensation, office rent and other related occupancy costs, as well as various expenses incurred in connection with managing its existing portfolio and acquiring additional properties. The Company also incurs interest expense on its various debt instruments and depreciation and amortization expense on its real estate portfolio.

Table of Contents

Executive Overview

On September 30, 2009, the Company entered into an amended and restated $550.0 million unsecured credit facility (the Unsecured Credit Facility) with 16 lenders, including Bank of America, N.A., as administrative agent. The Unsecured Credit Facility currently bears interest at 2.80% over LIBOR, with a 0.40% facility fee, and matures on September 30, 2012. The outstanding balance on the Company s previous unsecured credit facility, totaling approximately $368.0 million, was repaid with proceeds from the Unsecured Credit Facility.

The Company has also entered into loan application and commitment agreements with Teachers Insurance and Annuity Association of America for mortgage financing not to exceed $140.3 million on certain of its properties. The loans will bear interest at a fixed rate of 7.25% per annum and will mature seven years from the date of closing, which is expected in the fourth quarter of 2009, subject to normal and customary conditions. The Company intends to apply the net proceeds of the loans to the outstanding balance under its Unsecured Credit Facility. See Note 12 to the Condensed Consolidated Financial Statements.

At September 30, 2009, the Company s leverage ratio [debt divided by (debt plus stockholders equity less intangible assets plus accumulated depreciation)] was approximately 45.8%, with no significant maturities until 2011. The Company had borrowings outstanding under the Unsecured Credit Facility totaling $373.0 million at September 30, 2009, with a capacity remaining under its financial covenants of $177.0 million.

The Company s real estate portfolio, diversified by facility type, geography, tenant and payor mix, helps mitigate its exposure to fluctuating economic conditions, tenant and sponsor credit risks, and changes in clinical practice and reimbursement patterns. Overall portfolio occupancy for the third quarter remained stable, while rental rates on renewing leases showed strong increases consistent with previous quarters.

Trends and Matters Impacting Operating Results

Management monitors factors and trends important to the Company and the REIT industry in order to gauge the potential impact on the operations of the Company. In addition to the matters discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, below are some of the factors and trends that management believes may impact future operations of the Company.

Cost of Capital

The cost of the Company s short-term borrowings increased upon closing the new Unsecured Credit Facility on September 30, 2009. The rate on the revolving credit facility increased from 0.90% over LIBOR with a 0.20% facility fee to 2.80% over LIBOR with a 0.40% facility fee. Upon closing the Unsecured Credit Facility, the Company repaid the outstanding balance under its previous credit facility totaling $368.0 million.

The Company has also entered into loan application and commitment agreements to obtain mortgage financing not to exceed $140.3 million on certain of its properties. The mortgage debt will bear interest at a fixed rate of 7.25% per annum.

The Company expects that the additional interest expense from the Unsecured Credit Facility and the mortgage debt will have a negative impact on its future net income, funds from operations, and cash flows. As a result of its increasing short and long-term financing costs, the Company expects to pay quarterly dividends of $0.30 per share beginning with the fourth quarter of 2009, which would be payable in March 2010.

Acquisitions

During the first quarter of 2009, the Company acquired the remaining 50% equity interest in a joint venture which owns a 62,246 square foot on-campus medical office building in Oregon, for approximately $4.4 million of cash consideration, and assumed an outstanding mortgage totaling approximately $12.8 million. Prior to the acquisition, the Company owned a 50% equity interest in the joint venture. The building was 97% occupied with lease expirations through 2025. During the first quarter, HR Ladco Holdings, LLC, a joint venture in which the Company has an 80% controlling interest, acquired a 33,974 square foot medical office building in Iowa for $10.7 million. The property was 100% leased to two tenants.

During the third quarter of 2009, HR Ladco Holdings, LLC acquired a 22,572 square foot medical office building in Iowa for $3.6 million that was 100% occupied by one tenant whose lease expires in 2021. HR Ladco

Table of Contents

Holdings, LLC also acquired a 63,224 square foot medical office/wellness facility in Iowa for $21.0 million that was 100% occupied by one tenant whose lease expires in 2029.

Dispositions

During the first quarter of 2009, the Company disposed of three medical office buildings and membership interests in an entity that owned one medical office building for approximately $66.1 million in net proceeds and repaid a $19.5 million mortgage note secured by one of the properties.

During the second quarter of 2009, the Company disposed of one specialty inpatient facility and one ambulatory surgery center for approximately $20.5 million in net proceeds, including $1.5 million in proceeds from a land exchange.

During the third quarter of 2009, the Company disposed of a physician clinic for approximately $0.6 million in net proceeds.

Development Activity

At September 30, 2009, the Company had four construction projects underway. The Company expects completion of the core and shell of two of the four projects with budgets totaling approximately $55.0 million during the fourth quarter of 2009. The Company expects completion of the core and shell of the third project with a budget totaling approximately $86.0 million during the second quarter of 2010 and expects completion of the fourth project with a budget of approximately $92.2 million to be completed during the third quarter of 2011.

In addition to the properties currently under construction discussed in the preceding paragraph, the Company is financing an on-campus medical office development in Iowa comprised of six facilities, with a total budget of approximately $72.6 million, of which the Company has already advanced $56.4 million. The Company expects to finance the remaining $16.2 million through 2011. With respect to five of the six facilities, the Company will have an option to purchase each facility at a market cap rate upon its completion and attaining full occupancy. The sixth facility was sold by the developer in October 2009 to an unrelated party. As discussed in Acquisitions, the Company acquired two of the five properties during 2009 for approximately $31.7 million. See Note 6 to the Condensed Consolidated Financial Statements for more information on the Company s development activities.

Expiring Leases

Master leases on 14 of the Company s properties were set to expire during 2009. The Company sold one of the properties during the second quarter of 2009 to the tenant and has renewed or extended the lease expirations on three of the 14 properties, representing nearly one-third of the expiring square footage. The Company opted not to renew the master leases on the remaining 10 properties, which are located on or near hospital campuses and in locations where the Company already has existing management capabilities. The Company has assumed the existing physician subtenant leases on the majority of the remaining 10 properties.

Approximately 440 of the Company s leases in its multi-tenanted buildings were set to expire during 2009, with each tenant lessee occupying an average of approximately 3,188 square feet. As of September 30, 2009, of the 361 leases that had expired, approximately 84% of the tenants had renewed or had expressed an intention to renew their leases. Management expects that the majority of the leases remaining that have not expired or renewed will renew at favorable rates.

Funds from Operations

Funds from Operations (FFO) and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts, Inc. (NAREIT). NAREIT defines FFO as the most commonly accepted and reported measure of a REIT s operating performance equal to net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Impairment charges may not be added back to net income in calculating FFO, which has the effect of decreasing FFO in the period recorded.

Management believes FFO and FFO per share to be supplemental measures of a REIT s performance because they provide an understanding of the operating performance of the Company s properties without giving effect to certain significant non-cash items, primarily depreciation and amortization expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions. The Company believes

that by excluding the effect of depreciation, amortization and gains from sales of real estate, all of which are based on historical

Table of Contents

costs and which may be of limited relevance in evaluating current performance, FFO and FFO per share can facilitate comparisons of operating performance between periods. Management uses FFO and FFO per share to compare and evaluate its own operating results from period to period, and to monitor the operating results of the Company s peers in the REIT industry. The Company reports FFO and FFO per share because these measures are observed by management to also be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because FFO per share is consistently reported, discussed, and compared by research analysts in their notes and publications about REITs. For these reasons, management has deemed it appropriate to disclose and discuss FFO and FFO per share.

However, FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of the Company s operating performance or as an alternative to cash flow from operating activities as a measure of liquidity. FFO for the nine months ended September 30, 2009 was impacted favorably by a re-measurement gain of $2.7 million, or $0.05 per diluted common share, recognized in connection with the acquisition of the remaining interests in a joint venture during the first quarter of 2009. FFO for the three and nine months ended September 30, 2008 was impacted favorably by a net gain of approximately $2.0 million, or $0.04 per diluted common share, recognized on the repurchases of a portion of the Senior Notes due 2011 and 2014. Also, during the three months ended September 30, 2008, the Company recognized additional expense for a one-time $0.8 million settlement related to unreimbursed litigation expenses, which reduced FFO per diluted share by approximately $0.02 for the three months ended September 30, 2008 and $0.01 for the nine months ended September 30, 2008. The table below reconciles FFO to net income for the three and nine months ended September 30, 2009 and 2008:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	2009	2008	2009	2008
Net income attributable to common stockholders	$ 9,104	$ 5,527	$ 46,721	$ 26,093
Gain on sales of real estate properties	(84)	(746)	(20,136)	(9,098)
Real estate depreciation and amortization	16,801	13,456	50,387	39,878
Total adjustments	16,717	12,710	30,251	30,780
Funds from Operations Basic and Diluted	$ 25,821	$ 18,237	$ 76,972	$ 56,873
Funds from Operations per Common Share Basic	$ 0.44	$ 0.37	$ 1.32	$ 1.15
Funds from Operations per Common Share Diluted	$ 0.44	$ 0.36	$ 1.31	$ 1.13
Weighted Average Common Shares Outstanding Basic	58,174,482	49,530,813	58,150,024	49,438,796
	59,064,066	50,614,173	58,950,870	50,481,469

Weighted Average Common Shares Outstanding Diluted

Table of Contents

Results of Operations

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Income from continuing operations for the three months ended September 30, 2009 was $8.7 million, compared to $3.7 million for the same period in 2008. Net income attributable to common stockholders for the three months ended September 30, 2009 was $9.1 million, or $0.16 per basic common share ($0.15 per diluted common share), compared to $5.5 million, or $0.11 per basic and diluted common share, for the same period in 2008.

	Three Months Ended September 30,		Change	
(Dollars in thousands)	2009	2008	$	%
REVENUES				
Master lease rent	$14,973	$ 15,166	$ (193)	-1.3%
Property operating	45,638	34,721	10,917	31.4%
Straight-line rent	676	124	552	445.2%
Mortgage interest	658	579	79	13.6%
Other operating	2,111	4,084	(1,973)	-48.3%
	64,056	54,674	9,382	17.2%
EXPENSES				
General and administrative	5,107	6,018	(911)	-15.1%
Property operating	23,979	21,625	2,354	10.9%
Impairment		1,600	(1,600)	-100.0%
Bad debts, net of recoveries	(133)	95	(228)	-240.0%
Depreciation	15,906	12,166	3,740	30.7%
Amortization	1,236	769	467	60.7%
	46,095	42,273	3,822	9.0%
OTHER INCOME (EXPENSE)				
Gain on extinguishment of debt, net		2,015	(2,015)	-100.0%
Interest expense	(9,587)	(10,863)	1,276	-11.7%
Interest and other income, net	292	185	107	57.8%
	(9,295)	(8,663)	(632)	7.3%
INCOME FROM CONTINUING OPERATIONS	8,666	3,738	4,928	131.8%
DISCONTINUED OPERATIONS				
Income from discontinued operations	289	1,092	(803)	-73.5%
Gain on sales of real estate properties	84	746	(662)	-88.7%
INCOME FROM DISCONTINUED OPERATIONS	373	1,838	(1,465)	-79.7%

NET INCOME	9,039	5,576	3,463	62.1%
Less: Net (income) loss attributable to noncontrolling interests	65	(49)	114	-232.7%
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 9,104	$ 5,527	$ 3,577	64.7%

Table of Contents

Total revenues from continuing operations for the three months ended September 30, 2009 increased $9.4 million, or 17.2%, compared to the same period in 2008, mainly for the reasons discussed below:

Master lease rental income decreased $0.2 million, or 1.3%. Master lease rental income declined approximately $1.7 million due to properties whose master leases had expired and the Company began recognizing the underlying tenant rents in property operating income. This amount was partially offset by additional revenues associated with the Company s 2008 real estate acquisitions of approximately $0.8 million, with the remaining increase of approximately $0.7 million resulting mainly from annual rent increases and increases in additional rent.

Property operating income increased $10.9 million, or 31.4%, due mainly to the recognition of approximately $7.6 million in revenues in the third quarter of 2009 compared to 2008 resulting from the Company s 2008 and 2009 real estate acquisitions. Also, the Company began recognizing the underlying tenant rental income on properties whose master leases had expired, resulting in approximately $1.1 million in additional property operating income in the third quarter of 2009 compared to the same period in 2008, with the remaining increase of approximately $2.2 million resulting mainly from new leasing activity and annual rent increases.

Straight-line rent increased $0.6 million due mainly to an increase of approximately $0.6 million related to leases subject to straight-lining on properties acquired during 2008 and 2009.

Other operating income decreased $2.0 million, or 48.3%, due mainly to a decrease in property operating agreement guaranty income of approximately $1.2 million resulting from the expiration of agreements relating to five properties. Other operating income for third quarter of 2008 also included approximately $0.6 million in replacement rent received by the Company pursuant to an agreement with one operator that expired on June 30, 2009.

Total expenses for the three months ended September 30, 2009 increased $3.8 million, or 9.0%, compared to the same period in 2008, mainly for the reasons discussed below:

General and administrative expenses decreased $0.9 million, or 15.1%, due mainly to a decrease in pension and deferred compensation expenses of approximately $0.4 million and project related costs of approximately $0.6 million.

Property operating expense increased $2.4 million, or 10.9%, due mainly to the recognition of approximately $3.2 million in expenses in the third quarter of 2009 compared to 2008 from the Company s 2008 and 2009 real estate acquisitions. Also, properties previously under construction that commenced operations during 2008 and 2009 resulted in approximately $0.4 million in additional property operating expenses in 2009 compared to 2008. Property operating expense also increased approximately $0.6 million for the third quarter of 2009 due to properties whose master leases expired, and the Company began incurring the underlying operating expenses of the buildings. These increases to expense were partially offset by overall decreases in utilities and legal fees of approximately $0.6 million and $1.2 million, respectively.

An impairment charge totaling $1.6 million was recognized in 2008 on patient accounts receivable assigned to the Company as part of a lease termination and debt restructuring in late 2005 related to a physician clinic owned by the Company.

Bad debt expense decreased $0.2 million primarily due to the collection of a settlement of approximately $0.1 million received by the Company from a tenant for receivables that the Company had previously reserved. The Company also recognized approximately $0.1 million in bad debt charges related to various tenants in the third quarter of 2008.

Depreciation expense increased $3.7 million, or 30.7%, due mainly to approximately $2.5 million in additional depreciation recognized in the third quarter of 2009 compared to 2008 related to the Company s 2008 and 2009 real estate acquisitions and $0.5 million related to properties previously under construction that commenced operations during 2008. The remainder of the increase of approximately $0.7 million was mainly due to additional depreciation expense recognized related to various building and tenant improvement expenditures.

Amortization expense increased $0.5 million, or 60.7%, due mainly to additional amortization of approximately $0.8 million recognized on lease intangibles acquired related to the Company s 2008 real estate

Table of Contents

acquisitions, offset partially by a decrease in amortization of approximately $0.4 million on lease intangibles acquired related mainly to the Company s 2003 and 2004 real estate acquisitions which are becoming fully amortized.

Other income (expense) for the three months ended September 30, 2009 decreased unfavorably by $0.6 million, or 7.3%, compared to the same period in 2008 mainly due to the gain on the extinguishment of debt of approximately $2.0 million recorded in the third quarter of 2008. This decrease resulting from the gain was partially offset by a reduction in interest expense of $1.3 million, or 11.7%, from 2008 to 2009. This reduction in interest was mainly attributable to lower interest of approximately $0.5 million as a result of certain repurchases of the Senior Notes due 2011 and 2014 during 2008, an increase in the capitalization of interest of approximately $1.0 million relating to the Company s construction projects, as well as a decrease in interest rates on the Company s previous unsecured credit facility resulting in a reduction of approximately $0.9 million in interest. These decreases were partially offset by an increase in interest of approximately $1.2 million related to mortgage notes payable assumed by the Company in connection with its investments in two consolidated joint ventures during 2008 and 2009.

Income from discontinued operations totaled $0.4 million and $1.8 million, respectively, for the three months ended September 30, 2009 and 2008, which includes the results of operations and gains on sale related to assets classified as held for sale or disposed of as of September 30, 2009. The Company disposed of one property during the third quarter of 2009, with one property remaining in held for sale at September 30, 2009.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Income from continuing operations for the nine months ended September 30, 2009 was $25.7 million, compared to $13.4 million for the same period in 2008. Net income attributable to common stockholders for the nine months ended September 30, 2009 was $46.7 million, or $0.80 per basic common share ($0.79 per diluted common share), compared to $26.1 million, or $0.53 per basic common share ($0.52 per diluted common share), for the same period in 2008.

(Dollars in thousands)	Nine Months Ended September 30, 2009	2008	Change $	Change %
REVENUES				
Master lease rent	$ 45,576	$ 45,869	$ (293)	-0.6%
Property operating	134,414	99,736	34,678	34.8%
Straight-line rent	1,364	(58)	1,422	-2451.7%
Mortgage interest	2,126	1,647	479	29.1%
Other operating	8,626	12,246	(3,620)	-29.6%
	192,106	159,440	32,666	20.5%
EXPENSES				
General and administrative	17,402	17,926	(524)	-2.9%
Property operating	70,929	59,149	11,780	19.9%
Impairment		1,600	(1,600)	-100.0%
Bad debts, net of recoveries	429	355	74	20.8%
Depreciation	47,207	35,293	11,914	33.8%
Amortization	4,063	1,919	2,144	111.7%
	140,030	116,242	23,788	20.5%
OTHER INCOME (EXPENSE)				
Gain on extinguishment of debt, net		2,024	(2,024)	-100.0%
Re-measurement gain of equity interest upon acquisition	2,701		2,701	

Interest expense	(29,703)	(32,627)	2,924	-9.0%
Interest and other income, net	675	807	(132)	-16.4%
	(26,327)	(29,796)	3,469	-11.6%
INCOME FROM CONTINUING OPERATIONS	25,749	13,402	12,347	92.1%
DISCONTINUED OPERATIONS				
Income from discontinued operations	870	3,674	(2,804)	-76.3%
Impairments	(22)	(29)	7	-24.1%
Gain on sales of real estate properties	20,136	9,098	11,038	121.3%
INCOME FROM DISCONTINUED OPERATIONS	20,984	12,743	8,241	64.7%
NET INCOME	46,733	26,145	20,588	78.7%
Less: Net income attributable to noncontrolling interests	(12)	(52)	40	-76.9%
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 46,721	$ 26,093	$20,628	79.1%

Table of Contents

Total revenues from continuing operations for the nine months ended September 30, 2009 increased $32.7 million, or 20.5%, compared to the same period in 2008, mainly for the reasons discussed below:

Master lease income decreased $0.3 million, or 0.6%. Master lease rental income decreased approximately $3.0 million due to properties whose master leases had expired and the Company began recognizing the underlying tenant rents in property operating income during 2009, as well as the absence of a lease termination fee received and recognized in 2008 of approximately $0.8 million. These amounts were partially offset by additional revenues associated with the Company s 2008 and 2009 real estate acquisitions of approximately $1.6 million and additional revenue of approximately $1.9 million resulting from annual rent and additional rent increases.

Property operating income increased $34.7 million, or 34.8%, due mainly to the recognition of approximately $28.5 million in revenues in 2009 compared to 2008 resulting from the Company s 2008 and 2009 real estate acquisitions. Also, the Company began recognizing the underlying tenant rental income on properties whose master leases had expired, resulting in approximately $2.4 million in additional property operating income in 2009 compared to 2008, with the remaining increase of approximately $3.8 million resulting mainly from new leasing activity and annual rent increases.

Straight-line rent increased $1.4 million due mainly to an increase of approximately $1.8 million related to leases subject to straight-lining on properties acquired during 2008 and 2009, partially offset by a decrease of approximately $0.5 million related to lease terminations associated with one operator in 2009.

Mortgage interest increased $0.5 million, or 29.1%, due mainly to additional principal advances and an amended interest rate related to a construction loan resulting in approximately $0.6 million in additional interest, partially offset by a reduction in interest of approximately $0.1 million due to the repayment of a mortgage note in the third quarter of 2008.

Other operating income decreased $3.6 million, or 29.6%, due mainly to a decrease in property operating agreement guaranty income of approximately $3.1 million resulting mainly from the expiration of agreements relating to five properties. In addition, other operating income for 2008 included approximately $0.6 million in replacement rent received by the Company pursuant to an agreement with one operator that expired on June 30, 2009.

Total expenses for the nine months ended September 30, 2009 increased $23.8 million, or 20.5%, compared to the same period in 2008, mainly for the reasons discussed below:

General and administrative expenses decreased $0.5 million, or 2.9%, due mainly to a decrease in pursuit-related expenditures of approximately $1.4 million and pension expense of approximately $1.0 million, offset partially by additional expense recognized in the first quarter of 2009 of approximately $1.0 million related to the payment of a partial pension settlement and approximately $0.9 million of additional expenses relating to compensation-related matters.

Property operating expense increased $11.8 million, or 19.9%, due mainly to approximately $11.0 million in additional expenses in 2009 compared to 2008 from the Company s 2008 and 2009 real estate acquisitions. Also, properties previously under construction that commenced operations during 2008 resulted in approximately $1.5 million in additional property operating expenses in 2009 compared to 2008. Property operating expense also increased due to properties whose master leases expired, and the Company began incurring the underlying operating expenses of the buildings totaling approximately $0.9 million. These amounts are partially offset by a reduction in legal fees of approximately $2.0 million.

An impairment charge totaling $1.6 million was recognized in 2008 on patient accounts receivables assigned to the Company as part of a lease termination and debt restructuring in late 2005 related to a physician clinic owned by the Company.

Depreciation expense increased $11.9 million, or 33.8%, due mainly to approximately $7.9 million in additional depreciation recognized in the first nine months of 2009 compared to the same period in 2008 from the Company s 2008 and 2009 real estate acquisitions and $1.2 million related to properties previously under construction that commenced operations during 2008. Also, the Company recorded a depreciation adjustment in the first quarter of 2009 totaling approximately $0.5 million which reduced the Company s carrying amount on five properties to their respective adjusted net book value upon reclassification of the properties from held for sale to held for use. The

Table of Contents

remainder of the increase of approximately $2.3 million was mainly due to additional depreciation expense recognized related to various building and tenant improvement expenditures.

Amortization expense increased $2.1 million, or 111.7%, due mainly to additional amortization of approximately $2.9 million recognized on lease intangibles acquired related to the Company s 2008 real estate acquisitions, offset partially by a decrease in amortization of approximately $0.8 million on lease intangibles recognized from the Company s 2003 and 2004 real estate acquisitions which are becoming fully amortized.

Other income (expense) for the nine months ended September 30, 2009 improved $3.5 million, or 11.6%, compared to the same period in 2008, mainly for the reasons discussed below:

The Company recognized in 2008 a $2.0 million gain related to the extinguishment of debt.

The Company recognized in 2009 a $2.7 million gain related to the valuation and re-measurement of the Company s equity interest in a joint venture in connection with the Company s acquisition of the remaining equity interests in the joint venture.

Interest expense decreased $2.9 million, or 9.0%. This decrease was mainly attributable to an increase in the capitalization of interest of approximately $2.5 million relating to the Company s construction projects, a reduction of approximately $1.9 million due to certain repurchases of the Senior Notes due 2011 and 2014 during 2008, as well as a decrease in interest rates on the unsecured credit facility due 2010 resulting in a reduction of approximately $1.5 million in interest. These amounts were partially offset by an increase of approximately $3.1 million related to mortgage notes assumed by the Company in connection with its investments in two consolidated joint ventures during 2008 and 2009.

Income from discontinued operations totaled $21.0 million and $12.7 million, respectively, for the nine months ended September 30, 2009 and 2008, which includes the results of operations, gains on sale, and impairment charges related to assets classified as held for sale or disposed of as of September 30, 2009. The Company disposed of seven properties during the first nine months of 2009, with one property remaining in held for sale at September 30, 2009.

Liquidity and Capital Resources

The Company derives most of its revenues from its real estate property portfolio based on contractual arrangements with its tenants and sponsors. The Company may, from time to time, also generate funds from capital market financings, sales of real estate properties or mortgages, borrowings under the Unsecured Credit Facility, secured debt borrowings, or from other private debt or equity offerings. For the nine months ended September 30, 2009, the Company generated approximately $82.4 million in cash from operations and used approximately $81.4 million in total cash from investing and financing activities, including dividend payments, as detailed in the Company s Condensed Consolidated Cash Flow Statement.

Cost of Capital

The cost of the Company s short-term borrowings increased upon closing the new Unsecured Credit Facility on September 30, 2009. The rate on the revolving credit facility increased from 0.90% over LIBOR with a 0.20% facility fee to 2.80% over LIBOR with a 0.40% facility fee. Upon closing the Unsecured Credit Facility, the Company repaid the outstanding balance under its previous credit facility totaling $368.0 million.

The Company has also entered into loan application and commitment agreements to obtain mortgage financing not to exceed $140.3 million on certain of its properties. The mortgage debt will bear interest at a fixed rate of 7.25% per annum.

The Company expects that the additional interest expense from the Unsecured Credit Facility and the mortgage debt will have a negative impact on its future net income, funds from operations, and cash flows. As a result of its increasing short and long-term financing costs, the Company expects to pay quarterly dividends of $0.30 per share beginning with the fourth quarter of 2009, which would be payable in March 2010.

Contractual Obligations

The Company monitors its contractual obligations to ensure funds are available to meet obligations when due. The following table represents the Company s long-term contractual obligations for which the Company was making

Table of Contents

payments as of September 30, 2009, including interest payments due where applicable. The Company is also required to pay dividends to its stockholders at least equal to 90% of its taxable income in order to maintain its qualification as a real estate investment trust under the Internal Revenue Code of 1986, as amended. The Company s material contractual obligations as of September 30, 2009 for the remainder of 2009 and 2010 are included in the table below.

(Dollars in thousands)	2009	2010	Total
Long-term debt obligations, including interest (1)	$20,695	$ 46,039	$ 66,734
Operating lease commitments (2)	982	3,867	4,849
Construction in progress (3)	25,110	56,696	81,806
Tenant improvements (4)			
Deferred gain (5)	407		407
Construction loan obligation (6)	1,394		1,394
Pension obligations (7)			
	$48,588	$106,602	$155,190

(1) Includes estimated interest due on total debt other than on the Unsecured Credit Facility. See Note 4 to the Condensed Consolidated Financial Statements.

(2) Includes primarily two office leases and ground leases related to various properties for which the Company is currently making payments.

(3) Includes cash flow projections for the remainder of 2009 and 2010

related to the construction of four buildings. A portion of the remaining commitments is designated for tenant improvements that will generally be funded after the core and shell of the building is substantially completed.

(4) The Company has various remaining first-generation tenant improvements budgeted as of September 30, 2009 totaling approximately $20.3 million related to properties that were developed by the Company that the Company may fund for tenant improvements as leases are signed.

(5) As part of the sale of its senior living assets in 2007, the Company recorded a $5.7 million deferred gain related to one tenant under a lease assigned to one buyer.

The amounts the Company will pay are based upon the tenant s performance under its lease through July 31, 2011. As of September 30, 2009, the Company had paid $5.3 million to the buyer which reduced the Company s deferred gain. The Company expects to pay the remaining $0.4 million in the fourth quarter of 2009.

(6) The Company s remaining commitment at September 30, 2009 related to two construction loans. In October 2009, one of these loans was fully repaid to the Company, leaving approximately $27,000 in future commitments under the remaining construction loan.

(7) At December 31, 2008, the last measurement date, two

employees and five non-employee directors were eligible to retire under the Executive Retirement Plan or the Retirement Plan for Outside Directors. If these individuals retired at normal retirement age and received full retirement benefits based upon the terms of each applicable plan, the future benefits to be paid are estimated, as of the most recent measurement date, to be approximately $33.6 million, of which approximately $84,000 is currently being paid annually to one employee who has retired. Also, in January 2009, subsequent to the measurement date, the Company paid $2.3 million to its chief executive officer related to a partial settlement of his

pension benefits. Because the Company does not know when these individuals will retire, it has not projected in this table when these amounts would be paid.

As of September 30, 2009, the Company s leverage ratio [debt divided by (debt plus stockholders equity less intangible assets plus accumulated depreciation)] was approximately 45.8% and its earnings (from continuing operations) covered fixed charges at a ratio of 1.49 to 1.0 for the nine months ended September 30, 2009. Also, the Company had no significant debt maturities until 2011 at September 30, 2009. At September 30, 2009, the Company had $373.0 million outstanding under the Unsecured Credit Facility, with a weighted average interest rate of approximately 3.05%, and had borrowing capacity remaining, under its financial covenants, of approximately $177.0 million.

The Company s various debt agreements contain certain representations, warranties, and financial and other covenants customary in such loan agreements. Among other things, these provisions require the Company to maintain certain financial ratios and minimum tangible net worth and impose certain limits on the Company s ability to incur indebtedness and create liens or encumbrances. At September 30, 2009, the Company was in compliance with its financial covenant provisions under its various debt instruments.

The Company s senior debt is rated Baa3, BBB-, and BBB by Moody s Investors Service, Standard and Poor s, and Fitch Ratings, respectively.

Security Deposits and Letters of Credit

As of September 30, 2009, the Company had approximately $6.1 million in letters of credit, security deposits, debt service reserves or capital replacement reserves for the benefit of the Company in the event the obligated lessee or operator fails to make payments under the terms of their respective lease or mortgage. Generally, the Company may, at its discretion and upon notification to the operator or tenant, draw upon these instruments if there are any defaults under the leases or mortgage notes.

Acquisitions

During the first quarter of 2009, the Company acquired the remaining 50% equity interest in a joint venture which owns a 62,246 square foot on-campus medical office building in Oregon, for approximately $4.4 million of cash consideration, and assumed an outstanding mortgage totaling approximately $12.8 million. Prior to the acquisition, the

Table of Contents

Company owned a 50% equity interest in the joint venture. The building was 97% occupied with lease expirations through 2025. During the first quarter, HR Ladco Holdings, LLC, a joint venture in which the Company has an 80% controlling interest, acquired a 33,974 square foot medical office building in Iowa for $10.7 million. The property was 100% leased to two tenants.

During the third quarter of 2009, HR Ladco Holdings, LLC acquired a 22,572 square foot medical office building in Iowa for $3.6 million that was 100% occupied by one tenant whose lease expires in 2021. HR Ladco Holdings, LLC also acquired a 63,224 square foot medical office/wellness facility in Iowa for $21.0 million that was 100% occupied by one tenant whose lease expires in 2029.

Dispositions

During the first quarter of 2009, the Company disposed of three medical office buildings and membership interests in an entity that owned one medical office building for approximately $66.1 million in net proceeds and repaid a $19.5 million mortgage note secured by one of the properties.

During the second quarter of 2009, the Company disposed of one specialty inpatient facility and one ambulatory surgery center for approximately $20.5 million in net proceeds, including $1.5 million in proceeds from a land exchange.

During the third quarter of 2009, the Company disposed of a physician clinic for approximately $0.6 million in net proceeds.

Purchase Options

At September 30, 2009, the Company had a gross investment of approximately $110.9 million in real estate properties that were subject to outstanding, exercisable contractual options to purchase, with various conditions and terms, by the respective operators or lessees that had not been exercised.

Development Activity

As of September 30, 2009, the Company had four medical office buildings under construction with estimated completion dates ranging from the fourth quarter of 2009 through the third quarter of 2011. At September 30, 2009, the Company had $122.6 million invested in construction in progress, including $17.3 million of land held for future development, and expects to fund $25.1 million and $56.7 million in 2009 and 2010, respectively, on projects currently under construction. See Note 6 to the Condensed Consolidated Financial Statements for more details on the Company s construction in progress at September 30, 2009.

At September 30, 2009, the Company first-generation tenant improvements budgeted totaling approximately $20.3 million that had not yet been expended related to properties that were developed by the Company.

In addition to the projects currently under construction, the Company is financing an on-campus medical office development of an outpatient campus comprised of six facilities, with a total budget of approximately $72.6 million, of which the Company has already advanced $56.4 million. The Company expects to finance the remaining $16.2 million through 2011. With respect to five of the six facilities, the Company has an option to purchase each facility at a market cap rate upon its completion and attaining full occupancy. During 2009, two of the five properties were acquired for approximately $31.7 million. The sixth facility is under contract for sale to an unrelated party.

Dividends

The Company s Board of Directors declared a common stock cash dividend for the three months ended September 30, 2009 of $0.385 per share. This dividend is payable on December 4, 2009 to shareholders of record on November 20, 2009. As described in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 under the heading Risk Factors, the ability of the Company to pay dividends is dependent upon its ability to generate funds from operations and cash flows, and to make accretive new investments. As a result of its increasing short and long-term financing costs, the Company expects to pay quarterly dividends of $0.30 per share beginning with the fourth quarter of 2009, which would be payable in March 2010.

Liquidity

Net cash provided by operating activities was $82.4 million and $78.1 million for the nine months ended September 30, 2009 and 2008, respectively. The Company s cash flows are dependent upon rental rates on leases, occupancy levels of the multi-tenanted buildings, acquisition and disposition activity during the year, and the level of operating expenses, among other factors. The Company s leases, which provide its main source of income and cash

32

Table of Contents

flow, are generally fixed in nature, have terms of approximately one to 15 years and have annual rate increases based generally on consumer price indices.

The Company plans to continue to meet its liquidity needs, including funding additional investments, paying dividends, and funding debt service, with cash flows from operations, borrowings under the Unsecured Credit Facility, proceeds of mortgage notes receivable repayments, proceeds from sales of real estate investments, proceeds from secured or unsecured debt borrowings, or additional capital market financings. The Company closed on the Unsecured Credit Facility on September 30, 2009 and entered into loan application and commitment agreements to obtain mortgage financing on certain of its properties not to exceed $140.3 million. The Company anticipates closing on the mortgage financing during the fourth quarter of 2009, subject to normal and customary conditions. The Company believes that its liquidity and sources of capital are adequate to satisfy its cash requirements. The Company cannot, however, be certain that these sources of funds will continue to be available at a time and upon terms acceptable to the Company in sufficient amounts to meet its liquidity needs.

Impact of Inflation

Inflation has not significantly affected the Company s earnings due to the moderate inflation rate in recent years and the fact that most of the Company s leases and property operating agreements require tenants and sponsors to pay all or some portion of the increases in operating expenses, thereby reducing the Company s risk of the adverse effects of inflation. In addition, inflation has the effect of increasing gross revenue the Company is to receive under the terms of certain leases and property operating agreements. Leases and property operating agreements vary in the remaining terms of obligations, further reducing the Company s risk of any adverse effects of inflation. Interest payable under the Unsecured Credit Facility is calculated at a variable rate; therefore, the amount of interest payable under the Unsecured Credit Facility is influenced by changes in short-term rates, which tend to be sensitive to inflation. During periods where interest rate increases outpace inflation, the Company s operating results should be negatively impacted. Conversely, when increases in inflation outpace increases in interest rates, the Company s operating results should be positively impacted.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on the Company s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

New Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements for the impact of new accounting standards.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company is exposed to market risk in the form of changing interest rates on its debt and mortgage notes and other notes receivable. Management uses regular monitoring of market conditions and analysis techniques to manage this risk. During the three months ended September 30, 2009, there were no material changes in the quantitative and qualitative disclosures about market risks presented in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this report. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports it files or submits under the Exchange Act.

Changes in Internal Control over Financial Reporting. There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company s financial condition or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, an investor should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 and in Part II, Item 1A. Risk Factors in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, which could materially affect the Company s business, financial condition or future results. The risks, as described in the Company s Annual Report on Form 10-K and in Part II, Item 1A. Risk Factors in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company s business, financial condition or operating results.

Table of Contents

Item 6. Exhibits.

Exhibit 3.1	Second Articles of Amendment and Restatement of the Company (1)
Exhibit 3.2	Amended and Restated Bylaws of the Company, as amended (2)
Exhibit 4.1	Specimen Stock Certificate (1)
Exhibit 4.2	Indenture, dated as of May 15, 2001, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly First Union National Bank, as Trustee) (3)
Exhibit 4.3	First Supplemental Indenture, dated as of May 15, 2001, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly First Union National Bank, as Trustee) (3)
Exhibit 4.4	Form of 8.125% Senior Note Due 2011 (3)
Exhibit 4.5	Second Supplemental Indenture, dated as of March 30, 2004, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly Wachovia Bank, National Association, as Trustee) (4)
Exhibit 4.6	Form of 5.125% Senior Note Due 2014 (4)
Exhibit 10.1	Amended and Restated Credit Agreement, dated as of September 30, 2009, by and among the Company, Bank of America, N.A., as Administrative Agent, and the other lenders named therein (filed herewith)
Exhibit 10.2	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Nashville properties) (filed herewith)
Exhibit 10.3	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Dallas properties) (filed herewith)
Exhibit 10.4	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Charlotte properties) (filed herewith)
Exhibit 11	Statement re: Computation of per share earnings (filed herewith in Note 7 to the Condensed Consolidated Financial Statements)
Exhibit 31.1	Certification of the Chief Executive Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
Exhibit 31.2	Certification of the Chief Financial Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
Exhibit 32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

(1) Filed as an exhibit to the Company s Registration Statement on Form S-11 (Registration No. 33-60506) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.

(2) Filed as an exhibit to the Company s Form 10-Q for the quarter ended September 30, 2007 and hereby incorporated by reference.

(3) Filed as an exhibit to the Company s Form 8-K filed May 17, 2001 and hereby incorporated by reference.

(4) Filed as an exhibit to the Company s Form 8-K filed March 29, 2004 and hereby incorporated by reference.

Table of Contents

SIGNATURE

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

HEALTHCARE REALTY TRUST
INCORPORATED

By: /s/ SCOTT W. HOLMES
Scott W. Holmes
Executive Vice President and Chief Financial Officer

Date: November 9, 2009

Table of Contents

Exhibit Index

Exhibit	Description
Exhibit 3.1	Second Articles of Amendment and Restatement of the Company (1)
Exhibit 3.2	Amended and Restated Bylaws of the Company, as amended (2)
Exhibit 4.1	Specimen Stock Certificate (1)
Exhibit 4.2	Indenture, dated as of May 15, 2001, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly First Union National Bank, as Trustee) (3)
Exhibit 4.3	First Supplemental Indenture, dated as of May 15, 2001, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly First Union National Bank, as Trustee) (3)
Exhibit 4.4	Form of 8.125% Senior Note Due 2011 (3)
Exhibit 4.5	Second Supplemental Indenture, dated as of March 30, 2004, by the Company to HSBC Bank USA, National Association, as Trustee, (formerly Wachovia Bank, National Association, as Trustee) (4)
Exhibit 4.6	Form of 5.125% Senior Note Due 2014 (4)
Exhibit 10.1	Amended and Restated Credit Agreement, dated as of September 30, 2009, by and among the Company, Bank of America, N.A., as Administrative Agent, and the other lenders named therein (filed herewith)
Exhibit 10.2	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Nashville properties) (filed herewith)
Exhibit 10.3	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Dallas properties) (filed herewith)
Exhibit 10.4	Loan Application and Commitment Letter, dated as of July 20, 2009, by the Company and Teachers Insurance and Annuity Association of America (Charlotte properties) (filed herewith)
Exhibit 11	Statement re: Computation of per share earnings (filed herewith in Note 7 to the Condensed Consolidated Financial Statements)
Exhibit 31.1	Certification of the Chief Executive Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
Exhibit 31.2	Certification of the Chief Financial Officer of Healthcare Realty Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
Exhibit 32	

Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

(1) Filed as an exhibit to the Company s Registration Statement on Form S-11 (Registration No. 33-60506) previously filed pursuant to the Securities Act of 1933 and hereby incorporated by reference.

(2) Filed as an exhibit to the Company s Form 10-Q for the quarter ended September 30, 2007 and hereby incorporated by reference.

(3) Filed as an exhibit to the Company s Form 8-K filed May 17, 2001 and hereby incorporated by reference.

(4) Filed as an exhibit to the Company s Form 8-K filed March 29, 2004 and hereby incorporated by reference.